

**AGENDA****ASSEMBLY BUDGET SUBCOMMITTEE NO. 2  
ON EDUCATION FINANCE****Part I****Assembly Member Mervyn Dymally, Chair****TUESDAY, MAY 23, 2006 2:00  
STATE CAPITOL, ROOM 444****ITEMS TO BE HEARD**

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## ITEMS TO BE HEARD

### ITEM 0558 OFFICE OF THE SECRETARY FOR EDUCATION

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#### ISSUE 1: OPEN ISSUES --- STATE OPERATIONS AUGMENTATIONS, ADJUSTMENTS

The issues for the subcommittee to consider are various augmentations and adjustments to the budget of the Office of the Secretary for Education (OSE). These issues were heard by the subcommittee at a previous hearing and held open.

#### BACKGROUND:

**Governor's budget.** The Governor's budget includes the following two new positions within the Office of the Secretary for Education:

- **Proposition 49 Task Force.** \$95,000 General Fund to support a position to represent the Secretary for Education at the Proposition 49 Task Force, which was convened by the Governor's office, the Secretary for Education, CDE and the Department of Finance to ensure that the Proposition 49 funds are distributed in a timely and effective manner through the development of a statewide master plan. The position would participate in task force meetings, coordinate regional summits of after school providers and stakeholders conduct field outreach and assist in policy analysis and development.
- **NCLB position.** \$100,000 federal funds and a position to address the growing workload associated with the accountability requirements of the No Child Left Behind Act (NCLB). The position will also address a request by the Governor for the Secretary of Education and the State Board of Education to work with the SPI and the U.S. Department of Education to bring the federal and state accountability systems into alignment, in order to target assistance to the most struggling schools.

#### COMMENT:

**April DOF letter.** In an April letter from DOF amending the January 10 budget, DOF makes a technical change to the funding for the Proposition 49 Task Force position. It proposes an adjustment to reduce the General Fund appropriation level and replace it with reimbursement authority, to expend funds received from CDE to provide staff support for the task force.

**ITEM 6110 DEPARTMENT OF EDUCATION****ISSUE 1: NEW MAY REVISE PROPOSALS NOT YET HEARD (INFORMATION ONLY)**

The issues for the subcommittee to consider are several new medium-sized May Revise proposals that the subcommittee has not yet heard.

**BACKGROUND:**

Last week the subcommittee heard the Governor's major new May Revise proposals on an information-only basis. The following are other new May Revise proposals of more modest size:

1. **Ongoing funds – National Board Certification.** The Governor's May Revise contains the following proposal with ongoing funds:

**6110-195-0001, Local Assistance, Teacher Incentives National Board Certification (Issue 515)**

It is requested that this item be increased by \$5.0 million to pay up to \$1,000 of the fee for teachers interested in seeking National Board Certification, with priority for teachers in High Priority Schools. National Board for Professional Teaching Standards certification is a voluntary program, which requires teachers to pass rigorous standards and assessments. Certification currently costs \$2,500, with federal funds covering half the fee. This funding will reduce fees to only \$250 for up to 5,000 teachers.

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

*X. Of the funds appropriated in this item, \$5,000,000 shall provide up to \$1,000 per teacher in fee support for teachers seeking National Board for Professional Teaching Standards certification. Priority shall be given to teachers in High Priority Schools. To the extent any federal funds available for the offset of fees for National Board for Professional Teaching Standards certification become unavailable or are insufficient to meet demand, the funds in this item may be used to provide up to \$2,250 per teacher.*

2. **Ongoing funds—Child Oral Health Assessment.** The Governor's May Revise proposes to use \$4.4 million in ongoing funds to pay for a new requirement that students have a dental assessment before entering school, as follows:

**6110-268-0001, Child Oral Health Assessments Program (Issue 921)**

It is requested that item 6110-268-0001 be added for the costs to schools of enforcing new child oral health assessment requirements. Parents with children

entering Kindergarten will be required to present proof that their child received an oral health assessment by a licensed dentist, or other licensed or registered dental health professional.

It is further requested that Budget Bill language be added, as follows:

6110-268-0001—*For local assistance, Department of Education (Proposition 98),*  
*Child Oral Health Assessments Program*  
 .....4,400,000

*Provisions:*

1. *Of the amount appropriated in this item, \$4,400,000 to be allocated to local educational agencies to offset the costs of enforcing child oral health assessment requirements and is contingent upon legislation being enacted during the 2005-06 Regular Session that requires parents to present proof that their child received an oral health assessment by a licensed dentist, or other licensed or registered dental health professional.*
3. **One-time funds -- Retiree Health Benefit Obligations.** The May Revise contains the following proposal to pay for districts' costs of developing plans to pay off liabilities related to retiree health benefits:

**6110-650-0001, Local Assistance, Retiree Health Benefit Obligations (Issue 150)**

It is requested that this item be increased by \$10.0 million to require districts that have outstanding long-term obligations to fund health benefits for retirees to produce a plan for meeting those obligations. It is also requested that county superintendents be reimbursed for reviewing these plans as part of the budget adoption process.

4. **One-time funds – Healthy Start.** The May Revise contains the following proposal to continue the Healthy Start program:

**6110-650-0001, Local Assistance, Healthy Start (Issue 326)**

It is requested that this item be increased by \$10.0 million for the Healthy Start Program to provide operational and collaborative planning grants to be awarded during 2006-07.

5. **One-time funds – School Breakfast Startup and Expansion.** The May Revise contains the following augmentation to expand the program:

**6110-650-0001, Local Assistance, School Breakfast Startup and Expansion Grants (Issue 915)**

It is requested that this item be increased by \$3.0 million in one-time funds due to an increase in the number of school breakfast startup and expansion grant applications from charter schools and California Fresh Start Pilot Program participants.

6. **One-time funds -- Mathematics Teacher Pilot Program.** The May Revise contains the following augmentation for a new program to increase the number of math teachers:

**6110-650-0001, Local Assistance, Mathematics Teacher Pilot Program (Issue 652)**

It is requested that this item be increased by \$1.8 million to provide one-time funding for competitive grants to three county offices of education for the establishment of the Mathematics Teacher Pilot Program. The pilot will last for two years. These funds will be used to: 1) build on, and engage in, efforts that reinforce objectives to increase the number of new secondary-level math teachers needed to eliminate the current and projected shortage of qualified secondary-level math teachers and increase the likelihood that they will remain in the teaching profession; 2) improve and raise the capacity of secondary level teachers who teach mathematics through focused professional development that ensures that professional development is aimed at improving their ability to convey rigorous content and motivate students toward careers in teaching mathematics; 3) ensure that the professional development for these teachers also addresses the needs of students who are struggling to meet proficiencies required to pass the mathematics portion of the California High School Exit Exam; and 4) monitor and report on the results of the pilots so they can serve as models for replication in other service areas throughout the state.

**COMMENTS:**

Last week, the subcommittee heard the Governor's major new May Revise proposals on an informational basis as well.

**ISSUE 2: SPECIAL EDUCATION – MAY REVISE TECHNICAL ADJUSTMENTS TO THE BASE**

The issues for the subcommittee to consider are various May Revise technical adjustments to the special education base funding level.

**BACKGROUND:**

- 2. May Revise technical adjustment to reflect lower amount of federal funds.** The Governor's May Revise includes the following technical adjustment to reflect a decrease in the federal special education grant:

**6110-161-0890, Local Assistance, Special Education, Federal Funds Adjustment (Issue 412)**

It is requested that this item be decreased by \$13,643,000 to reflect a decrease in the federal special education grant.

