

AGENDA**ASSEMBLY BUDGET SUBCOMMITTEE NO. 2
ON EDUCATION FINANCE****PART 1****Assembly Member Julia Brownley, Chair****TUESDAY, MAY 22, 2007
STATE CAPITOL, ROOM 444
10:00 AM****ITEMS TO BE HEARD**

ITEM	DESCRIPTION	PAGE
6110	DEPARTMENT OF EDUCATION	3
ISSUE 1	STATE SPECIAL SCHOOL – MAY 1 DOF PROPOSAL REGARDING CAPITAL OUTLAY	3
ISSUE 2	STATE SPECIAL SCHOOLS – OPEN APRIL DOF ISSUE	5
ISSUE 3	OPEN ISSUES – ARTS AND MUSIC BLOCK GRANT BUDGET BILL LANGUAGE	6
ISSUE 4	OPEN ISSUES – PHYSICAL EDUCATION FUNDING	8
ISSUE 5	OPEN ISSUES – TEACHER RECRUITMENT AND SHORTAGES	9
ISSUE 6	OPEN ISSUES – PROPOSED BACKFILL OF FEDERAL FOREST AREA FUNDS	11
ISSUE 7	CDE STATE OPERATIONS – MAY REVISE PROPOSAL REGARDING DISTRICT REORGANIZATION ENVIRONMENTAL IMPACT REPORT	12
ISSUE 8	CDE STATE OPERATIONS – MAY REVISE PROPOSAL TO ADD POSITION IN THE SCHOOL FISCAL SERVICES DIVISION	13
ISSUE 9	MAY REVISE PROPOSAL FOR A SCHOOLSITE ACCOUNTING WORKING GROUP	14
ISSUE 10	APRIL DOF PROPOSED ADJUSTMENTS REGARDING TESTING	16
ISSUE 11	OPEN ISSUES – TESTING, PILOT PROJECT FOR INDIVIDUAL GROWTH SCORES ON STATE TESTS	18
ISSUE 12	CDE STATE OPERATIONS – APPROPRIATION OF UNUSED FUNDS FOR THE REVIEW OF STANDARDS-BASED NATIVE AMERICAN INSTRUCTIONAL RESOURCES	20
ISSUE 13	OPEN ISSUES – PROPOSED CONTROL SECTION FOR HIGH SPEED NETWORK	21
ISSUE 14	MAY REVISE ADJUSTMENT TO THE STATE'S SCHOOL DEFERRED MAINTENANCE PROGRAM	23

ISSUE 15	MAY REVISE – COLA FOR CHILD AND ADULT CARE FOOD PROGRAM	24
ISSUE 16	MAY REVISE PROPOSAL REGARDING BUDGET CONTROL LANGUAGE FOR THE BEGINNING TEACHER SUPPORT AND ASSESSMENT PROGRAM	25
ISSUE 17	MAY REVISE PROPOSED TRAILER BILL LANGUAGE REGARDING LAST YEAR'S FUNDING FOR FISCAL SOLVENCY PLANS	26
ISSUE 18	MAY REVISE PROPOSAL REGARDING EMERGENCY LOANS	28

ITEMS TO BE HEARD

6110 DEPARTMENT OF EDUCATION

ISSUE 1: STATE SPECIAL SCHOOLS – MAY 1 DOF PROPOSAL REGARDING CAPITAL OUTLAY

The issue for the subcommittee to consider is a May 1 DOF proposal to re-appropriate unused funds for capital outlay projects.

BACKGROUND:

In a May 1 DOF letter, DOF proposes to re-appropriate the following balances for two capital outlay projects at the California School for the Deaf in Riverside:

1. Reappropriation of \$6,306,000 for construction and equipment (lease-revenue bonds) for the Multipurpose/Activity Center at the California School for the Deaf in Riverside.
2. Reappropriation of \$15,604,000 for working drawings, construction, and equipment (lease-revenue bonds) for the Career and Technical Education Complex and Service Yard at the California School for the Deaf in Riverside.

COMMENTS:

The language in the May 1 letter is as follows:

Addition of Budget Bill Item 6110-490, Capital Outlay, Department of Education, State Special Schools and Services Division

It is requested that Item 6110-490 be added to reappropriate the balance of funds for the following project phases at the California School for the Deaf in Riverside.

1. Multipurpose/Activity Center – Construction and Equipment. The project has been delayed due to a lack of construction funding after the project was bid on March 23, 2006. The lowest responsive bid was 19.8 percent above the approved construction funding. This reappropriation request will allow the existing funds to remain intact until a supplemental appropriation of \$2,342,000 is approved in the Budget Act of 2007.

