

AGENDA
ASSEMBLY BUDGET SUBCOMMITTEE NO. 2
ON EDUCATION FINANCE

Assemblymember S. Joseph Simitian, Chair

TUESDAY, APRIL 20, 2004
 STATE CAPITOL, ROOM 444
 10:00 A.M.

REGULAR BUSINESS

ITEM DESCRIPTION
 OUTSTANDING COMMITMENTS

ITEMS TO BE HEARD

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ITEMS TO BE HEARD

6110 DEPARTMENT OF EDUCATION

ISSUE 1: CATEGORICAL REFORM --GOVERNOR'S PROPOSAL TO ROLL 22 PROGRAMS INTO THE REVENUE LIMIT -- INFORMATION ONLY

The issue for the subcommittee to consider is the administration's categorical reform proposal. This proposal is contained in AB 2824 and will be considered by the Assembly Education Committee.

BACKGROUND:

The Governor proposes to roll funding from 22 categorical programs into the revenue limits of school districts currently receiving those funds. Funding would be provided to school districts as **a revenue limit add-on**, and the amount per district would be based on the 2004-05 amounts, adjusted for growth and COLA in years thereafter. His proposal is contained in AB 2824 (Runner), which will be considered in the near future by the Assembly Education Committee. In AB 2824, the Governor proposes to retain the statutes regarding the 22 programs, thereby giving districts the option of continuing the old programs, but not requiring them to do so. The total involved is \$2 billion, and the programs included in the shift are summarized in Table I below, which was provided by the Department of Finance (DOF). Table II includes a list of the programs that were not included in the proposal or any of the administration's block grant proposals.

The administration specifies the following criteria in determining which programs should be included in the proposal:

- Funding allocations have been stable for several years
- Programs do not require the funding to be earned by providing instruction to specific students
- Most districts get the funding
- There are few legal requirements or federal mandates to perform specific services

In exchange for this additional flexibility, the Governor proposes that school districts develop plans as to how they're going to spend the former categorical funds that are now discretionary funds. They would also be required to distribute this plan to the local media and the public prior to it being heard as part of the district's budget, along with information regarding which funds are subject to collective bargaining. These provisions are contained in AB 2824.

New control section. In addition to AB 2824, the administration proposes a new control section, section 12.70, to specify that funding from the 22 categorical programs go out as revenue limit funding.

Additional administration categorical block grants. In addition to the above, the Governor's budget summary proposes four other categorical reforms in which categorical funding would not be rolled into the revenue limit:

- 1) **A school safety block grant** -- This will be discussed below.
- 2) **Compensatory programs for Native American students.** This involves two programs, American Indian Education Centers, which provide supplemental educational and related services to Native American children and their families (\$3.8 million) and American Indian Early Childhood Education Program, which provides grants to programs serving pre-K Native American children to improve math and reading skills. (\$552,000). The Governor proposes to combine these programs into one budget item and proposes the same level of funding for these programs as last year. While meritorious, the proposal is really technical and would have no programmatic effect on the programs.
- 3) **Charter schools** -- The Governor also proposes to roll the charter school categorical block grant into the charter school apportionments. This will be discussed at the April 27 hearing.

COMMENTS:

LAO recommendation concerns. The LAO recommends that the Legislature adopt pieces of the Governor's proposal, namely that it roll several programs into the revenue limit. However, it raises questions about the types of programs and suggests different ones. It also recommends merging certain programs into several block grants. Lastly, it raises concerns about existing collective bargaining agreements that require that a certain percentage of any revenue limit increases be spent on salaries, and whether those agreements would reduce the flexibility that the Governor intends by rolling programs into the revenue limit. (See Issue #2 below for further details regarding the LAO's proposal.)

Effect on equalization? The subcommittee may wish to ask what effect the proposal will have on equalization, including any pressure to equalize funding in the future.

Table I: Administration's proposal to roll categorical programs into revenue limits

K-12 Programs Shifted to Revenue Limits in Administration's Categorical Reform Proposal	
(Dollars in Thousands)	
Program Name	2004-05 Budget Amount
Allocate to Current Recipients	
School Support	1,282,567
Home to School Transportation	519,641
School Improvement	396,055
Targeted Instructional Improvement Grant - Non Court Ordered	205,132
Supplemental Grants	161,739
Materials	179,229
Instructional Materials Block Grant Program/Incentive Grants	175,000
School Library Materials	4,229
Staff Development	384,619
Staff Development Day Buyout	235,695
Beginning Teacher Support and Assessment (BTSA)	87,473
Intersegmental Staff Development	2,023
Bilingual Teacher Training	1,798
Mathematics and Reading Professional Development	31,728
Peer Assistance Review	25,902
Pupil Retention	33,928
Dropout Prevention	21,885
At-Risk Youth (LAUSD)	600
Tenth Grade Counseling	11,443
Smaller Targeted Programs	144,026
English Learners Student Assistance	53,200
Year Round Schools	84,147
Specialized Secondary Program Grants	5,136
International Baccalaureate	1,091
Center for Civic Education	250
Pupil Residency Verification	162
Teacher Dismissal Apportionment	40
Total - General Revenue Limit Increase	2,024,369