It is also requested that Provision 1 be amended as follows:

"1. If the funds for Part B of the federal Individuals with Disabilities Education Act that are actually received by the state exceed \$1,132,573,000 \$1,130,940,000, at least 95 percent of the funds received in excess of that amount shall be allocated for local entitlements and to state agencies with approved local plans. Up to 5 percent of the amount received in excess of \$1,148,710,000 \$1,130,940,000 may be used for state administrative expenses upon approval of the Department of Finance. If the funds for Part B of the federal Individuals with Disabilities Education Act that are actually received by the state are less than \$1,148,710,000 \$1,130,940,000, the reduction shall be taken in other state level activities."

- 3. May Revise technical adjustments to reflect higher COLA rate, property tax adjustments.** The Governor's May Revise includes the following technical adjustments to reflect the increase in the COLA rate and changes in property tax revenue estimates:

**6110-161-0001, Local Assistance, Special Education, Baseline Adjustment (Issue 408) and Property Tax Adjustment (Issue 402), Provisional Language Change**

It is requested that this item be amended to increase the Proposition 98 General Fund for the Special Education program by a net total of \$3,291,000. This action will provide a baseline-related increase of \$30,000 and an increase of \$3,261,000 as a result of a decrease in local property taxes. We note that adjustments for growth and the COLA are included in other issues, and bring the total net increase of this item to \$19,454,000.

It is also requested that the provisional language be amended as follows:

"2. Of the funds appropriated in Schedule (1) of this item, ~~\$12,073,000~~ \$12,047,000, plus any COLA, shall be available for the purchase, repair, and inventory maintenance of specialized books, materials, and equipment for pupils with low-incidence disabilities, as defined in Section 56026.5 of the Education Code.

3. Of the funds appropriated in Schedule (1) of this item, ~~\$9,215,000~~ \$9,196,000, plus any COLA, shall be available for the purposes of vocational training and job placement for special education pupils through Project Workability I pursuant to Article 3 (commencing with Section 56470) of Chapter 4.5 of Part 30 of the Education Code. As a condition of receiving these funds, each local educational agency shall certify that the amount of nonfederal resources, exclusive of funds received pursuant to this provision, devoted to the provision of vocational education for special education pupils shall be maintained at or above the level provided in the 1984–85 fiscal year. The Superintendent of Public Instruction may waive this requirement for local educational agencies that demonstrate that the requirement would impose a severe hardship.

4. Of the funds appropriated in Schedule (1) of this item, ~~\$4,807,000~~ \$4,797,000, plus any COLA, shall be available for regional occupational centers and programs that serve pupils having disabilities, and ~~\$80,921,000~~ \$80,786,000, plus any COLA, shall be available for regionalized program specialist services, ~~\$2,293,000~~ \$2,285,000, plus any COLA, for small special education local plan areas (SELPAs) pursuant to Section 56836.24 of the Education Code.

6. Of the funds appropriated in Schedule (1), a total of ~~\$185,735,000~~ \$185,347,000, plus any COLA, is available to fund the costs of children placed in licensed children's institutions who attend nonpublic schools based on the funding formula authorized in Chapter 914 of the Statutes of 2004.

7. ~~Of the amount appropriated in Schedule (2) of this item, \$163,000, plus any COLA, shall be available for infant program growth units (ages birth–two years). Funds available for infant units shall be allocated pursuant to Provision 11 of this item, with the following average number of pupils per unit:~~

- (a) For special classes and centers—16.
- (b) For resource specialist programs—24.
- (c) For designated instructional services—16.

19. Of the amount provided in Schedule (1), ~~\$161,618,000~~ \$179,715,000 is provided for a COLA at a rate of ~~5.48~~ 5.92 percent.

20. If the amount provided in Schedule (2), ~~\$4,039,000~~ \$4,585,000 is provided for a COLA at the rate of ~~5.48~~ 5.92 percent.

4. **Re-appropriation of unused prior-year special education funds for 2004 and 2005 deficiencies.** The Governor's May Revise re-appropriates unused special education funds from 2003 to fund any special education deficiencies for 2004-05 and 2005-06, as follows:



It is requested that any savings remaining from Item 6110-161-0001 of the Budget Act of 2003 be used to fund any deficiencies in the base Special Education program for 2004-05 and 2005-06. It is our understanding that there is a deficiency of approximately \$2.0 million in 2003-04. It is not yet clear to what extent, if any, there will be a deficiency in 2005-06, but given some early data from the SDE, we are proposing to make use of balances from the Budget Act of 2003 to ensure that there is no deficiency for that year.

It is requested that item 6110-491-0001 provision 3 be added, as follows:

*3. Item 6110-161-0001, Budget Act of 2003 (Ch. 157, Stats. 2003). Balances available from this item are made available for allocation by the Superintendent of Public Instruction to SELPAs to fully fund deficiencies related to average daily attendance funding in (1) Item 6110-161-0001 of the Budget Act of 2004 and (2) Item 6110-161-0001 of the Budget Act of 2005.*

<b>COMMENTS:</b>
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The administration indicates that the above adjustments are technical.

**ISSUE 3: SPECIAL EDUCATION – LEGISLATIVE ISSUES**

The issues for the subcommittee to consider are legislative issues related to overall special education funding.

**BACKGROUND:**

**Special education incidence adjustment.** The Governor's May Revise proposes to continue the special education incidence adjustment that was initiated several years ago when the Legislature adopted special education funding reforms. The adjustment was originally provided to special education local planning areas (SELPA's) to try to compensate for the cost of low-incidence, high-cost special education students in some SELPA's. Last year, the LAO recommended that CDE try to update the numbers used for the adjustment.

**Budget bill language regarding last year's \$52 million augmentation.** The Governor's budget continues language included in last year's budget regarding \$52 million in funds that the Legislature provided on top of growth and COLA for special education. Last year's budget included language associated with the \$52 million that specified that the funds were one-time, and required SELPA's to give first priority in use of the funds to serve special education students at risk of not passing the California High School Exit Exam. The Governor proposes to continue this language for the 2006-07 fiscal year.

**Additional funding for special education programs.** At earlier hearings, the subcommittee heard testimony about the need for more special education funding.

**ISSUE 4: SPECIAL EDUCATION – MAY REVISE REVISIONS REGARDING STATE-LEVEL ACTIVITIES**

The issue for the subcommittee to consider are various May Revise proposals to reduce the amount of federal special education funds for state-level activities.

**BACKGROUND:**

The Governor's May Revise includes a number of adjustments intended to reduce the amount of federal special education funds spent on state-level activities. The January 10 proposed budget continued last year's funding level for a number of state-level activities. CDE indicates that this total funding level exceeds the maximum percentage of the federal grant that California can spend on state-level activities. The Governor's May Revise proposes two types of adjustments to reduce the amount of federal funds spent on state-level activities, for a total reduction level of \$2.2 million.