2. Career and Technical Education Complex and Service Yard – Working Drawings, Construction, and Equipment. The project has been delayed due to unforeseen delays during the California Environmental Quality Act (CEQA) review. The CEQA soil testing detected a volatile organic compound called pinene. The pinene issue has been resolved but the CEQA delays will require that the existing funds for the working drawings, construction, and equipment will need to be reappropriated in order to meet the revised project schedule.

ISSUE 2: STATE SPECIAL SCHOOLS – OPEN APRIL DOF ISSUE

The issues for the subcommittee to consider are two open issues:

BACKGROUND:

The following is an issue heard by the subcommittee at an April 17 hearing but left open.

- April DOF letter regarding unemployment insurance costs – The April DOF letter proposes an augmentation of \$275,000 to cover increased Unemployment Insurance costs related to increased claims and contract costs. DOF states that these increased benefits and claims result primarily from seasonal (school year) staffing issues. (issue 955)

**ISSUE 3: OPEN ISSUES - ARTS AND MUSIC BLOCK GRANT BUDGET BILL
LANGUAGE**

The issues for the subcommittee to consider are two proposals to change the budget bill control language that dictates the terms of this funding.

BACKGROUND:

There are two open issues related to budget control language that dictates the terms of the Arts and Music Block Grant funding:

1. **May Revise proposal** – The Governor proposes to change the budget control language for this item to require districts to distribute these funds to all schoolsites, as follows:

~~“2. The State Department of Education shall allocate the funding to districts, charter schools, and county offices of education for distribution to all schoolsites at an equal per pupil amount on the basis of a minimum of \$2,500 for schoolsites with 20 or fewer students and a minimum of \$4,000 per schoolsite with more than 20 students.~~

4. Of the funds appropriated in this item, ~~\$4,242,000~~ \$4,757,000 is for the purpose of providing a cost-of-living adjustment (COLA) at a rate of ~~4.04~~ 4.53 percent. The Superintendent of Public Instruction shall allocate these funds on an equal per-pupil basis to all school sites ~~receiving more than the minimums specified in provision 2 of this item.”~~

2. **Advocates' proposal to collect more data** – Advocates for visual and performing arts programs propose changing the budget control language so that a) districts may use the funds for professional development and b) districts are required to report how they spend the funds to CDE, who must then report this information to the Legislature and administration. The specific provisions related to CDE's reporting requirement are included in the following proposals:

The State Department of Education shall collect data and report on the total number of additional credentialed teachers and/or administrators hired in dance, music, theatre and visual arts, and at what grade level (s). Further it shall indicate the total amount spent for professional development, number of credentialed teachers and administrators served, grade level (s), and artistic discipline. The report shall also include data on the amount of the block grant funds spent on supplies, books and equipment, indicating grade level (s) and artistic discipline.

COMMENTS:

Staff recommends adoption of the following language:

1. The funds appropriated in this item shall be for the purpose of providing block grants to school districts, charter schools, and county offices of education to support standards-aligned visual and performing arts and music instruction in the content areas of dance, music, theatre and visual arts in kindergarten and grades 1 to 12, inclusive. It is the intent of the Legislature that these funds supplement, and not supplant, existing resources for arts and music.
2. The State Department of Education shall allocate the funding to districts, charterschools, and county offices of education at an equal per pupil amount on the basis of a minimum of \$2,500 for schoolsites with 20 or fewer students and a minimum of \$4,000 per schoolsite with more than 20 students.
3. The funds appropriated in this item may be used for hiring of additional staff, purchase of new materials, books, supplies, and equipment, and implementing or increasing staff development opportunities and professional development, as necessary to support standards-aligned visual and performing arts and music instruction.
4. For the 2007-08 fiscal year, as a condition of receipt of funding, participating districts shall provide CDE with the following information regarding their expenditure of these funds: a) the total number of staff and additional credentialed teachers hired in dance, music, theatre and visual arts, and at what grade level, b) the total amount spent for professional development, including the number of credentialed teachers served, grade level and artistic discipline c) the total amount spent on supplies, books and equipment, indicating grade level and artistic discipline, and d) the percentage of the district's schoolsites that received funding. For the 2007-08 fiscal year, the State Department of Education shall collect and compile this data and report the totals to the Legislature and the administration.
5. Of the funds appropriated in this item, \$4,242,000 is for the purpose of providing a cost-of-living adjustment (COLA) at a rate of 4.04 percent. The Superintendent of Public Instruction shall allocate these funds on an equal per-pupil basis to all school sites receiving more than the minimums specified in Provision 2 of this item.

ISSUE 4: OPEN ISSUES – PHYSICAL EDUCATION FUNDING

The issues for the subcommittee to consider are open issues related to a) ongoing funding for physical education block grants and b) last year's one-time funding for arts, music and physical education block grants.