Table II: Administration's Categorical Reform Proposal: List of programs proposed to be retained as separate categoricals

K-12 Programs Retained As Categoricals under the Administration's Proposal		
(Dollars in Thousands)		
Program Name	2004-05 Budget Amount	Deferrals
Class Size Reduction	1,761,960	
K-3 Class Size Reduction	1,651,775	
Ninth Grade Class Size Reduction	110,185	
Child Care and Nutrition	1,480,325	
Child Care and Development	1,279,597	
Before and After School Programs	121,533	
Child Nutrition	78,195	
Child Nutrition Breakfast Startup	1,000	
Services to Special Needs Students	3,283,478	
Special Education	2,674,600	
Economic Impact Aid	547,728	
Gifted and Talented Education	46,536	3,958
Foster Youth Programs	8,752	
Agricultural Voc. Ed	4,329	
Advanced Placement Fee Waivers	1,500	
Ca Association of Student Councils	33	
Statewide Accountability	328,569	
High Priority Low Performing Schools	193,141	
Intermediate Intervention Underperforming Schools (II/USP)	53,067	
Student Assessment Testing	79,360	
Sanctions	3,001	
Legal Requirements	854,808	
Targeted Instructional Improvement Grant - Court Ordered	553,698	
Prop 227/98	50,000	
Deferred Maintenance	250,271	
West Contra Costa Facilities	800	
Mandates- Various K-12	39	
Targeted Instructional Programs With Earned ADA	1,509,704	
Adult Education	603,116	42,720
Regional Occupational Centers / Programs (ROC/Ps)	391,105	
Supplemental Instruction (Summer School Programs)	361,955	85,447
California School Age Families Education (CalSAFE)	49,744	

Community Day Schools	32,798	4,533
Partnership Academies	22,999	
Apprentice Program	15,852	5,738
Adult in Correctional Facilities	13,966	
High Risk Youth Ed. & Public Safety Program	11,000	
Small School District Bus Replacement	4,558	
Opportunity Education	2,611	
Programs Being Phased Out	17,300	
Early Mental Health Initiative	5,000	
National Board Certification Incentives	7,300	
Principal Training	5,000	
Statewide Services and Oversight	50,445	
Educational Technology - CTAP	14,810	
County Office of Education Fiscal Oversight / FCMAT	9,723	
California School Information Services Project / FCMAT State Operations	4,049	
Student Friendly Services	500	
K12 Internet Access	21,025	
Reader Services for Blind Teachers	338	
Non Prop 98	21,664	
Child Nutrition (Non-P98)	10,426	
Advancement Via Individual Determination (AVID) (Non-P98)	10,300	
Ca. Assn. Of Student Councils /Voc Ed (Non-P98)	562	
American Indian Education Centers (Non-P98)	376	
Total	9,308,253	
Programs Included in Revenue Limits	358,063	
Necessary Small Schools	109,023	
Meals for Needy Pupils	126,841	
Continuation Schools	35,052	
Beginning Teacher Salary	87,147	
Charter Block grant	0	
School safety block grant	99,695	35,687
P2 Apportionment		747,030
Additional P2 due to categorical reform		146,262
Total		1,071,375

**ISSUE 2: CATEGORICAL REFORM -- OTHER LEGISLATIVE PROPOSALS --
INFORMATION ONLY**

The issue for the subcommittee to consider is a number of legislative categorical reform proposals and how they differ or complement the administration's proposal. These proposals will be considered by the appropriate policy committees, but will have an effect on the budget.

BACKGROUND:

Legislative proposals. In addition to AB 2824, which is sponsored by the administration, there are several legislative proposals to enact categorical reform. These are summarized in Table 3, and will be considered by policy committees. They all propose merging certain categorical programs into block grant for specific purposes.

Table 3: Summary of selected legislative categorical reform proposals

Bill Number	Location	Description
AB 1650 (Simitian)	Senate Education	<p>Consolidates a number of existing K-12 teacher support and development programs into a formula-based block grant, allocated based on per-teacher funding rates that vary according to teachers' levels of preparation and experience. Links block grant funding to standards for teacher support and professional development.</p> <p>Standards shall be: (1) based on a coherent, long-term planning process that involves teachers and administrators; (2) include a school-site professional development plan that is connected to overall school improvement objectives and evaluated based upon gains in student achievement; and (3) allow for integrated, ongoing collaboration among teachers.</p> <p><u>Programs included:</u></p> <ul style="list-style-type: none"> Instructional Time and Staff Development Reform Program Peer Assistance and Review Beginning Teacher Support and Assessment Mathematics and Reading Professional Development Program Alternative Certification Program (Internship Teacher Training) Pre-Internship Teaching Program National Board for Professional Teaching Standards Certification Incentive Program^a Paraprofessional Teacher Training Program Education Technology Staff Development Grades 4-8 School Development Plans and Resource Consortia High School Coaching Education and Training California Mathematics Initiative for Teaching California Subject Matter Projects Pre-Intern Teacher Academies California Professional Development Institutes (Stipends) California Professional Development Institutes (UC) Education Technology Professional Development Program <p>The total amount of funding for these programs would be about \$425 million, based on the Governor's 2004-05 Proposed Budget.</p>
SB 525 (Karnette)	Assembly Appropriations	Block grants supplemental instruction programs and prioritizes funding among different groups of students. States legislative intent to create a professional development block grant.