- 1) **Shift federally-funded state level activities (parent empowerment centers and state special schools transportation) to the General Fund.** The May Revise proposes the following adjustments to change the funding source for parent empowerment centers and state special school transportation from federal funds to General Fund, as follows:

- **6110-001-0001 and 6110-161-0890, Family Empowerment Centers (Issue 041)**

It is requested that Item 6110-001-0001 be increased by \$934,000 in order to partially shift funding for Family Empowerment Centers for Federal Individuals with Disabilities Education Act (IDEA) funds to General Fund. There would be a corresponding increase in Federal IDEA Special Education local assistance. This transaction will increase special education local assistance and reduce state-level activities to remain within the federal cap.

It is requested that provisional language be added as follows:

*X. Of the funds appropriated in this item, \$934,000 is for the purposes of Family Empowerment Centers on Disabilities pursuant to Chapter 690 of the Statutes of 2001.*

- **6110-001-0001, 6110-001-0890, 6110-008-0001, and 6110-161-0890, State Special Schools Transportation (Issue 470)**

It is requested that Item 6110-001-0890 be reduced by \$963,000 and that Item 6110-161-0890 be increased by a corresponding amount. It is further requested that Item 6110-008-0001 be increased by \$963,000 in order to eliminate Federal Fund reimbursements for State Special Schools

Transportation. This transaction will reduce state-level activities to remain within the federal cap. The net cost is an increase of \$963,000 to the General Fund.

It is requested that Provision 22 of Item 6110-001-0890 be deleted.

**Eliminate funding for the Correctional Youth Authority Special Education Report.** The May Revise proposes to delete \$303,000 in federal funds provided in the January 10 budget for a report on CYA's compliance with federal special education laws. This funding was initially provided for the last year of a five-year pilot to improve CYA's compliance on special education issues.

▪ **6110-001-0001, 6110-001-0890, and 6110-161-0890, Correctional Youth Authority Special Education Report (Issue 040)**

It is requested that Item 6110-001-0890 be reduced by \$303,000 and that Item 6110-161-0890 be increased by a corresponding amount. These funds had been proposed for allocation to the California State University, San Bernardino for special education monitoring and for technical assistance to the California Youth Authority. It is our understanding that this activity is no longer necessary. This transaction will increase special education local assistance and reduce state-level activities to remain within the federal cap.

It is requested that provision 13 of Item 6110-001-0890 be deleted.

**COMMENTS:**

Staff notes that there a number of other state-level activities currently funded with federal funds that the administration could have chosen to shift to General Fund. The subcommittee may wish to ask why it picked the above items.

**ISSUE 5: SPECIAL EDUCATION OPEN ISSUES– DISPUTE RESOLUTION CONTRACT**

The issue for the subcommittee to consider is an open issue related to CDE's contract for resolving special education disputes between special education parents and school districts.

**BACKGROUND:**

**Governor's budget.** The Governor's budget proposes \$10.14 million in federal funds for CDE's costs of contract with the Office of Administrative Hearings to administer the statewide special education due process program. CDE estimates a shortfall of \$2 million in the budget year costs of this contract. The Governor's May Revise did not fill this shortfall. As of last July, CDE stopped contracting with McGeorge School of Law to provide the services, as it had done since 1989, and entered into a three-year interagency agreement with the Office of Administrative Hearings (OAH) within the Department of General Services, to provide the services. CDE cites the following reasons for the shortfall: a greater than anticipated number of cases, an increase in OAH's hourly rate for administrative law judges, and other unanticipated costs.

**Background on the program.** Federal special education law requires that states receiving federal special education funding have a due process to resolve disputes between parents and school officials over the learning plans and services offered to special education students. Federal law prohibits CDE from acting as the administrative hearing agency for such disputes. For many years, CDE contracted with the McGeorge School of Law to serve as the administrative hearings agency for these disputes. In 2002 and 2004, California Attorneys, Administrative Law Judges, and Hearing Officers in State Employment (CASE) asked the State Personnel Board to review CDE's contract with McGeorge to see if it complied with a state law specifying that state civil service employees perform certain services. In 2004-05, CDE issued a request for proposals to solicit competitive bids for a new contractor to provide the services. It received bids from McGeorge and OAH. According to CDE, McGeorge's bid was \$43.7 million for three years and OAH's bid was \$30.4 million for three years. Because the OAH bid was lower, CDE decided to enter into an interagency agreement with OAH, citing this as the appropriate contracting vehicle between two state agencies. As of June 1, 2005, CDE and OAH entered into a three-year interagency agreement for the provision of due process hearings starting July 1, 2005, and mediations starting July 1, 2006. It also entered into a six-month transition contract with McGeorge for the provision of mediation services. According to CDE, as of January 1 of this year, OAH assumed responsibility for providing mediations in addition to due process hearings.

**Problems with outcomes data.** The 2005 education omnibus trailer bill, SB 63, established various requirements for the agency providing the due process services, including a requirement that the agency provide quarterly reports on the outcomes of its process. The legislation required quarterly reports to provide continuity in the program, (since McGeorge had provided quarterly data reports on its outcomes), and in order to

have a way to evaluate whether all parties are receiving fair treatment, as required by federal law. Despite this statutory requirement, OAH did not submit a report for the first quarter of the 2006-07 year. It cited workload problems as the reason it did not submit the data. It has submitted a report for the second quarter of 2006-07, but advocates argue that the data is not detailed enough or easy to understand. For example, the data does not differentiate between new cases (after the change in providers) and old cases that were "in the pipeline" at the time of the change in providers. In particular, advocates cite the following data elements contained in previous reports as being helpful in evaluating fairness, and are asking that OAH be required to provide information like this in its quarterly reports:

- 1) the number of entire cases won by each side;
- 2) the number of issues decided in favor of each side in split decisions;
- 3) how often schools and parents are represented by attorneys;
- 4) how many pre-hearing motions were filed by each side;
- 5) which side is winning most of the pre-hearing motions;
- 6) how many parent requests for due process were dismissed for insufficiency;
- 7) how often are students of color accessing this system;
- 8) how often are non-English speaking people using this system;
- 9) how long do the hearings take;
- 10) how much of each hearing, on average, is consumed by the parent's presentation of her case;
- 11) how much of each hearing, on average, is consumed by the district's presentation of its case;
- 12) how many of the hearing requests are from parents;
- 13) how many of the hearing requests are from school districts;
- 14) how many witnesses are school districts calling on average;
- 15) how many witnesses are parents calling on average;
- 16) from which districts did parent requests for due process come;
- 17) what issues, within special education, generated due process hearing requests during the quarter;
- 18) what disabilities generated due process hearing request during the quarter;
- 19) what age groups (preschool, primary, junior high, high school) generated hearing requests during that quarter;
- 20) how many hearing decisions were appealed to court during the quarter;
- 21) how many cases were totally resolved in mediation by agreement;
- 22) how many cases were totally resolved in the mandatory resolution session.

**COMMENTS:**

**AB 2565.** Staff notes that CDE is sponsoring AB 2565 (Evans) to appropriate the \$3.5 million for the current-year deficiency, in the event the Legislature decides that this is the appropriate vehicle to address deficiencies.

**ISSUE 6: SPECIAL EDUCATION – STATE SPECIAL SCHOOLS**

The issues for the subcommittee to consider are various January 10 proposals related to the state special schools.