BACKGROUND:

Physical Education Block Grants. At an earlier hearing, the subcommittee heard the issue of the Governor's proposal to continue funding for physical education block grants, which were initiated in last year's budget. The subcommittee also heard testimony from advocates and CDE regarding the language that dictates the terms of the grants (see comments below).

This program was initiated by the administration last year through the budget. The program provides incentive grants to schools serving grades K-8, to support the hiring of more credentialed physical education teachers. Grant recipients are to be randomly selected by CDE, with some concern for equitable distribution based on type of school, size and geographic location. In addition, if grant recipients do not meet the required physical education instructional minutes required by law, they shall be required to provide a plan to the county office of education that corrects the deficiency in physical education minutes.

One-time money in last year's budget. Last year's budget contained \$500 million for an arts, music and physical education block grant. The funding was one-time and the Governor does not propose to continue this funding in the 2007-08 budget. Staff notes that the language for that block grant contained both "physical education" and "physical fitness" when specifying potential uses for the funds. The use of both of these terms (which have different meanings) created some confusion and questions among districts in determining potential uses for the funding.

COMMENTS:

At the March 27 hearing, advocates proposed changes to the budget control language that would allow the funds to be used for professional development as well as to hire physical education teachers. Advocates also asked to change last year's trailer bill language related to the one-time funding, to eliminate references to "physical fitness."

ISSUE 5: OPEN ISSUES – TEACHER RECRUITMENT AND SHORTAGES

The issues for the subcommittee to consider are two open issues related to the state's teacher shortages in specific areas and state efforts to recruit teachers in these areas.

BACKGROUND:

The following issues were heard earlier by the Subcommittee but held open:

1) April DOF letter regarding federal math and science teacher funds.

In an April DOF letter, the administration proposed the following changes to the January 10 budget, related to CDE state operations to administer the Math and Science Partnership Program:

- **Positions.** An increase of \$387,000 in federal Math and Science Partnership Program funds plus 1.5 positions to support increased workload related to this program. According to DOF's summary, "This program provides competitive grant awards to partnerships of low-performing schools and institutes of higher education to provide staff development and curriculum support for mathematics and science teachers."
- **Evaluation funds.** An increase of \$200,000 in federal Math and Science Partnership funds to expand the existing contract for external evaluations of the program.

In accordance with the proposal, the administration proposes the following language to implement it.

X. Of the funds appropriated in this item, \$167,000 and 1.5 positions are provided to support increased workload for the Mathematics and Science Partnership Program. Additionally, \$200,000 is provided to expand the external evaluator contract.

2) Subcommittee issues related to coordination and evaluation of existing teacher recruitment issues. At its March 27 hearing, the subcommittee heard information regarding statewide teacher shortages in specific areas (math and science teachers, special education) and budget proposals intended to address those shortages. Members requested information from the LAO regarding whether there are statewide goals for addressing these specific shortages, whether there is a need for better coordination between the various state agencies charged with running the various programs, and how the state might evaluate the effectiveness of these programs in addressing shortages. In response, the LAO has drafted the following supplemental report language:

Item 6110-001-0001—California Department of Education

The Legislative Analyst's Office (LAO) shall submit a teacher recruitment report to the Legislature by April 15, 2008. The report shall review the state's teacher recruitment goals and assess the effectiveness of the teacher recruitment programs the state has created to help meet those goals. In addition, the report shall include recommendations for both improving and better coordinating the state's efforts in this area. The California Department of Education, Commission on Teacher Credentialing, University of California, California State University, California Community Colleges, and Student Aid Commission shall share with the LAO all pertinent information about the teacher recruitment programs they administer.

COMMENTS:

Background on Federal Math and Science Partnership Program. The Mathematics and Science Partnership (MSP) program was created by the federal government as part of the No Child Left Behind Act of 2001. It is intended to increase the academic achievement of students in mathematics and science by enhancing the content knowledge and teaching skills of classroom teachers. Partnerships between high-need school districts and the science, technology, engineering, and mathematics (STEM) faculty in institutions of higher education are at the core of these improvement efforts. For the 2007-08 fiscal year, California is expected to have \$27 million in funds for this program. According to CDE, the program funds 64 projects (partnerships) in California.

ISSUE 6: OPEN ISSUES – PROPOSED BACKFILL OF FEDERAL FOREST AREA FUNDS

The issue for the subcommittee to consider is a proposal by the administration to set aside \$69 million in non-Proposition 98 General Fund for a loan program to help school districts adversely affected by the elimination of a federal program. The subcommittee heard this issue earlier and held it open.