SB 1510 (Alpert)	Senate Education Committee	Combines various categorical programs into the following block grants, in which funding is distributed based on different district variables: <ul style="list-style-type: none"> • Pupil Retention Block Grant • School Safety Block Grant • Teacher Credentialing Block Grant • Professional Development Block Grant • Targeted Instructional Improvement Block Grant • Instructional Materials Block Grant • Economic Impact Aid Also rolls several existing revenue limit add-ons's into the base revenue limit.
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COMMENTS:

The above proposals differ from the Governor's and LAO's proposal (below) in that they consolidate various related programs into specific block grants to be used for specific purposes. The first two proposals were introduced last year and were approved by their first house of origin.

ISSUE 3: CATEGORICAL REFORM -- LAO PROPOSAL -- INFORMATION ONLY

The issue for the subcommittee to consider is the LAO's proposal for categorical reform.

BACKGROUND:

The LAO recommends rolling 18 categorical programs into the revenue limit, and consolidating other categorical programs into block grants for specific purposes. The specific block grants include: a teacher quality block grant and a compensatory block grant that includes Economic Impact Aid and the portion of desegregation funds that school districts use to support instructional services to low-performing students. LAO's approach is summarized in Table 4 below, which is copied from the LAO's Analysis of the 2004-05 Budget Act.

Table 4: LAO Categorical Reform Proposal

Figure 3 Summary of LAO Recommendations to Consolidate Categorical Programs Into Revenue Limits	
Programs Included:	
· Class-Size Reduction (both K-3 and High School) (a)	· Targeted Instructional Improvement Grants (partial)
· Home-to-School Transportation	· Tenth Grade Counseling
· Dropout Prevention	· Specialized Secondary Programs
· School Improvement	· School Library Materials
· Deferred Maintenance (a)	· At-Risk Youth
· Instructional Materials	· Center for Civic Education
· Supplemental Grants	· Pupil Residency Verification
· Year Round Schools	· Teacher Dismissal
Programs Excluded:	
· Staff Development Day Buyout	· Peer Assistance Review
· Beginning Teacher Support and Assessment	· Mathematics and Reading Professional Development
· English Learner Assistance	· Bilingual Teacher Training
· Intersegmental Staff Development	
a. Programs LAO recommends adding to the Governor's grant consolidation proposal.	

LAO cites the following criteria in determining whether programs should be included in the revenue limit: 1) Is local accountability sufficient to offset district incentives to underinvest in program services? (If not, then rolling the program into the revenue limit may lead to underinvesting.) 2) Is district need for funds measured reasonably well by district attendance? (If not, then rolling the program into the revenue limit may not ensure that funding matches need, since revenue limit funding is based on district attendance.)

Based on the above criteria, the LAO recommends removing staff development programs and support services for special needs students from the Governor's revenue limit block grant. It also recommends adding the following programs which the Governor does not include in his proposal, because it believes there is enough local accountability to ensure that these programs continue at their current level: K-3 class size reduction, high school class size reduction and deferred maintenance. The LAO also believes that the state should not allow complete flexibility for the funds in the first year, to allow districts planning time and time to adjust their collective bargaining contracts. It also recommends looking into way to increase community participation in school district's budgeting process.

COMMENTS:

The LAO will present its proposal at the hearing.

ISSUE 4: CATEGORICAL REFORM -- GOVERNOR'S PROPOSAL FOR SCHOOL SAFETY BLOCK GRANT

The issue for the subcommittee to consider is the Governor's proposal to merge several school safety programs into two block grants.

BACKGROUND:

The administration proposes to consolidate five school safety programs into a larger competitive grant program. It also proposes to continue two existing school safety programs: 1) the School Safety and Violence Prevention Program, which provides funding on a formula basis, and 2) the School Safety Plans for New Schools Program, which is currently part of the School/Law Enforcement Partnership Programs (most of the programs in this partnership are proposed for consolidation into the larger competitive grant program). For the competitive grant consolidation, the administration cites the small size of the grants and the administrative burden involved in applying, as well as the Department of Education's (CDE) administrative burden in administering the programs. According to the LAO, the CDE did not administer the following programs last year and does not plan to administer them this year: the School Community Violence Prevention program, the School Partnership Mini-Grants/ Safe School Planning program and the Conflict Resolution program, due to a shortage of staff resources necessary to effectively administer them. The administration's proposal is included below in Table 5 below, which is copied from the LAO's Analysis of the 2004-05 Budget Bill. The amounts proposed for the programs are the same as last year.