**BACKGROUND:**

The Governor's January 10 budget contains the following augmentations for the state's special schools:

- \$117,000 in General Fund for a student data resource specialist position at the California School for the Deaf in Riverside. CDE requested this funding to help transition the school to a new data system to collect student data.
- \$47,000 in General Fund and half of a position for a visual and performing arts teacher at the California School for the Deaf in Riverside. CDE requested this funding to help supplement the school's current ability to support two-thirds of one teaching position to teach high school visual and performing arts. Current law requires all high school students to pass 10 credits in visual and performing arts to earn a diploma.
- \$117,000 in General Fund and one position for a teacher specialist position at the California School for the Deaf in Riverside. CDE requested this funding to help the school implement instruction linked to the state's academic and performance standards.
- \$285,000 and 3 positions for new early childhood education teachers at the California Schools for the Deaf in Riverside. CDE requested this funding to help accommodate an unexpected increase in enrollment in the school's early childhood education program, which has doubled in size over the past five years from 28 to 51 students.
- \$79,000 in General Fund and 0.8 positions to support the additional costs of maintenance and janitorial services for a new Pupil Personnel Services facility at the California School for the Deaf in Riverside. The facility is scheduled to be completed and ready for occupation in July of this year.

**COMMENTS:**

At a May 2, 2006 hearing, the subcommittee approved the following technical adjustments for state special schools, as reflected in an April DOF letter.

- 1) **State Special Schools Capital Outlay for gymnasium and pool in the California School for the Deaf in Riverside.** DOF requests that the amount in item 6110-301-0660 be decreased by \$773,000 to reflect a revision to the



request for a gymnasium and pool center at the California School for the Deaf in Riverside. The adjustment reflects the cost to build a new gymnasium and pool center rather than renovate the current facility. The proposed reduction would leave \$24,963,000 for the project.

- 2) **Seismic renovations at the California School for the Deaf in Riverside.** DOF requests that the amount in item 6110-301-0660 be increased by \$4.4 million to provide for extensive seismic modifications not anticipated for a renovation project for the kitchen and dining hall and the California School for the Deaf in Riverside. The proposed increase would mean a total appropriation level of \$8,834,000 for the project.

**ISSUE 7: OPEN ISSUES -- CDE STATE OPERATIONS**

The issues for the subcommittee to consider are various January 10 proposals to increase CDE state operations and two legislative proposals for augmentations, as well as one May Revise technical adjustment.

**BACKGROUND:**

The following adjustments were proposed by the Governor in his January 10 budget, and were previously heard by the subcommittee but left open.

**Adjustments to address current workload or upgrade current systems.** The Governor's budget includes the following technical adjustments to CDE's budget, which have not been heard to date.

1. **Alternative Payment Monitoring Unit.** Upgrade a 0.5 office assistant position to 1 office technician to help CDE maintain a database in the Alternative Payment Monitoring Unit. The Budget Act of 2004 created the unit to track funding errors within a statewide childcare program.
2. **Data collection for reauthorized special education law.** Provide \$288,000 in federal funds and establish 3 information technology positions to meet new statewide reporting and accountability requirements under the reauthorized federal special education law (2004 IDEA). (According to CDE, there is an FSR for a new data system. DOF has not funded the operations costs of that new FSR.)
3. **Career Technical Education accountability system.** Provide \$63,000 in federal Perkins funds and \$107,000 in CalWORKs reimbursement funds to allow CDE to properly staff the collection and management of a comprehensive accountability system for career technical education. The budget also proposes to make two existing limited-term positions permanent within the unit that manages career technical education programs. Current law requires CDE to collect data from adult education programs, regional occupational centers and programs (ROC/P's), and high schools on their career technical education programs.
4. **Child Nutrition Information and Payment System.** Provide \$3.2 million in federal funds and 7.8 limited-term positions to begin implementation of an information technology system to administer four federal Department of Agriculture programs: School Nutrition, Child and Adult Care Food, Summer Food and Food Distribution. CDE distributes \$1.4 billion a year in federal funds for nutrition claims through the above 4 programs, yet its existing systems for distributing the funds are 15-20 years old and use technology no longer supported by the vendor community. The new system will be web-based and will utilize off-the-shelf software and hardware. DOF approved the feasibility study

report for the system on March 22, 2005, so the system is ready for implementation.

5. **Permanent establishment of 2 facilities planning positions.** Convert two limited-term positions in the School Facilities Planning Division (due to expire June 30, 2006) to permanent status. CDE cites increased workload due to new facilities laws approved in the last 5 years.

**Adjustments related to recent legislation or Governor's policy initiatives.** The Governor's budget reflects the following state operations adjustments related to recent legislation or the Governor's policy initiatives. The subcommittee has already heard the local assistance augmentations related to these proposals, and held them open.

1. **California Fresh Start Pilot Program** – The Governor's January 10 budget provided an increase of \$100,000 in General Fund and one position to implement the California Fresh Start Pilot Program to increase the availability of fruits and vegetables in subsidized school breakfasts. In addition, an April DOF letter augments this initial increase by \$74,000, and also makes permanent two positions that were authorized through last year's budget for the program. This proposal is linked to the Governor's proposal to provide \$18.2 million in local assistance funds to make this one-time program permanent. The program was created by SB 281 (Maldonado).
2. **Nutrition Standards for Non-School-Meal food.** Provides \$100,000 GF, \$200,000 in other funds and one position to implement SB 12 (Escutia), Chapter 235/2005. SB 12 sets nutrition standards for food sold outside the federal school meal programs during the school day at all elementary through high school campuses, effective July 1, 2007. The position will monitor local compliance with the new law.
3. **Chief Business Official Training Program.** Provides \$78,000 General Fund and one position to administer the new Chief Business Official Training Program. The program was created by Chapter 356, Statutes of 2005 (SB 352 (Scott)) to create a program for school districts and county offices of education to send their CBO's or CBO candidates to for 200 hours of training. The position will work to develop criteria for the approval of state-approved training providers, developing an application process and reviewing applications. The Governor also proposes a corresponding amount of \$1 million in local assistance to implement the program – the subcommittee heard this issue at an earlier hearing and left the item open.
4. **Career-Technical Education Program.** Provides \$193,000 in federal Carl Perkins funds and 2 limited-term positions to implement a career technical program that was created last year pursuant to Chapter 352, Statutes of 2005 (SB 70 (Scott)). The Governor's budget proposes to add these two positions and the corresponding funding for the current year (2005-06) and 2006-07. Although

the corresponding local assistance for this program flows through the community colleges, the proposed positions within CDE would a) oversee the alignment of career technical education curriculum in K-12 schools and community colleges to more targeted industry-driven programs, b) analyze and review curriculum and c) prepare required reports. Last year's budget contained \$20 million in local assistance to the community colleges for this program. The Governor's proposed budget for 2006-07 contains \$50 million for the new program, which the subcommittee heard but has not acted on to date.

**May Revise technical adjustment.** The May Revision proposes to amend the budget bill to reflect the proper state operations amount for the 21<sup>st</sup> Century Program, as follows:

"27. Of the funds appropriated in this item, ~~\$960,000~~ \$1,638,000 shall be used for the administration of the 21st Century Community Learning Centers Programs."

<b>COMMENTS:</b>
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**Requests for additional CDE state operations.** CDE is requesting 8 positions and \$687,000 in funds to support its intervention efforts in schools that have failed to improve. Specifically, CDE's request builds on school level interventions already underway for state-monitored schools and focuses on providing a management team or trustee for participating schools for whom a SAIT team has proved an inadequate intervention.

**ISSUE 8: CDE STATE OPERATIONS FOR ADMINISTERING THE AFTER SCHOOL PROGRAM**

The Department of Finance approved only half of the after school staffing requested by CDE.