BACKGROUND:

Governor's Budget. The Governor proposes to set aside \$69 million in non-Proposition 98 General Fund to provide short-term loans to districts that are adversely affected by the expiration of a federal program, the National Forest Area Schools Program. The program provides federal funds to schools and local governments in National Forest Areas, to help offset losses in property tax revenues that result from federally-owned land. According to the Governor's budget summary, last year's federal budget inadvertently excluded the funding, but Congress intends to restore the funding in the next budget. The proposed short-term loans will go to affected school districts to backfill the loss in federal funds, and participating school districts will have to pay back the loans by June 30, 2008. According to the administration, the federal funds are available for the 2006-07 fiscal year, but not for the 2007-08 fiscal year. The fiscal impact of the loss of these funds differs from school to school, with a much larger impact on necessary small schools in rural areas. According to DOF, these federal funds account for anywhere between three and 40 percent of schools' budgets.

The funding for this program used to originate with the U.S. Department of Agriculture and would be distributed to counties, which would then distribute half of the funds to schools and half for local roads.

The Governor's budget scores the \$69 million as an expense in 2006-07, but also shows that General Fund getting "paid back" the full \$69 million from school districts in 2007-08. Thus, the administration assumes that there is no net cost for the proposal over the two years.

COMMENTS:

Recent information suggests that it is not likely that this program will be renewed in the federal budget. If that is the case, then the basic assumption behind the short-term loan concept (that affected districts will soon receive the federal funding to pay back the loan) is not valid.

ISSUE 7: CDE STATE OPERATIONS – MAY REVISE PROPOSAL REGARDING DISTRICT REORGANIZATION ENVIRONMENTAL IMPACT REPORT

The issue for the subcommittee to consider is a May Revise proposal to provide CDE with reimbursement authority to pay for its review of environmental impact reports that districts conduct when they reorganize.

BACKGROUND:

The Governor's May Revise includes the following proposal to give CDE reimbursement authority to allow it to spend funds it might receive from fees charged to school districts. The fees would pay for CDE's costs of reviewing environmental impact reports that districts are required to do when they reorganize. DOF indicates that it intends to pursue legislation to create these fees.

6110-001-0001, State Operations, District Reorganization Environmental Impact Report (Issue 986)

It is requested that this item be increased by \$290,000 in Reimbursement authority for the SDE to be reimbursed for costs associated with an environmental impact report regarding the proposed formation of the Wiseburn Unified School District. The Administration will pursue legislation to require that impacted school districts reimburse the state for costs related to California Environmental Quality Act reviews during reorganizations initiated by either the district or the local community.

COMMENTS:

This proposal is dependent upon the Legislature's approval of legislation to authorize CDE to charge fees for review of these environmental impact reports.

ISSUE 8: CDE STATE OPERATIONS – MAY REVISE PROPOSAL TO ADD POSITION IN THE SCHOOL FISCAL SERVICES DIVISION

The issue for the subcommittee to consider is a May Revise proposal to add a position in CDE's School Fiscal Services Division.

BACKGROUND:

The Governor's May Revise includes the following proposal to add a position to CDE's School Fiscal Services Division:

6110-003-0001, State Operations, School Fiscal Services Division Position (Issue 989)

It is requested that this item be increased by \$110,000 and 1.0 Education Consultant position in the SDE's School Fiscal Services Division to address workload related to the refinancing of school district emergency loans through the sale of lease revenue bonds authorized by Chapter 263 of the Statutes of 2004. Additionally, this position will serve as coordinator and support staff for the working group facilitated by the Fiscal Crisis and Management Assistance Team (FCMAT) for the purpose of tracking district revenues and expenditures at the school site level (see Item 6110-107-0001, Issue 990).

COMMENTS:

The second purpose listed in the above proposal for the new position is linked to a local assistance proposal in the Governor's May Revise. The proposal would give \$300,000 to the Fiscal Crisis and Management Assistance Team to create a working group to develop criteria and definitions within the state's Standardized Account Code Structure to account for district revenues and expenditures down to the schoolsite level.

ISSUE 9: MAY REVISE PROPOSAL FOR A SCHOOLSITE ACCOUNTING WORKING GROUP

The issue for the subcommittee to consider is a May Revise proposal to fund a working group run by the Fiscal Crisis and Management Assistance Team to develop common definitions for the purpose of tracking district revenues and expenditures at the schoolsite level.

BACKGROUND:

The Governor's May Revise includes the following proposal related to a working group run by the Fiscal Crisis and Management Assistance Team.