Table 5: Governor's School Safety Consolidation Proposal

Governor's School Safety Competitive Grant Consolidation	
(In Millions)	
Included Programs	Proposed 2004-05
Gang Risk Intervention Program	\$ 3.0
School/Law Enforcement Partnership Programs	
School Community Policing Partnership	10.0
School Community Violence Prevention	0.7
Partnership Mini-Grants/Safe School Planning	0.6
Conflict Resolution	0.3
Subtotal	(\$11.6)
Total	\$14.6
Excluded Programs	
School Safety and Violence Prevention Grant Program (a)	\$82.1
School Safety Plans for New Schools Program (b)	3.0
Total	\$85.1
	\$99.7
a The Governor proposes to use \$46.3 million in Proposition 98 reversion account funding and defers the remaining amount until 2005-06.	
b This program was previously within the School Law Enforcement Partnership Program; however, the Governor proposes to maintain this program separately in the budget year.	

DOF indicates that it intends to soften the statutes governing the five programs proposed for consolidation, and allow districts to continue their existing programs, if desired. Unlike the administration's larger categorical reform proposal, this proposal is not included in a bill; DOF indicates that it is developing language to this implement the proposal.

COMMENTS:

LAO alternative. The LAO proposes an alternative to the Governor's proposal. Namely, it proposes to include in the block grant the two school safety programs excluded by the Governor's proposal:

- 1) The School Safety Violence Prevention Grant Program (\$82.1 million), which distributes funding to all districts serving grades 8-12 based on enrollment in these grades. Funding can be used for any purpose related to school safety (e.g., metal detectors, conflict resolution, etc.) .
- 2) The School Safety Plans for New Schools Program (\$3 million), which was previously within the School Law Enforcement Partnership Program but is proposed to be maintained separately by the administration.

It also proposes that all funding go out on a formula basis, with three different formulas/components: 1) a per pupil grant based on enrollment in grades 8-12, 2) a high-risk school formula grant to the 20% of schools with the highest safety need, based on mandatory expulsion data, and 3) a new school planning grant. The LAO also proposes that school districts be required to utilize the block grant funds to offset school safety mandates. The LAO's proposal is summarized in Table 6 below, which is copied from the LAO's Analysis of the 2004-05 Budget Bill.

Table 6: Programs in LAO School Safety Block Grant

Programs	Amount
2004-05 (in millions)	
Per Pupil Grant Formula	
School Safety and Violence Prevention Grants (a)	\$82.1
State Mandated Programs	30.3
Notification of Truancy	9.2
Habitual Truants	6.9
Notification to Teachers of Pupil Expulsion	5.2
Pupil Suspensions, Expulsion, and Expulsion Appeals	3.4
Pupil Classroom Suspension: Counseling	2.5
Law Enforcement Agencies	1.8
Pupil Suspensions: Parent Classroom Visits	0.7
Juvenile Court Notices II	0.7
Expulsion Transcripts	--
Subtotal	(\$112.4)
High Risk School Formula	
School/Law Enforcement Partnership Programs	\$11.6
Gang Risk Intervention	3.0
Subtotal	(\$14.6)
School Safety Plans for New Schools	1.0
TOTAL	\$128.0

Attorney General's suggested modifications. Currently, the Attorney General jointly administers the five School/Law Enforcement Partnership programs with the California Department of Education, and has done so since the inception of the programs in 1985. The Attorney General generally agrees with the administration's proposal to combine four of these programs and the Gang Risk Intervention program into one competitive grant program. However, he recommends modeling the grant program after the School Community Policing Partnership program, and allowing elementary schools to apply for the grants. Representatives of the Attorney General's office will present more specific information on their recommendations at today's hearing.

ISSUE 5: FUNDING FLEXIBILITY BETWEEN CATEGORICAL PROGRAMS

The issue for the subcommittee to consider is the Governor's proposal to maintain funding flexibility between programs that are not proposed to be rolled into the revenue limits.

BACKGROUND:

The Governor proposes to continue the former mega-item flexibility provided last year to a long list of categorical programs, except that he excludes 10 programs that are included in his categorical reform proposal, and leaves the flexibility for the remaining nine programs. The Governor proposes this flexibility in control section 12.40. The proposed flexibility is the same as that provided in last year's budget, and allows school districts to transfer funding up to certain percentages between programs, in order to supplement programs that it feels are underfunded by the state. Specifically, the proposed control section, like last year, allows school districts to transfer funding from one program to another, as long as

- The amount transferred from any one program does not exceed 10% of that program's original funding level and
- The amount transferred to any one program does not exceed 15% of the receiving program's original funding level.

Districts can only transfer funding between programs listed in the proposed control section. These programs are listed below. The funding proposed for these programs is unchanged from last year's budget, with the exception of the Early Intervention for School Success program.