**BACKGROUND:**

The Governor's proposed budget only nine of the eighteen administrative staff positions for ASES, 21<sup>st</sup> Century, and Proposition 49 requested by CDE. Of these nine positions, three of these new positions for ASES and 6 of the positions were for 21st Century after school programs.

Currently several small non-profit organizations provide 21<sup>st</sup> Century after school programs and many districts and county offices also subcontract with these organizations as part of their after school program model.

The Subcommittee has received complaints that the process for reimbursement of after school expenditure claims can exceed 270 days. For many non-profit entities, this has caused cash-flow problems, as the amounts payable are sizable. At least one provider has had to resort to securing bridge funding from a local bank on account of these delays.

In addition, CDE provides little financial detail regarding the reimbursements when they are sent. Providers can receive several reimbursements for the prior year and their current year advance lumped together into one payment without any accounting detail to help them match the payment to their accounts receivables. In the case of subcontractors, at least one county office took several months to untangle the accounting that linked the check they received from CDE to the contractor's invoice for the services.

CDE has cited the current structure of the 21<sup>st</sup> Century and ASES programs as a principle reason for the delays. The current system requires grantees to verify daily attendance in order to be reimbursed for after school provided. The payment claims for the existing programs result in over 4,000 pages of spreadsheets containing information that must be reviewed to justify payment for after school provided by grantees each quarter. CDE has only a handful of staff to handle this workload at the current time, which hampers the ability to respond to the issues raised by the providers.

**STAFF COMMENT:**

One of the principle challenges to the current administrative system is that the work to verify billing, reimbursement, and attendance all take place during the same time of the year. In addition, CDE is statutorily required to issue new grants under a strict timeline at the beginning of the fiscal year and has to commit most of its resources in this unit towards that activity. This means that the State workload for the program is

concentrated into a couple of key months of the year. This ebb-and-flow workload makes it difficult to justify additional full-time staff, but overwhelms the existing staff.

If the changes proposed in either SB 1302 (Ashburn) or SB 638 (Torlakson) are adopted, it will help spread out this workload across the entire year and it will also reduce the number of activities required in the billing of ASES program. However, the new program will increase the amount of follow up and data expected from grantees of both the ASES and 21<sup>st</sup> Century programs.

CDE is also developing an automated internet-based claiming system that should reduce the workload and improve the efficiency of the current billing process. This system should be operational in 2007.

Advocates have urged that CDE be given more staff to administer the after school programs.

**ISSUE 9: PROPOSITION 98 REVERSION ACCOUNT**

The issues for the subcommittee to consider are proposed changes to the Proposition 98 reversion account and the Governor's proposals for new funds that are available as a result of the changes.

**BACKGROUND:**

**Additional funds available in the Proposition 98 reversion account.** The Governor's May Revise revises the amounts that are expected to revert to this account. Specifically, he eliminates his January 10 assumption that \$60 million provided in last year's budget for the High Priority Schools program would be unused. He also assumes that new funds from a number of prior-year appropriations would revert. These changes are reflected below:

**6110-495, Proposition 98 Reversions (Issues 350, 720, and 923)**

It is requested that the following amendments and additions be made to this item to reflect reversions of savings into the Proposition 98 Reversion Account:

**Amendments:**

"(5) ~~\$1,432,000~~ \$213,000 or whatever greater or lesser amount reflects the unexpended funds from Schedules (2) and ~~(3)~~ of Item 6110-123-0001 of the Budget Act of 2004 (Ch. 208, Stats. 2004)."

~~"(6) \$106,000 or whatever greater or lesser amount reflects the unexpended funds appropriated by Section 47 of Chapter 204, Statutes of 1996, for purposes of the Golden State Merit Diploma contained in Article 5 (commencing with Section 51450) of Chapter 3 of Part 28 of the Education Code."~~

~~"(7) \$70,000,000 or whatever greater amount reflects the unexpended funds from Schedule (2) of Item 6110-123-0001 of the Budget Act of 2005 (Ch. 38, Stats. 2005)."~~

~~"(11) \$1,000,000 or whatever greater or lesser amount reflects the unexpended funds from Item 6110-228-0001, Budget Act of 2004 (Ch. 208, Stats. 2004)."~~

~~"(13) ~~\$5,270,000~~ \$5,723,000 or whatever lesser or greater amount reflects the unexpended funds from Item 6110-196-0001, Budget Act of 2001 (Ch. 106, Stats. 2001)."~~

~~"(15) ~~\$9,491,000~~ \$9,299,000 or whatever lesser or greater amount reflects the unexpended funds from Item 6110-196-0001, Budget Act of 2002 (Ch. 376, Stats. 2002)."~~

~~"(16) ~~\$6,595,000~~ \$10,646,000 or whatever lesser or greater amount reflects the unexpended funds from Item 6110-196-0001, Budget Act of 2003 (Ch. 157, Stats. 2003)."~~

~~"(19) ~~\$855,000~~ \$870,000 or whatever lesser or greater amount reflects the unexpended funds from Item 6110-195-0001, Budget Act of 2004 (Ch. 208, Stats. 2004)."~~

**Additions:**

- (X) \$8,000,000 or whatever greater or lesser amount reflects unexpended funds from Item 6110-112-0001, Budget Act of 2003 (Ch. 157, Stats. 2003).*
- (X) \$7,000,000 or whatever greater or lesser amount reflects unexpended funds from Item 6110-112-0001, Budget Act of 2004 (Ch. 208, Stats. 2004).*
- (X) \$283,000 or whatever greater or lesser amount reflects unexpended funds from Item 6110-181-0001, Budget Act of 2004 (Ch. 208, Stats. 2004).*
- (X) \$419,000 or whatever greater or lesser amount reflects unexpended funds from Item 6110-181-0001, Budget Act of 2005 (Ch. 38, Stats. 2005).*
- (X) \$658,000 from Schedule (1) of Item 6110-202-0001 of the Budget Act of 2004 (Ch. 208, Stats. 2004).*
- (X) \$2,500,000 from Schedule (2) of Item 6110-203-0001, Budget Act of 2004 (Ch. 208, Stats. 2004).*
- (X) \$67,000 or whatever greater amount reflects the unexpended funds from Schedule (1) of Item 6110-240-0001, Budget Act of 2003 (Ch. 157, Stats. 2003).*
- (X) \$88,000 or whatever greater or lesser amount reflects the unexpended funds from Item 6110-120-0001, Budget Act of 2003 (Ch. 157, Stats. 2003).*
- (X) \$1,000 or whatever greater or lesser amount reflects the unexpended funds from Item 6110-131-0001, Budget Act of 2003 (Ch. 157, Stats. 2003).*
- (X) \$6,000 or whatever greater or lesser amount reflects the unexpended funds from Item 6110-151-0001, Budget Act of 2003 (Ch. 157, Stats. 2003).*
- (X) \$69,000 or whatever greater or lesser amount reflects the unexpended funds from Item 6110-120-0001, Budget Act of 2004 (Ch. 208, Stats. 2004).*
- (X) \$472,000 or whatever greater or lesser amount reflects the unexpended funds from Schedule (5) of Item 6110-113-0001, Budget Act of 2003 (Ch. 157, Stats. 2003).*
- (X) \$171,000 or whatever greater or lesser amount reflects the unexpended funds from Schedule (3) of Item 6110-113-0001, Budget Act of 2003 (Ch. 157, Stats. 2003).*
- (X) \$136,000 or whatever greater or lesser amount reflects the unexpended funds from Schedule (1) of Item 6110-123-0001, Budget Act of 2003 (Ch. 157, Stats. 2003).*
- (X) \$21,000 or whatever greater or lesser amount reflects the unexpended funds from Schedule (2) of Item 6110-123-0001, Budget Act of 2003 (Ch. 157, Stats. 2003).*
- (X) \$35,000 or whatever greater or lesser amount reflects the unexpended funds from Schedule (3) of Item 6110-123-0001, Budget Act of 2003 (Ch. 157, Stats. 2003).*
- (X) \$1,150,000 or whatever greater or lesser amount reflects the unexpended funds from Schedule (5) of Item 6110-113-0001, Budget Act of 2004 (Ch. 208, Stats. 2004).*
- (X) \$96,000 or whatever greater or lesser amount reflects the unexpended funds from Schedule (1) of Item 6110-123-0001, Budget Act of 2004 (Ch. 208, Stats. 2004).*



