

AGENDA – Part I**ASSEMBLY BUDGET SUBCOMMITTEE NO. 2
ON EDUCATION FINANCE**

Assembly Member Mervyn Dymally, Chair

THURSDAY, MAY 19, 2005
STATE CAPITOL, ROOM 437

E**ITEMS TO BE HEARD**

ITEM	DESCRIPTION	PAGE
6110	Department of Education	2
ISSUE 1	No Child Left Behind Act Requirement to Expand California English Language Development Test to K-1	2
ISSUE 2	May Revise Proposal Regarding Mega-Item	4
ISSUE 3	Governor's May Revise Proposal to Expand Categorical Reform	6
ISSUE 4	Governor's May Revision Proposed Changes to Supplemental Instruction	7
ISSUE 5	May Revision Mandate Proposals	8

ITEM 6110 DEPARTMENT OF EDUCATION**ISSUE 1: NO CHILD LEFT BEHIND ACT REQUIREMENT TO EXPAND CALIFORNIA ENGLISH LANGUAGE DEVELOPMENT TEST TO K-1**

The issues for the subcommittee to consider is a proposal to add money to expand the California English Language Development test to kindergarteners and first graders.

The subcommittee heard this issue at a May 18 hearing, and voted to reject #2 below. On issue #1 below, the subcommittee asked CDE, DOF and LAO to resolve the issue of whether the proposed funding comes out of state operations or local assistance.

BACKGROUND:

The Governor's May Revise proposes the following adjustments related to expanding the California English Language Development Test to kindergarten and grade one, due to a No Child Left Behind Act requirement:

- 1. \$1.4 million in Title III funds for expansion of California English Language Development Test (Issue 188)** It is requested that item 6110-001-0890 be decreased by \$1.4 million in federal Title III funds and that item 6110-113-0890 be increased by a corresponding \$1.4 million for the development of reading and writing assessments for English language learners in Kindergarten and Grade 1 to comply with the federal No Child Left Behind (NCLB) Act, which requires assessments of English proficiency to include an assessment of progress in attaining English reading and writing skills.

It also is requested that provisional language specifying the allowable uses of these funds be added to Item 6110-113-0890, as follows:

- X. Of the funds appropriated in Schedule (5), \$1,400,000 is available for the development of reading and writing assessments for English language learners in Kindergarten and Grade 1 to comply with the federal No Child Left Behind Act, which requires assessments of English proficiency to include an assessment of progress in attaining English reading and writing skills.*
- 2. \$2.2 million in Prop. 98 reversion account funds for start-up costs.** The May Revise proposes \$2,227,000, on a one-time basis, to the State Department of Education to cover start-up costs associated with the new California English Language Development Test contract.

COMMENTS:

Last year the administration had a similar proposal. It was rejected by the Legislature due to concerns that the state might obtain a waiver from the federal government to not have to implement the requirement that K-1 English learners be tested for English proficiency. According to CDE, the federal government turned down the state's waiver request, and California now has to implement the requirement.

On #1, last night DOF provided the following response regarding where the \$1.4 million will come from:

*It appears that **the state operations reduction does not need to be made** due to the existence of otherwise unbudgeted Title III funds from years prior to 2004-05.*

Therefore, DOF would be fine with the subcommittees modifying the May Revision letter to not reduce state operations by \$1.4 million, and to only adopt the augmentation portion of the letter for Item 6110-113-0890.

ISSUE 2: MAY REVISE PROPOSAL REGARDING MEGA-ITEM

The issue for the subcommittee to consider is a May Revise proposal to significantly increase the amount of funds that school districts can shift between programs in the former mega-item.

BACKGROUND:

The Governor's May Revise contains the following proposal to increase to 50% the amount that districts can transfer between programs in the mega-item. Currently, districts can transfer up to 10% out of an item, as long as the amount does not increase the receiving program by more than 15%.

Control Section 12.40, Local Assistance, (Issue 345) It is requested that Control Section 12.40 of the Governor's Budget be amended in order to increase local flexibility provisions to allow up to 50 percent of former mega-item programs to be transferred out to other specified programs, and transfers in not to exceed 150 percent of the amount of state funding allocated pursuant to the appropriations to that recipient for those programs in the current fiscal year:

It is further requested that Section (a) of Control Section 12.40 be amended as follows:

"(a) Notwithstanding any other provision of law, not more than ~~40~~ 50 percent of the amount apportioned to any school district, county office of education, or other educational agency under the programs funded in this act that were funded in Item 6110-230-0001 of Section 2.00 of SB 160 of the 1999-2000 Regular Session, as introduced on January 8, 1999, may be expended by that recipient for the purposes of any other program for which the recipient is eligible for funding under those items, except that the total amount of funding allocated to the recipient under this item that is expended by the recipient for the purposes of any of those programs shall not exceed ~~115~~ 150 percent of the amount of state funding allocated pursuant to the appropriations to that recipient for those programs in this act for the 2005-06 fiscal year. Notwithstanding any other provision of law, for the 2005-06 fiscal year, local education agencies may also use this authority to provide the funds necessary to initiate a conflict resolution program pursuant to Chapter 2.5 (commencing with Section 32260) of Part 19 of the Education Code, and to continue to support following the three-to-five year state grant period."