Foster Youth Programs	\$ 8.8 million
Gifted and Talented Education (GATE)	\$ 46.5 million
Opportunity Programs	\$ 2.6 million
Economic Impact Aid	\$547.7 million
American Indian Education	\$ 4.3 million
Early Intervention for School Success	\$ 0
Agricultural Vocational Education	\$ 4.3 million
Education Technology – CTAP	\$ 14.8 million
Child Nutrition Programs	\$ 78.2 million

History of the issue: Last year, the Legislature decreased the degree of flexibility that districts had in transferring funds between programs in this control section, as part of a larger local flexibility package that vastly increased districts' ability to use budget reserves to offset cuts. In contrast, last year this subcommittee approved no flexibility to transfer funds between programs. When the issue went to conference, the conference committee adopted a reduced level of flexibility compared to the previous year.

COMMENTS:

Staff notes that the number of programs left in this flexibility control section is greatly reduced compared to last year and that it contains one large program, Economic Impact Aid, which provides funding for English learners and economically disadvantage students, and a number of smaller programs. The subcommittee may wish to consider 1) whether it still makes sense to include the proposed flexibility provisions given the reduced number of programs and the disproportionate sizes and 2) whether funding flexibility makes more sense between programs that are intended for similar purposes, and whether this flexibility can be achieved through block granting legislative purposes rather than the proposed control section.

ISSUE 6: CATEGORICAL PROGRAM REDUCTIONS: DEFERRED MAINTENANCE

The issue for the subcommittee to consider is the Governor's proposal to reduce funding for deferred maintenance.

BACKGROUND:

In an April DOF letter, the administration amends the January 10 budget proposal by reducing funding for deferred maintenance by \$173 million, leaving \$77 million. In his January 10 proposal, the Governor had proposed \$250 million for this program, which provides funding to school districts for facilities maintenance projects such as roof repairs, electrical system replacement, etc. The administration indicates that the savings from the proposed reduction were used to pay for K-12 revenue limit deficit reduction and COLA's for all programs (including community colleges), as part of the revisions to the agreement with the Education Coalition.

The Governor's proposed revision to his original proposal would reduce funding for this program to the level approved last year, when the state reduced funding for this program considerably. The table below summarizes funding for this program for the past several years.

Table 7: Deferred Maintenance Funding: 2001-02 to Present

Year	2001-02	2002-03	2003-04	2004-05 January 10	2004-05 April revision
Funding (\$ millions)	\$176	\$206	\$77	\$250	\$77

COMMENTS:

While the Governor recommends retaining this program as a separate categorical program, the LAO recommends rolling this program into the revenue limit, because it believes that changes in the state's facilities program provide enough incentive for districts to maintain their buildings on an ongoing basis, so that they don't need a designated pot of funding for deferred maintenance. Specifically, it cites a new requirement that schools seeking state facilities bond funding spend 3% of their budgets on facilities maintenance. This is an increase from the former requirement that districts spend 2% of their budgets on maintenance.

ISSUE 7: CATEGORICAL PROGRAM REDUCTIONS: HEALTHY START

The issue for the subcommittee to consider is the Governor's proposal to eliminate funding for the Healthy Start grant program.

BACKGROUND:

The Governor proposes to eliminate funding for the Healthy Start program, which provides competitive grants to schools to establish on-site schools centers to promote health and support to families of children attending the school. Last year the Governor similarly proposed deleting funding for the program. Last year the subcommittee restored funding for this program, as did the final budget.

Background on program. The Healthy Start program was initiated in 1991. The purpose of the program is to establish local systems of comprehensive school-community integrated services that meet the needs of the children and families attending the school. Grantees receive \$400,000 grants of \$200,000 the first year and \$100,000 thereafter for two years. Grantees have between three and five years to spend their grant money, after which time they are required to obtain funding on their own to continue their programs. The program also provides \$50,000 planning grants to prospective participants. The types of services offered at Healthy Start sites vary depending on the needs of the community and may include eligibility workers who help families sign up for Healthy Families programs, dental services and referrals, after-school tutoring classes, ESL and parenting classes for parents and any other type of service that enhances children's ability to learn.

According to CDE, since its inception, Healthy Start has provided 815 planning grants and 643 operational grants, benefiting more than 1 million children and their families throughout California. The program has been evaluated twice and showed positive results related to education performance and test scores. (For example, the percentage of students receiving Healthy Start services who finished above the 25th percentile on the SAT9 for Total Reading was 6.5 times greater than for the rest of the pupils in the state.) The program has also been credited with leveraging private and public funds. Information requested of and provided by CDE suggests that operational grants of \$400,000 can leverage nearly \$2 million in local and federal funds.

History of funding. Prior to 2002-03, the state provided \$39 million a year for this program, to fund planning and operational grants. Funding was dropped to \$2 million in 2002-03, due to overall budget constraints. The administration proposed deleting funding for this program in last year's and this year's budget. As noted above, the Legislature restored \$2 million for this program in last year's budget. According to information requested of and provided by CDE, in the last round of funding, it received 34 applications for operational grants but was only able to fund 8 with the \$2 million that was provided.