School Site Accounting Working Group (Issue 990)—It is requested that Schedule (2) of this item be increased by \$300,000 to fund a working group in 2007-08 and 2008-09 to develop criteria and definitions within the state's Standardized Account Code Structure for the purpose of tracking district revenues and expenditures at the schoolsite level.

It is further requested that Provision (4) be amended as follows to conform to this action:

"4. Of the funds appropriated in Schedule (2):

(a) \$2,686,000 shall be allocated by the Controller directly to a county office of education selected pursuant to subdivision (a) of Section 42127.8 of the Education Code to oversee Fiscal Crisis and Management Assistance Team (FCMAT) responsibilities with respect to these funds and to meet the costs of participation under Section 42127.8 of the Education Code.

(b) \$250,000 shall be available to develop and implement the activities of regional teams of fiscal experts to assist districts in fiscal distress.

(c) \$418,000 shall be allocated to FCMAT for the purpose of providing, through computer technology, financial and demographic information that is interactive and immediately accessible to all local educational agencies to assist them in their decision making process. To ensure a completely integrated system, this computer information should be developed in collaboration with the State Department of Education, and should be compatible with the hardware and software of the State Department of Education, so that this information may also assist state-level policymakers in making comparable standardized financial information available to the local educational agencies and the public.

(d) \$300,000 shall be available for one-time expenditure through June 30, 2009 to create a working group, including the State Department of Education, to develop criteria and definitions within the state's Standardized Account Code Structure to account for district revenues and expenditures down to the schoolsite level. A progress report on the development of the schoolsite level accounting definitions shall be submitted to the Legislature, Department of Finance, State Department of Education, and Governor by June 30, 2009."

COMMENTS:

The administration proposes to fund this with ongoing funds. Is this a one-time activity that can be funded with one-time funds?

ISSUE 10: APRIL DOF PROPOSED ADJUSTMENTS REGARDING TESTING

The issues for the subcommittee to consider are two April DOF adjustments to reflect savings in the state's testing item.

BACKGROUND:

In an April DOF letter, the Governor proposes the following adjustments:

1) 6110-113-0001, Local Assistance, California's Pupil Testing Program (Issues 832 and 833)

Issue 832: California High School Proficiency Exam—It is requested that Schedules (5) and (6) of this item be amended to reflect an increase in reimbursement authority of \$74,000 for the California High School Proficiency Exam (CHSPE). These funds will be used to pay a contractor for the administration of the CHSPE.

Issue 833: Provisional Language—It is also requested that Provisions 1 and 4 of this item be amended as follows to clarify and conform to the Education Code. Specifically, it is requested that a CHSPE statutory reference be added to Provision 1. As in past Budget Act items, this item will appropriate funds for the administration of the CHSPE and a statutory reference will eliminate ambiguity as to the appropriate use of these funds. Also, it is requested that the term "annually" be struck from Provision 4. This term is unnecessary because the common practice of the State Board of Education is to adjust the California High School Exit Exam apportionment funding on an as-needed basis.

"1. The funds appropriated in this item shall be for the pupil testing programs authorized by Chapter 3 (Section 48412), Chapter 5 (commencing with Section 60600), Chapter 6 (commencing with Section 60800), Chapter 7 (commencing with Section 60810), and Chapter 9 (commencing with Section 60850) of Part 33 of the Education Code."

"4. The funds appropriated in Schedule (4) include funds for approved contract costs and apportionment costs for the administration of the California High School Exit Examination (CAHSEE) pursuant to Chapter 9 (commencing with Section 60850) of Part 33 of the Education Code. The State Board of Education shall ~~annually~~ establish the amount of funding to be apportioned to school districts for the CAHSEE. The amount of funding to be apportioned per test shall not be valid without the approval of the Department of Finance."

2) 6110-113-0890, Local Assistance, Title VI Flexibility and Accountability (Issues 838, 842, 843, and 845)

It is also requested that \$130,000 be shifted from Schedule (5) to Schedule (6) of this item. This adjustment is necessary to reflect an increase in evaluation costs for the California High School Exit Exam (CAHSEE).

It is also requested that Schedule (6) be reduced by \$100,000 to reflect the removal of one-time funds for a study of English learner and special education students who did not graduate because of the CAHSEE requirement. The evaluation was a one-time activity, and it is no longer necessary to include funding in the annual Budget Act. Provisional language for this evaluation was removed from the Governor's budget; however, the funding was not removed.

COMMENTS:

The above adjustments reflect adjustments in Proposition 98 and federal testing funds.

ISSUE 11: OPEN ISSUES - TESTING, PILOT PROJECT FOR INDIVIDUAL GROWTH SCORES ON STATE TESTS

The issue for the subcommittee to consider is a LAO recommendation regarding the need for individual student growth data from the state's testing system.