**Governor's May Revise proposals for spending the additional Proposition 98 reversion account money.** The Governor makes the following five changes to the appropriations from the Proposition 98 reversion account, including one new program:

1. **Williams emergency repairs.** The Governor proposes to increase the amount of funds going to School Facilities Emergency Repair Account by \$30 million, for a total of \$137 million. This increase is driven by the Williams settlement of several years ago, which requires that half of all funds in the Proposition 98 reversion account go to this fund.
2. **CalWORKS funding.** The Governor proposes to eliminate a January 10 proposal to use \$63 million from this account to support CalWORKs Stage 3 childcare. Staff notes that this decrease is driven by lower caseloads and the new availability of other unused funds from prior years. No one has raised issues with this change, which is part of a larger set of technical adjustments included in the May Revise for childcare.
3. **Technical revenue limit adjustment.** The Governor proposes \$10.5 million to fully implement in the 2005-06 fiscal year the adjustment of unified school district pursuant to legislation (SB 319, Chapter 355, Statutes of 2005) enacted last year that changed the way that districts calculate their revenue limit funding as it relates to conversion charter schools.
4. **School gardens.** The Governor's May Revise proposes \$30 million for this purpose, as detailed in his letter: "\$30,000,000 to supply schools with garden supplies and equipment. The department shall allocate a minimum of \$500 to each school in the state that applies for funds. The balance of funds shall be allocated to school districts on a per-pupil basis."
5. **Ongoing mandate claims.** The Governor proposes that \$30 million go for "any costs of 2006-07 K-12 certified mandate claims beyond what is appropriated in Item 6110-295-0001, to be disbursed by the State Controller.

<b>COMMENTS:</b>
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Staff notes that the first set of revisions to item 6110-495 are necessary to capture the additional funding that the Governor identifies for spending from the Proposition 98 reversion account.

**ISSUE 10: TESTING – OPEN ISSUES AND MAY REVISE ADJUSTMENTS**

The issues for the subcommittee to consider are the various January 10 testing issues previously heard but left open and one May Revise adjustment.

**BACKGROUND:**

**Open issues: January 10 budget.** The Governor's January 10 budget proposed a total funding level of \$116 million for the state's testing programs (not including funding for CDE's state operations related to administering the programs). This includes \$83.8 million in Proposition 98 funds and \$32 million in federal Title VI funds. This is approximately \$2 million lower than the amount provided in last year's budget for the state's testing programs.

**May Revise proposal.** The May Revise proposes an increase of \$80,000 in General Fund to develop a writing assessment as part of an alternative assessment initiated last year for children with disabilities. Specifically, last year's budget contained \$650,000 in federal funds for CDE to develop a new alternative assessment for children with disabilities. This funding will allow CDE to take advantage of flexibility recently offered by the federal Department of Education to states to help them comply with the accountability and testing requirements of the federal No Child Left Behind Act. CDE indicates that the federal government is still developing the regulations related to this funding. The May Revise letter includes the following verbage related to the proposal:

**6110-113-0001, Local Assistance, Additional Standardized Testing and Reporting (STAR) Program Activities (Issue 253)**

It is requested that this item be increased by \$80,000 to develop a writing test for the new California Modified Assessment for the STAR program. This augmentation will accommodate the needs of special education students.

It is also requested that provisional language be added as follows to conform to this action:

*X. Of the funds appropriated, \$80,000 is provided in one-time funds to develop a writing test for the new California Modified Assessment for the STAR program.*

**ISSUE 11: CAHSEE – OPEN ISSUES**

The issues for the subcommittee to consider are a number of May Revise proposals heard at a previous hearing but left open by the subcommittee.

**BACKGROUND:**

**Helping Students Pass the CAHSEE.** The Governor's May Revise includes the following augmentations to help students pass the California High School Exam and to help those students who might be denied a diploma this year as a result of having failed it:

**May Revise proposals to help students who have failed the CAHSEE  
(\$ in millions)**

	January 10	May Revise increase	Total
Supplemental Instruction	\$35	\$12	\$47
Supplemental instruction – set-aside for alternative schools	\$5	\$3	\$8
Adult ed for 5 <sup>th</sup> year seniors		\$10	\$10
CAHSEE remedial materials		\$5.5	\$5.5
Additional administrations		\$7.7	\$7.7
Community college for 5 <sup>th</sup> year seniors		\$10	\$10

- 1) **A \$15 million increase for the 12<sup>th</sup> grade supplemental instruction program begun last year to help 12<sup>th</sup> graders that still have not passed the CAHSEE.** This increase will bring total funding for this program to \$55 million.

It is further requested that Provisions 2 and 3 of item 6110-204-0001 be amended to conform to this action:

"2. Of the funds appropriated in this item, ~~\$35,000,000~~ \$47,000,000 shall be available to comprehensive high schools for these purposes. If the ~~\$35,000,000~~ \$47,000,000 is not fully allocated, the balance shall be made available to all eligible pupils of any continuation, juvenile court, county community day, adult education, and alternative schools."

"3. Of the funds appropriated in this item, ~~\$5,000,000~~ \$8,000,000 shall be available to continuation, juvenile court, county community day, adult education, and alternative schools for these purposes."

- 2) **\$10 million for remedial instruction for 5<sup>th</sup> year seniors who have met all graduation requirements except for CAHSEE passage**, as follows:

It is further requested that this provision be added to item 6110-204-0001 to conform to this action:

*X. Of the funds appropriated in this item, \$10,000,000 shall be available to provide remedial instruction to fifth-year seniors who have met all graduation requirements except for the passage of the CAHSEE, or other remedial education activities that are consistent with the adult education program as defined in Item 6110-156-0001 and Chapter 10 (commencing with Section 52500) of Part 28 of the Education Code.*

- 3) **\$5 million for individual intervention materials**, as follows:

*X. Of the funds appropriated in this item, one-time funds of \$5,500,000 shall be available to districts to purchase individual intervention materials for students who have failed or are at risk of failing the CAHSEE.*

**Additional administrations of the CAHSEE.** The Governor's May Revise includes additional funding to develop three additional administrations of the CAHSEE, as follows:

**6110-113-0001, Local Assistance, Additional Administrations of the California High School Exit Examination (Issue 242)**

It is requested that this item be increased by \$7.7 million to develop three additional administrations of the California High School Exit Examination (CAHSEE). These administrations will accommodate students who attend school at non-traditional times, such as evenings and weekends, and provide students with additional opportunities to pass the examination. In addition, funds will be used by the independent evaluator to perform analyses related to the three additional administrations. Beginning with the Class of 2006, successful completion of coursework and passage of the CAHSEE are prerequisites for a high school diploma.