COMMENTS:

Related issue: LEA Medical billing option. Many former Healthy Start grantees depend on the LEA Medical billing option to sustain their Healthy Start centers after their grant expired. (This option allows districts to draw down federal funds for services they provide to students.) Staff has received preliminary information suggesting that the administration (specifically, DHS) may be altering the claiming guidelines for districts, which may have a negative impact on the amount of federal funds school districts can claim. This issue will be heard at the April 27 hearing.

ISSUE 8: CATEGORICAL PROGRAM REDUCTIONS: EARLY MENTAL HEALTH INITIATIVE

The issue for the subcommittee to consider is a proposed reduction in funding for this program, which is funded with Proposition 98 money but administered by the Department of Mental Health.

BACKGROUND:

The Governor's Budget includes a 50 percent reduction in the Early Mental Health Initiative for a \$5 million General Fund savings by eliminating funding for half of the remaining grants. Last year, the Governor proposed eliminating funding for the program, but partial funding was restored by this subcommittee, and was contained in the final budget.

The Early Mental Health Initiative (EMHI) was authorized by Chapter 757, Statutes of 1991 (AB 1650). The goals of the program are to minimize the need for more intensive and costly services as students grow older and to increase the likelihood that students experiencing mild to moderate school adjustment difficulties will succeed in school. The program targets school-aged children between kindergarten and third grades. EMHI is the only funding source currently designated for provisions of such services to this population in California. It is important to note that California ranks 40th in the nation in the ratio of school psychologists to students (1:1,665).

EMHI grants implements researched-based program services. The key elements of the program include the provision of services that are school-based and low cost to appropriate students in the target population from low income families or who are in out-of-home placement or who are at risk of out-of-home placement. EMHI uses a systematic selection process of student most likely to benefit from program participation. The program collaborates with the County Mental Health Departments while also utilizing alternative personnel, such as child aides, to provide direct services to identified students. EMHI also maintains a commitment to outcomes based practices through ongoing monitoring and evaluation of program services, and ensuring the implementation of programs that are based on adoption or modification, or both, of existing program models that have been shown to be effective and which are based on sound research. Over 84 percent of student participants receive only one cycle of services (once a week for 12 – 15 weeks).

Budget History—Cost Effective and Efficacious Program for Young Pupils. EMHI is funded on a three-year grant cycle. The average cost per student for the program is \$656. In the 2003-04 Fiscal Year, 86 school districts participated in EMHI in 30 counties at 329 school sites. There were 137 total grants in the 2003-04 Fiscal Year. In 2002-03, EMHI served 23,000 at-risk students in K – 3 with direct services of the Primary Intervention Program and small group services. "Enhanced" EMHI programs served an additional 12,000 students each year with classroom violence prevention, character education, and parent education services. **What were the 2002-03 participation numbers?**

In the Budget Act of 2003, the Early Mental Health Initiative was reduced by one-third, by not renewing funding for the three-year grants that were up for renewal in the current year. Governor Davis initially proposed a complete elimination of the program, but the Legislature restored funding for the program.

Convincing Research. There is data to show that the EMHI program is substantially effective in improving the long-term social competence and school adjustment issues presented by children in the target population.

An independent contractor completed a treatment-versus-control-group study for the Department of Mental Health in 2000. It compared students who participated in the program in the fall, who were more severely in need of services, with other students who were waiting to start the program in the spring. The data demonstrated that the children who were served in EMHI in the fall showed improved scores on social competence and school adjustment by the end of their program in winter. The comparison group children, who were waiting to begin services, did not show comparable growth during the same time period, and in fact worsened in their social competency and school adjustment scores. The findings were statistically significant ($p < .001$) and lend additional support that participation in EMHI-funded services to lead to improvement.

The same independent contractor examined the maintenance of improvements among students over a two-year period following participation in EMHI-funded services. The data demonstrated a large improvement (14 percentile points) in social competence and school adjustment related behaviors between the baseline and year-one follow-up. Most, if not all, of these gains occurred during the approximately four-month period that participants received services. Equally important, the comparison between Year 1 and Year 2 follow-up data showed that these gains were maintained into the second year following services.

COMMENTS:

EMHI providers argue that the program is cost-effective: "By utilizing paraprofessionals as the primary services providers, EMHI provides effective, short-term interventions at a cost of approximately \$600 per child. Without early intervention services, students require more intensive and much more costly academic, behavioral, and mental health interventions. For example: Mental health and academic interventions provided by professionals typically cost three to four times as much as EMHI interventions. Incarceration of one child in the CA Youth Authority costs over \$40,000 per year. In addition to improvements in classroom behavior and social-emotional health of students, schools report improvements in student attendance, school environment, home-school partnerships, and faculty stress as benefits of EMHI programs."

EMHI providers also state that services prevent serious, future problems: "By building skills and addressing the emotional stressors and difficult life transitions that interfere with children's learning, EMHI reduces the likelihood of school/academic failure, bullying, social isolation, and school violence, and high-risk behaviors such as alcohol/drug abuse, criminal behavior, and sexual activity. By addressing these concerns early, EMHI prevents conditions associated with future need for more costly interventions such as mental health treatment services, academic remediation, and incarceration."