BACKGROUND:

At an earlier hearing the subcommittee heard from the LAO about the importance of having individual student growth scores from the state's testing system. As part of its recommendations regarding English learners, the LAO recommends that the state's STAR system be revised so that performance levels mean the same thing in each grade. This would allow the state to measure individual and aggregate student gains and losses across years for all students. The LAO notes that this data can a) provide more information to students and parents about students' year-to-year progress, b) help schools evaluate how well groups of students are progressing toward state goals and c) provide better data for program evaluations. As a first step, the LAO recommends that the CDE be required to contract out for a report on the feasibility of this change. The state already collects individual student growth scores for the California English Language Development Test (CELDT), which is used to assess the progress of English learners in acquiring skills in speaking, reading and writing English. Staff also notes that the availability of this data would allow the state to apply to the federal government to receive more flexibility in implementing NCLB.

COMMENTS:

The LAO met with representatives of CDE and DOF to gather information regarding the cost and feasibility of implementing the LAO's recommendation regarding a pilot project. After meeting with these groups, the LAO drafted the following language to carry out the pilot project. The language would require CDE to test three different ways of measuring individual student growth on the California Standards Tests.

X. Of the funds appropriated in this item, \$150,000 shall be used by the State Department of Education (SDE) to conduct an evaluation of three measures of student growth on the California Standards Tests. This funding would augment a provision in the current STAR contract to conduct a pilot study of growth expectations using existing longitudinal data of selected grades and content areas. It is the intent of the legislature to expand this study to evaluate the strengths and weaknesses of three possible options for measuring annual growth on the state standards tests including norm referenced, growth expectation tables, and value added measures. The study should consider student cohorts by grade level as well as sub-populations such as English Learners, Special Education students, low-income students, and students with parents with low levels of education. The results of this study will provide guidance on the utility of a growth model to meet state and federal accountability requirements. The results of this study would provide guidance on the ease of understanding and communicating the meaning of various growth measures to parents, educators, policy makers, and students. The results of this study will not affect the current performance measures or standards already in place in California. The SDE shall review the results of the evaluation and prepare a report of the results to the Legislature, the State Board of Education, and the Governor no later than April 1, 2008.

ISSUE 12: CDE STATE OPERATIONS – APPROPRIATION OF UNUSED FUNDS FOR THE REVIEW OF STANDARDS-BASED NATIVE AMERICAN INSTRUCTIONAL RESOURCES

The issue for the subcommittee to consider is a proposal to re-appropriate unused funds for the review of standards-based Native American Instructional resources.

BACKGROUND:

Background. SB 41 (Alpert) of 2001 established a competitive grant program administered by the State Library to develop educational materials on California Native American history, culture and tribal sovereignty for use in grades K-12. The bill also required CDE and the State Board of Education to review the instructional resources in relation to the history-social science content standards and make adjustments in subsequent instructional materials adoptions. The bill appropriated \$100,000 to CDE to carry out these activities.

Staff has learned that approximately \$50,000 of the original appropriation is unused and reverted because the development of the materials took longer than anticipated. Staff recommends re-appropriation of this \$50,000 to allow CDE to comply with the current law requirements to review these resources in relation to history-social science content standards and corresponding instructional materials.

Item 6110-001-0001

- 1) Augment by \$50,000.
- 2) Add provisional language:

XX. Of the funds appropriated in this item, \$50,000 shall be available to the Curriculum Development and Supplemental Materials Commission and the State Board of Education for the purpose of reviewing the standards-based Native American instructional resources developed pursuant to Section 13041 of the Education Code.

COMMENTS:

Staff notes that this proposal will not result in an augmentation in overall General Fund expenditures because the re-appropriation will only spend funds that were originally intended for this purpose but went unspent.

ISSUE 13: OPEN ISSUES - PROPOSED CONTROL SECTION FOR HIGH SPEED NETWORK

The issue for the subcommittee to consider is a proposal previously heard by the subcommittee to re-institute a control section regarding the High Speed Network.

BACKGROUND:

At an earlier hearing, the subcommittee heard the LAO's testimony and recommendations regarding the need for greater protection of state assets included in the California Education Network. In response to those concerns, the LAO has drafted the following control language regarding both components of the California Education Network: the California Research and Education Network (higher education segments) and the K-12 High Speed Network. The control section would apply to both portions of the system. The language is as follows.