**Funding for legal defense of CAHSEE.** The Governor's May Revise includes a non-Proposition 98 General Fund increase to help with the legal defense of the CAHSEE, as follows:

**6110-001-0001, State Operations, California High School Exit Examination Legal Representation (Issue 251)**

It is requested that this item be increased by \$1,625,000 on a one-time basis for legal representation from the Attorney General's Office in litigation related to the

California High School Exit Exam (Chapman, et. al. v. Department of Education, et. al., Coachella Valley Unified School District, et al. v. Schwarzenegger, et al., and Valenzuela, et al. v. O'Connell, et al.). These cases were filed in state courts, with the plaintiffs challenging the exam for various reasons. The additional proposed resources are consistent with the most recent cost estimates prepared by the Attorney General's Office.

It also is requested that Schedule (18) of this item be amended as follows:

"18. Of the funds appropriated in this item, ~~\$1,000,000~~ \$2,625,000 is provided on a one-time basis for legal representation from the Attorney General's Office in litigation related to the High School Exit Exam. The SDE shall provide a report to the Department of Finance and the Legislature detailing the expenditures of these funds and providing an update on any such litigation on November 1, 2006, and every four months thereafter, with the final report due on June 30, 2007. The Office of the Attorney General shall provide the SDE any information, including budget and expenditure data, necessary for the SDE to complete its reports to the Department of Finance and the Legislature."

<b>COMMENTS:</b>
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At an earlier hearing, the LAO presented various options to combine all of the May Revise funding into one pot and allow 11<sup>th</sup> graders to receive the supplemental instruction.

## ISSUE 12: OPEN ISSUES – INSTRUCTIONAL MATERIALS

The issues for the subcommittee to consider are the January 10 proposed funding level for instructional materials, which the subcommittee heard at a previous hearing and held open, and a May Revise proposal to provide \$30 million for supplemental instructional materials to help English learners learn English.

### BACKGROUND:

**1) January 10 proposal:** The Governor's budget proposes a total funding level of \$422 million for the state Instructional Materials Block Grant, which provides funding to school districts to purchase standards-aligned materials. This is an increase of \$42.6 million over last year's funding level. Approximately half (\$22.6 million) of this increase is due to growth and COLA for the program and half (\$20 million) is an increase to the program. The \$20 million proposed increase above growth and COLA represents the restoration of \$20 million that the Legislature had included in last year's budget for instructional materials but ear-marked for English learner instructional materials. That funding was vetoed in last year's budget, and the Governor proposes to restore it as part of the regular program.

The following is a chart from the LAO's Analysis that shows proposed instructional materials funding as of the January 10 budget. It does not include updated growth and COLA figures proposed in the May Revise.

<b>Figure 1</b>				
<b>Instructional Materials Funding</b>				
<i>(Dollars in Millions)</i>				
	2003-04	2004-05	2005-06	2006-07
Instructional Materials Block Grant	\$175	\$333	\$361	\$402
Lottery funds for Instructional materials	115	150	190 <sup>a</sup>	190 <sup>a</sup>
<b>Totals</b>	<b>\$290</b>	<b>\$483<sup>b</sup></b>	<b>\$551</b>	<b>\$592</b>
<b>Year-to-year change</b>	—	<b>66%</b>	<b>14%</b>	<b>7%</b>
<small>a LAO estimates based on lottery revenue projections.            b In addition to the figure shown here, \$168 million in one-time funding was provided in this year.</small>				

**2) May Revise proposal to re-instate \$30 million for supplemental materials for English learners.** The Governor's May Revise proposes \$30 million in one-time funds to re-instate a set-aside approved two years ago by the Legislature for supplemental instructional materials to help districts meet the needs of English learners.

**6110-650-0001, Local Assistance, Instructional Materials for English Language Learners (Issue 674)**

It is requested that this item be increased by \$30.0 million to provide funds to school districts, charter schools, and county offices of education (that serve students) for the one-time purchase of supplemental instructional materials for pupils whose primary language is other than English. These funds will help to ensure that pupils quickly develop grade-level English language skills. The funds will be allocated on an equal per pupil basis for grades K-12.

**3) May Revise proposal to provide additional one-time funds for instructional materials.** The Governor's May Revise proposal includes an additional \$250 million in one-time funds for instructional materials. The subcommittee heard this issue at an earlier hearing and held it open.

**COMMENTS:**

**CDE's administrative needs relative to \$30 million.** At an earlier hearing, CDE testified that if the Legislature approves funds for supplemental instructional materials, it would need additional funds and the continuation of two limited-term positions set to expire at the end of this fiscal year to administer the program.

**Supplemental Report Language on costs of instructional materials.** In response to concerns expressed by subcommittee members and advocates at earlier hearings about the need to control the costs of instructional materials, staff has drafted the following language, which would request LAO to look at the cost of instructional materials in California and recommend ways to reduce costs.

Supplemental Report Language: 6110-189-0001—State Department of Education

1. ***Evaluation of Instructional Materials Program.*** The Legislative Analyst's Office (LAO) shall assess the cost-effectiveness of the state's instructional materials program. The assessment shall: (1) track the rate of recent cost increases in instructional materials; (2) compare the per pupil costs and rate increases of instructional materials in California with other states, giving special attention to states that serve similar students yet have higher achievement than California; and (3) make recommendations for lowering the costs of instructional materials in California. The LAO shall submit its report to the Legislature by April 1, 2007.



**ISSUE 13: MAY REVISE -- FEDERAL TITLE II FUNDS FOR TEACHER TRAINING**

The issues for the subcommittee to consider are various May Revise proposals to spend federal Title II carryover funds and to adjust the Title II local assistance grants.

**BACKGROUND:**

**Title II carryover funds (one-time).** The Governor's May Revise includes various proposals to spend \$4.9 million in federal Title II carryover funds that are expiring. Specifically, \$2.6 million must be spent by September 30 of this year, or CDE will have to return the funds to the federal government. Another \$2.4 million must be spent by September 30 of 2007, or CDE will have to return it. CDE notes that a recent federal review found that California was not spending enough of its federal Title II grant on state-level activities, and that the existing carryover is in part a result of that finding. Federal Title II funds are provided to states to support their costs of professional development and various activities related to complying with the federal "highly qualified teacher" requirements under NCLB.

The May Revise proposes to spend the funds on the activities included in the chart below:

	May Revise proposal
<b><u>Carryover that expires 9/30/06</u></b>	
NCLB monitoring sanctions for highly qualified teacher compliance	\$ 209,000
BTSA evaluation	2,100,000
Teacher database - interagency agreement with CTC	252,000
Sub-total	\$2,561,000
<b><u>Carryover that expires 9/30/07</u></b>	
Teacher database	\$ 686,000
Leave unappropriated for SB 1209	1,500,000
Sub-total	\$2,186,000

**Title II ongoing funds.** The Governor's May Revise reflects a total decrease of \$6.7 million in Title II local assistance. This reflects a \$3.6 million decrease in the federal grant, and the required shift of \$3.1 million from local assistance to state-level activities, pursuant to the recent federal review that found that California was not spending enough of these funds on state-level activities. However, the administration does not propose to appropriate the \$3.1 million for state-level activities, but instead sets it aside for future uses related to the teacher database system.