ISSUE 9: CATEGORICAL PROGRAM REDUCTIONS: EARLY INTERVENTION FOR SCHOOL SUCCESS

The issue for the subcommittee to consider is the Governor's proposal to eliminate funding for the Early Intervention for School Success program.

BACKGROUND:

The Governor proposes to delete funding for this program, a competitive grant program providing early intervention to high-risk students in pre-K through grade 2. The administration argues that the program is sunseting on July 1 of this year and therefore shouldn't be funded absent legislation to re-authorize it. However, it does not propose language to eliminate existing statute in its omnibus trailer bill.

Last year's budget provided \$2.2 million for this program, as did the 2002-03 budget.

COMMENTS:

The subcommittee may wish to inquire about the program's effect on special education programs and students, and the effect that the program's sunseting and elimination may have.

ISSUE 10: CATEGORICAL PROGRAM REDUCTIONS: SCHOOL-TO-CAREER PROGRAM

The issue for the subcommittee to consider is the Governor's proposal to eliminate funding for this program.

BACKGROUND:

The Governor proposes to eliminate funding for the School-to-Career program. Funding for this program in last year's budget was \$1.7 million, and \$1.8 million in the prior year. This program provides grants to school districts and county offices of education to create school-to-career partnerships, with the goal of encouraging students to explore and consider different careers and strengthen the relationship between classroom learning and the work world. With the help of these grants, schools form partnerships with businesses and the community and develop relationships that have benefits that go beyond school-to-career.

Last year, the Governor similarly proposed deleting funding for the program. However, the subcommittee restored \$1.7 million in funding, as did the final budget.

ISSUE 11: CATEGORICAL PROGRAM REDUCTIONS: LOCAL ARTS EDUCATION PARTNERSHIP

The issue for the subcommittee to consider is the Governor's proposal to eliminate funding for the Local Arts Education Partnership.

BACKGROUND:

The Governor proposes to eliminate funding for this program, which provides competitive grants to districts and county offices to support arts education. The proposal would generate \$6 million in savings, given that this was last year's funding level.

Last year, the Governor similarly proposed eliminating funding for this program. The subcommittee restored funding at \$6 million for this program, as did the final budget.

ISSUE 12: CATEGORICAL PROGRAM REDUCTIONS: ACADEMIC IMPROVEMENT AND ACHIEVEMENT

The issue for the subcommittee to consider is the Governor's proposal to eliminate funding for this program.

BACKGROUND:

The Governor proposes to eliminate funding for the Academic Improvement and Achievement Program, which received \$5 million in last year's budget. This is an outreach program that aims to help disadvantaged student prepare for admission to the CSU and UC systems. The program provides competitive grants to districts, which are part of regional partnerships with higher education institutions, to provide academic assistance and admissions counseling. The program is due to sunset on July 1, 2005, at the end of the 2004-05 budget year.

COMMENTS:

Governor's proposal on outreach. As part of UC and CSU's budget, the administration proposes to delete all funding for outreach programs, which prepare disadvantaged students for admission to the state's higher education systems. The subcommittee may wish to inquire as to whether the proposed funding level for this program is part of the Governor's overall package on outreach, or whether it has been selected for different reasons.

ISSUE 13: OTHER CATEGORICAL PROGRAM REDUCTIONS -- INFORMATION ONLY

Other hearings: The Governor's budget also proposes to delete funding for the following programs. These issues will be heard at the appropriate hearing, as indicated:

- 1) Charter Schools Facilities Grant program -- The Governor's budget proposes deletion of funding, for savings of \$7.7 million. This issue will be heard at the April 27 hearing, along with other charter school issues.
- 2) Pre-Intern Program -- The Governor's budget proposes deletion of funding, for a savings of \$8 million. This issue will be heard at the April 28 hearing, along with other programs administered by the Commission on Teacher Credentialing.

Governor's proposed phase out: The Governor's budget summary states that it intends to phase out funding for the following programs, even though it provides some funding for the budget year:

National Board Certification (\$7.3 million proposed, same as last year) and Principal Training (\$5 million proposed, same as last year). The subcommittee may wish to inquire what the administration intends by phasing out these programs.

ISSUE 14: EDUCATION MANDATES

The issues for the subcommittee to consider are various issues related to state reimbursement of local mandates, and ways to ensure that the state controls costs.