- (a) For purposes of this section, "state educational institutions" means the University of California (UC), the California State University (CSU), the California Community Colleges (CCC), and the State Department of Education (SDE), or their designees, as part of their participation on the Board of the Corporation for Education Network Initiatives in California (CENIC).
- (b) To expend General Fund, student fee revenue, or any other moneys for the California Research and Education Network (CalREN) or the K-12 High Speed Network (HSN), state educational institutions shall do all of the following:
 - (1) Ensure that each segment-specific contract includes a service level agreement between CENIC and each segment.
 - (2) Ensure that each segment-specific contract specifies that any interest earned on state monies shall be used for operating CalREN on behalf of the UC, CSU, CCC, and K-12 segments. Any segment-specific cash reserves held by CENIC shall be maintained separately and accrue interest to that segment.
 - (3) Ensure that each segment-specific contract protects state assets by requiring CENIC to track both segment-specific and shared assets purchased with state funds.
 - (4) Ensure that each segment-specific contract contains agreed-upon fee structures that specify services, associated fees, and payment terms.
 - (5) Ensure that each segment-specific contract contains appropriate protection of state intellectual property.

COMMENTS:

Background on Programs Affected. The California Research and Education Network serves the higher education segments and is a statewide high-speed, high-bandwidth network that connects the majority of higher education institutes in California to each other, the Internet, the federal Internet2 and other research entities around the country. The K-12 High Speed Network is a network of node sites in all 58 counties through which the majority of California's public K-12 education entities connect to each other.

State Audit. Two years ago, members of the Legislature requested that the State Auditor determine whether the state would be efficiently using resources by supporting maintenance of the High Speed Network. The audit found some positive aspects of the network, but also raised a number of concerns, including questions about state ownership of assets that had been purchased with state funds. The control section proposed above addresses the various concerns raised by the state audit.

ISSUE 14: MAY REVISE ADJUSTMENT TO THE STATE'S SCHOOL DEFERRED MAINTENANCE PROGRAM

The issue for the subcommittee to consider is a May Revise adjustment to the state's Deferred Maintenance Program.

BACKGROUND:

The Governor's May Revise includes the following proposal to fully fund the state School Deferred Maintenance Program.

6110-188-0001, Local Assistance, State School Deferred Maintenance Program (Issue 180)

It is requested that this item be increased by \$1,075,000 to fully fund the state's share of the State School Deferred Maintenance Program.

COMMENTS:

Staff notes that the following adjustment is similar to a COLA adjustment.

ISSUE 15: MAY REVISE – COLA FOR CHILD AND ADULT CARE FOOD PROGRAM

The issue for the subcommittee to consider is a May Revise COLA adjustment for the Child and Adult Care Food Program.

BACKGROUND:

The Governor's May Revise includes the following non-Proposition 98 General Fund adjustment to reflect the new COLA rate for the Child and Adult Care Food Program.

6110-202-0001, Local Assistance, Non-Proposition 98 Child and Adult Care Food Program COLA Adjustment (Issue 798)

It is requested that this item be increased by \$57,000 to reflect an increase in the COLA rate from 4.04 to 4.53 percent.

It is further requested that provisional language be amended as follows:

"3. Of the funds appropriated in this item, ~~\$470,000~~ \$527,000 is for the purpose of providing a cost-of-living adjustment at a rate of ~~4.04~~ 4.53 percent."

COMMENTS:

This augmentation is not included in the overall COLA adjustment proposed in the May Revise for K-12 categorical programs because it is funded with non-Proposition 98 General Fund.

ISSUE 16: MAY REVISE PROPOSAL REGARDING BUDGET CONTROL LANGUAGE FOR THE BEGINNING TEACHER SUPPORT AND ASSESSMENT PROGRAM

The issue for the subcommittee to consider is a May Revise proposal to add budget control language to the Beginning Teacher Support and Assessment Program.

BACKGROUND:

The Governor's May Revise includes the following proposal to add control language to the Beginning Teacher Support and Assessment Program:

6110-244-0001, Local Assistance, Beginning Teacher Support and Assessment Program (Issue 090)

It is requested that provisional language be added to ensure that funding made available for this program through the Teacher Credentialing Block Grant is only used for first and second-year teachers, pursuant to current law.

It is requested that provisional language be added as follows:

X. The funds in this item shall be made available only to beginning teachers serving in their first-year or second-year of service, pursuant to paragraph (d) of Section 44279.1 of the Education Code.

COMMENTS:

What affect will this have on the program?

**ISSUE 17: MAY REVISE PROPOSED TRAILER BILL LANGUAGE REGARDING
LAST YEAR'S FUNDING FOR FISCAL SOLVENCY PLANS**

The issue for the subcommittee to consider is a May Revise proposal for trailer bill language that would amend last year's appropriation of one-time funds for districts to obtain grants for fiscal solvency plans.

BACKGROUND:

The Governor's May Revise proposes the following change to a proposal from last year that provided \$10 million for districts' costs of developing long-term plans to address unfunded liabilities related to retiree health benefits.