COMMENTS:

The mega-item includes the following programs:

- Home to School Transportation
- Educational Services for Foster Youth
- Specialized Secondary Programs
- Gifted and Talented Education Program
- Economic Impact Aid
- American Indian Education
- Agricultural Vocational Educational Incentive Program
- Educational Technology Program
- Various Staff Development Programs
- Child Nutrition Programs
- Teacher Dismissal Apportionments
- Year-Round School Grant Programs

Last year, the Legislature adopted legislation to provide school districts with significant new flexibility in how they can spend categorical funds. Prior to that legislation, the mega-item flexibility was the only source of funding flexibility for school districts. Now that the state has provided more flexibility, is there a need to continue the existing mega-item flexibility? The existing mega-item flexibility allows school districts to transfer funds between programs that have completely different purposes. Is this type of flexibility consistent with the type of flexibility that was provided in last year's categorical reform bill, which combined similar programs and provided funding flexibility between similar types of programs?

ISSUE 3: GOVERNOR'S MAY REVISE PROPOSAL TO EXPAND CATEGORICAL REFORM

The issue for the subcommittee to consider is the Governor's May Revise proposal to expand categorical reform in two ways: 1) expand the professional development block grant and 2) increase the amount of funds that can be transferred between block grants

BACKGROUND:

Governor's May Revise Proposal to Expand the Professional Development Block Grant. The Governor's May Revise contains a proposal related to expansion of the existing categorical block grant. The Governor proposes trailer bill language that would add professional development programs into the professional development block grant that was created last year pursuant to AB 825 (Firebaugh-Alpert). The language would also repeal professional development programs that have not been funded, and allow block grant funds to be used to support AVID. In addition, the proposed trailer bill language contains technical clean-up adjustments to AB 825.

Governor's May Revise Proposal to Increase the Amount of Funds That Can Be Transferred Between Block Grants. The Governor proposes trailer bill language that would increase the amount of funds that could be transferred between block grants from the current 15% to 50%. This is related to the Governor's proposal regarding the mega-item. (see above)

COMMENTS:

Staff notes that the Legislature is currently considering legislation regarding the first issue.

ISSUE 4: GOVERNOR'S MAY REVISION PROPOSED CHANGES TO SUPPLEMENTAL INSTRUCTION
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The issue for the subcommittee to consider is the Governor's May Revise proposal regarding changes to the Supplemental Instruction program.

BACKGROUND:

The Governor's May Revision proposes trailer bill language that intends to remove the following supplemental instruction programs from the Pupil Retention Block Grant and place them in the Remedial Supplemental Instruction Program: Low STAR or At-Risk of Retention Supplemental Instruction for Grades 2-6 and the Core Academic, Grades K-12 supplemental instruction program. It also contains technical changes to AB 825.

The Governor's May Revise also makes corresponding changes to the budget bill items, to reflect his proposal to move programs around, as follows:

6110-104-0001, Local Assistance, Remedial Supplemental Instruction Programs and 6110-243-0001, Local Assistance, Pupil Retention Block Grant (Issues 351 and 352) It is requested that Item 6110-104-0001 be increased by \$86,300,000 and 6110-243-0001 be decreased by \$86,300,000 to reflect the transfer of the Low STAR or At-Risk of Retention for Grades 2-6 and the Core Academic, Grades K-12 supplemental instruction programs to the Supplemental Instruction Program Item (6110-104-0001) to allow for increased flexibility to transfer funds between supplemental programs.

It is further requested that the following schedules be added to Item 6110-104-0001:

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|----|--|--------------|
| 3. | 10.10.011.010-School Apportionments, for Supplemental Instruction, Low STAR, or at-risk, Grades 2-6, for the purposes of Section 37252.8 of the Education Code, as applicable..... | \$15,534,000 |
| 4. | 10.10.011.011-School Apportionments, for Supplemental Instruction, Core Academic, Grades K-12, for the purposes of Section 37253 of the Education Code..... | \$70,766,000 |

COMMENTS:

Staff notes that the Legislature is currently considering legislation to clean up AB 825. Would that be a better vehicle for the Governor's proposed changes?

ISSUE 5: MAY REVISION MANDATE PROPOSALS

The issues for the subcommittee to consider are

- Proposed trailer bill language regarding two mandates and;
- A May Revise proposal to defer payment of claims of four newly adopted mandates – the subcommittee heard this issue at yesterday's hearing.

BACKGROUND:

1) Proposed trailer bill language: The Governor's May Revise proposes trailer bill language to add the Grand Jury Proceedings mandate to the list of education mandates that can be repealed with a \$0 appropriation. The Governor then proposes to suspend this mandate with a \$0 appropriation. The Governor's May Revise also proposes language to require the Commission on State Mandates to reconsider its decision to approve the State Accountability Report Card mandate, along with its parameters and guidelines for claims. (The State Accountability Report Card was part of Proposition 98.)

2) Four new mandates. The subcommittee heard this issue yesterday and held it open. The Governor's May Revision contains the following proposal:

6110-295-0001, Various Mandates (Issue 172)

It is requested that this item be increased by \$4,000 to cover costs of deferring four newly adopted mandates (Charter Schools II, Immunization Records – Hepatitis B, Criminal Background Checks II, and School District Reorganization).

COMMENTS:

The subcommittee may wish to ask DOF more about the two different mandates in the trailer bill language. Why does it believe the Commission on State Mandates acted wrongly to approve the SARC mandate and what is wrong with the P & G's.