BACKGROUND:**Issues:**

- 1) **Governor's proposal on overall amount owed by the state.** The Governor's budget proposes to defer funding for all state education mandates to a future date, adding to the amount that the state owes districts for mandate reimbursements. This is consistent with what the state has done on mandates in the past two years. According to the LAO, the state owes approximately \$1.6 billion to school districts for mandate reimbursements; this amount is cumulative and reflects the state's decision to defer mandate reimbursements over the past few years.
- 2) **Governor's proposal on recently approved mandates.** According to the LAO, the Commission on State Mandates has recently approved the following mandates: 1) Peace Officer's Procedural Bill of Rights, 2) Financial and Compliance Audits, 3) Physical Education Reports, 4) Health Benefits for Survivors of Peace Officers and Firefighters, 5) County Office of Education Fiscal Accountability Reporting, 6) Employee Benefits Disclosure, 7) School District Fiscal Accountability, 8) Photographic Record of Evidence and 9) the Standardized Testing and Reporting Mandate. The Governor's budget provides \$1 in reimbursement for all except the STAR mandate, effectively recognizing all but the STAR mandate as reimbursable mandates. The administration does not recognize the STAR mandate because it believes the claims far overstate real costs, and proposes to delay recognition until claims are audited.
- 3) **Proposals to reconsider recently approve STAR mandate.** The recently approved STAR mandate has claims from the year 2001-02 totaling \$36 million. If recognized and upheld as a legitimate mandate, these totals would be expected to climb substantially as more districts file claims. As noted above, the administration questions the legitimacy of the mandate and proposes auditing claims for the STAR mandate before it recognizes and funds the mandate. It does not appear that the state can appeal the mandate as the three-year window for appeal by DOF has expired. The LAO also recognizes a number of problems with the Commission's original decision, and recommends that the Legislature adopt trailer bill language requesting the Commission to reconsider its decision and to consider the problems that LAO has raised with its original decision. The LAO will provide more information regarding its concerns and recommendations at the hearing.
- 4) **LAO proposal to recognize offsetting revenues.** The LAO notes that several new mandates are offset by categorical programs that the state provides for a similar purpose. It accordingly recommends that the subcommittee adopt budget bill language for the following budget items to require districts to use funds from these programs to first satisfy any related mandated costs: 1) State and federal testing programs, 2) County Offices of Education Fiscal Oversight, 3) Remedial education programs. The LAO also recommends the Legislature adopt trailer bill language requiring the Commission to make modifications to the new county office fiscal oversight mandate to consider existing state funds as offsetting revenue.

- 5) **Proposals to modify/ eliminate/ suspend long-standing mandates.** The Assembly, the administration and the LAO all have proposals in this area. All proposals need legislation to implement and as such are not items for action by the subcommittee, but are important to note.
- a. The Assembly Special Committee on State Mandates has reviewed a number of long-standing mandates affecting school districts and local governments. Its recommendations are contained in Appendix A. If adopted, these recommendations would significantly reduce the state's future mandate obligations.
 - b. The administration proposes to suspend the following mandates: School Crimes Reporting II, School Bus Safety II, Law Enforcement Sexual Harassment Training, County Treasury Oversight Committee. It proposes suspension through trailer bill language.
 - c. The LAO recommends the elimination of the Physical Education Reports mandate and the Employee Benefits Disclosure mandate because they are both unnecessary. Elimination would result in savings of at least \$500,000 annually.
- 6) **Proposals to modify the overall mandate claims and approval process.**
- a. The administration proposes legislation that would accomplish the following reforms to reduce mandate costs: allow the legislature to limit mandate costs through the annual budget act, require the Legislature to approve reimbursement guidelines and cost estimates before they are finalized by the Commission on State Mandates, and limit reimbursements to the "least costly approach." It also proposes more audits of K-12 mandate claims.
 - b. The LAO proposes a number of reforms related to the mandate reimbursement process. In particular, it proposes that the Legislature broaden the federal mandate exclusion to allow the Commission on State Mandates to wave state reimbursement any time federal law requires the same program, regardless of whether the federal requirement predates the state mandate.

COMMENTS:

Issues 3, 5 and 6 above issues require legislation.

ISSUE 15: GOVERNOR'S PROPOSED AUGMENTATION FOR EDUCATION TECHNOLOGY

The issue for the subcommittee to consider is the Governor's proposed \$21 million augmentation to county offices for high-speed Internet2 access and maintenance.

BACKGROUND:

The Governor proposes an augmentation of \$21 million in Proposition 98 funds to county offices to maintain their high-speed Internet2 access. DOF indicates that this funding is to continue the state's investment in the Digital California Project, which links schools to Internet2, a high-speed national education network established by universities and available to education institutions. It indicates that the program was funded last year through the UC budget at a level of \$14 million, and that the budget proposes increasing funding to \$21 million and moving it to the county offices (Proposition 98) to distribute to school districts. To date, UC has contracted with the Corporation for Education Network Initiatives, a non-profit, to implement the project.

The administration argues that the \$21 million is for maintenance of the high-speed network by school districts, and that districts need the network because it is a secured network for transmitting student and financial data between schools and counties. Because the \$21 million is for maintenance, the administration indicates its intent that this funding be ongoing. DOF indicates that it may develop language to specify how counties must distribute funding to districts.

COMMENTS:

LAO recommends deletion. The LAO recommends deletion of the proposed \$21 million because it argues that it entails high costs and low benefits. Specifically, it argues that districts and schools would have to invest sizeable amounts of money to connect to Internet2 (especially given that it's a new technology and may get cheaper in the future), and that its uses are limited because there is little software available for it.