**6110-107-0001, Local Assistance, Fiscal Crisis and Management Assistance Team
(Issues 985 and 990)**

Fiscal Solvency Plan Review and Funding Deadline (Issue 985)—The Administration is proposing trailer bill language to amend Chapter 79 of the Statutes of 2006, as modified by Chapter 371 of the Statutes of 2006, relating to fiscal solvency plan funding to: 1) establish a deadline by which districts and charter schools must complete their fiscal solvency plans to be eligible for the incentive funds provided in 2006-07; and 2) clarify that county offices of education review can take place during any phase of the budget review process, including the interim reporting period. This date will ensure that districts and charter schools develop these critical plans in a timely manner and that the funds are fully expended prior to the expiration of the appropriation.

The proposed trailer bill language amends last year's trailer bill appropriation, as follows:

SEC 29 Amend subparagraph (6) of subdivision (a) of Section 9 of Chapter 371 of the Statutes of 2006, is amended to read:

(6) Ten million dollars (\$10,000,000) on a one-time basis for transfer to Section A of the State School Fund for allocation by the Superintendent of Public Instruction to school districts, charter schools, and county offices of education for the following purposes:

(A) School districts and charter schools with outstanding long-term fiscal obligations concerning retired employee nonpension benefits may apply for funding upon completing a plan, as specified by the Superintendent of Public Instruction, for meeting those obligations. As a requirement of receipt of funding, districts must submit these plans to the county superintendent of education as part of the budget and interim report review process, and charter schools shall submit their plans to their authorizing entity. School districts, and charter schools may not receive an amount greater than fifteen thousand dollars (\$15,000) for activities related to this purpose.

(B) County superintendents of education may apply for funding for consideration of district plans submitted pursuant to this section during the course of reviewing the

budget of a school district. The total amount provided for this purpose shall not exceed one million dollars (\$1,000,000).

(C) School districts and charter schools shall complete plans as described in (A) prior to June 30, 2009, to be eligible for the funds appropriated pursuant to this paragraph.

COMMENTS:

Last year's \$10 million in one-time funds was appropriated in the education trailer bill and not in the regular budget bill. Thus, the administration's proposed changes are changes to last year's budget trailer bill.

ISSUE 18: MAY REVISE PROPOSAL REGARDING EMERGENCY LOANS

The issue for the subcommittee to consider is a May Revise proposal regarding necessary changes to reflect the refinancing of the outstanding emergency General Loans authorized for the Oakland Unified School District and the Vallejo City Unified School District.

BACKGROUND:

The Governor's May Revise proposes the following adjustments related to emergency General Fund loans authorized in recent years for three school districts that had severe financial problems:

6110-607-0001 and 6110-622-0001, Local Assistance, Oakland Unified and Vallejo City Unified School District Emergency Loan Repayments in 2007-08 (Issues 982 and 983)

It is requested that Item 6110-607-0001 be added in the amount of -\$2,095,000 and that Item 6110-622-0001 be added in the amount of -\$1,595,000 to reflect as negative expenditures the General Fund loan repayments to be made by the Oakland Unified School District and Vallejo City Unified School District, respectively.

6110-608-0001, County Offices of Education Apportionments, Growth, and Local Property Tax Offset (Issues 900 and 901)

It is requested that this item be reduced by \$515,000 to offset changes to local property tax allocations for county offices of education and increased by a base adjustment of \$24,355,000 to reflect revised apportionment estimates for 2007-08.

6110-625-0001, Local Assistance, Refinancing of Outstanding Emergency Loans (Issue 984)

It is requested that item 6110-625-0001 be added in the amount of -\$62,620,000 to reflect as a negative expenditure the refinancing of outstanding emergency General Fund loans authorized for the Oakland Unified School District and the Vallejo City Unified School District. This refinancing will restore an equivalent amount to the General Fund. Chapter 263 of the Statutes of 2004 provided for the financing of school district emergency apportionments through the sale of lease revenue bonds by the California Infrastructure and Economic Development Bank. Current law holds these districts harmless from any cost differences between the original emergency loan and the lease financing.

COMMENTS:

Currently there are three districts with outstanding emergency loans: Oakland Unified, West Fresno Unified and Vallejo Unified. Under current law, if a district accepts an emergency loan, the district's governing board loses governing authority over the district, and a state administrator oversees the district. Current law requires the Fiscal Crisis and Management Assistance Team to report on these districts' progress toward certain governance areas, and make recommendations as to which governance areas the governing board should be allowed to assume. Staff estimates the costs of these reports as follows:

- Oakland \$150,000
- Vallejo \$125,000
- West Fresno \$110,000