**COMMENTS:**

**Background on integrated teacher data system.** Last year's budget included \$350,000 in federal funds for CDE to contract for a feasibility study for a new teacher data system. A feasibility study is the first step in the development of a major information technology initiative. Last year's budget contained language requiring that the study inventory existing teacher data elements currently collected by state agencies and county offices of education, identify redundancies, identify these agencies data needs, and identify the most cost-effective approach for converting existing multiple data systems into an integrated, comprehensive, longitudinally linked teacher information system that can yield high-quality program evaluations.

According to the LAO, the earliest any such system could be ready is December, 2009. Total one-time costs to develop the system are estimated at \$12 million.

**ISSUE 14: HIGH SPEED NETWORK – MAY REVISE PROPOSAL**

The issue for the subcommittee to consider is the Governor's May Revise proposal to provide state funds to support this network.

**BACKGROUND:**

**Network support.** The Governor's May Revise proposes a total expenditure authority of \$15.6 million, including \$8.6 million Proposition 98 funds and \$7 million in existing unused funds. It also requires that the Proposition 98 funds be offset by any E-rate or California Teleconnect Funds related to the High Speed Network's purchase of internet services. The details of the May Revise request are listed below:

**6110-182-0001, Local Assistance, K-12 High Speed Network (Issue 647)**

It is requested that this item be increased by \$8.6 million for costs associated with the K-12 High Speed Network. Total expenditure authority will be \$15.6 million, consisting of \$8.6 million in Proposition 98 General Fund, \$3.0 million from existing reserves, and \$4.0 million in excess funds in the equipment refresh account. Further, it is anticipated that the \$8.6 million will be offset by any funds received from claims for E-rate and/or the California Teleconnect Fund. The \$15.6 million will allow the K-12 High Speed Network to continue providing LEAs with electronic connections to the Corporation for Education Network Initiatives in California (CENIC), California's colleges and universities, and to each other. Provisional language will exclude major subcontracts, defined as subcontracts above \$25,000, from charges for indirect costs. This will allow the K-12 High Speed Network to fully expend pass-through funds for contracted services without the need to charge indirect costs.

It is further requested that provision 1 be deleted.

If is further requested that provisional language be added as follows:

*X. The amount appropriated in this item shall be reduced by any funds received from claims for E-rate and/or the California Teleconnect Fund. The lead educational agency shall submit quarterly reports to the Department of Finance and the Legislature on funds received from E-rate and the California Teleconnect Fund.*

*X. \$3,000,000 of unexpended funds originally provided for Internet connectivity and network infrastructure for grades K–12 schools, charter schools, and county offices of education, and \$4,000,000 of unexpended funds set-aside for equipment replacement from the following appropriations are available for allocation to the lead educational agency to continue management and operation of the K–12 High Speed Network during the 2006-07 fiscal year: Item 6440-001-0001, Schedule (a), Provision 44 of Chapter 52, Statutes of 2000; Item 6440-*

001-0001, Schedule (1), Provision 24 of Chapter 106, Statutes of 2001; Item 6440-001-0001, Schedule (1), Provision 24 of Chapter 379, Statutes of 2002; Item 6440-001-0001, Schedule (1), Provision 22 of Chapter 157, Statutes of 2003; Item 6110-182-0001, Chapter 208, Statutes of 2004.

*X. For the 2006-07 fiscal year, all major subcontracts of the K-12 High Speed Network program shall be excluded from both the eligible program costs on which indirect costs are charged and from the calculation of the indirect cost rate based on that year's data. For purposes of this section, a major subcontract is defined as the amount of a contract for services that is in excess of \$25,000.*

*X. The program shall be governed pursuant to legislation enacted for this purpose on or before January 1, 2007, during the 2005-06 Regular Session.*

**May Revise proposal for last-mile grants.** The Governor's May Revise proposes \$5 million in one-time funds for last mile connections to K-12 schools, charter schools and county offices of education to expand connections to the high speed network.

**6110-650-0001, Local Assistance, Last Mile Connections to the K-12 High Speed Network (Issue 661)**

It is requested that this item be increased by \$5.0 million to provide grants to K-12 schools, charter schools, and county offices of education to establish or expand connection to the K-12 High Speed Network. Grants will be allocated upon submittal of a plan by each applying district or county office of education and once that plan has been determined by the SDE and the lead education agency for the K-12 High Speed Network to be the most cost effective manner for establishing or expanding connection capacity. First priority will be given to LEAs that have sites that are not yet connected to the Internet, with second priority given to those LEAs that are already connected, but where a lack of capacity prohibits the most effective use of the K-12 High Speed Network.

**COMMENTS:**

**Control section recommended by LAO.** The LAO is recommending the adoption of a control section that addresses the findings by the recent state audit on the need for the Legislature to better protect the assets acquired with state funds for the high speed network.

**ISSUE 15: OPEN ISSUES -- HIGH PRIORITY SCHOOLS PROGRAM**

The issues for the subcommittee to consider are various issues previously heard but left open regarding the High Priority Schools Program:

- The Governor's proposal to provide \$200 million for new schools to participate in the program.
- The availability of \$60 million provided last year for the program.
- A proposal by CDE to create a pilot for alternative schools to participate in the program.

**BACKGROUND:**

**State-funded programs: funding for HP program.** The Governor proposes a total funding level of \$243 million for the High Priority Schools Grant Program, which provides grants of \$400 per pupil to the lowest-performing 20 percent of districts. This total includes \$201 million for a new cohort of schools to apply and begin the program. Last year's budget included \$60 million for new schools to enter the program. However, the expenditure of the \$60 million was contingent upon legislation, which was not enacted at the end of last year's session. The Legislature approved AB 1758 (Umberg) at the beginning of this year to authorize a new cohort, but it is unclear whether the \$60 million can or should be expended for new grants in the two months that remain in the fiscal year. The administration proposes to scoop up this \$60 million in one-time unused funding, and spend it through the Proposition 98 Reversion Account (See Proposition 98 funding, above). The Governor also proposes \$6 million for corrective action for non-Title I schools working with School Assistance and Intervention Teams or non-Title I schools subject to state and federal sanctions after participating in the Immediate Intervention/ Underperforming Schools Program (II/USP).

**Background on HP program.** The High Priority Schools Grant program was created in 2001 to address the special challenges of turning around the lowest-performing schools. Eligible schools may apply for grant funding of \$400 per pupil. In exchange, participants may be subject to state interventions if they do not make significant progress toward state goals in three years. The program establishes highest priority for schools in decile 1, second priority for schools in decile 2, third priority for schools in decile 3, etc.

**Issues to consider for unused \$60 million from last year's budget.** The Governor proposes a total funding level for 2006-07 of \$243 million for the High Priority Schools Grant Program, which provides grants of \$400 per pupil to the lowest-performing 20 percent of districts. This total includes \$201 million for a new cohort of schools to apply and begin the program. Last year's budget included \$60 million for new schools to enter the program. However, the expenditure of the \$60 million was contingent upon legislation, which was not enacted at the end of last year's session. The Legislature approved AB 1758 (Umberg) at the beginning of this year to authorize a new cohort, but

it is unclear whether the \$60 million can or should be expended for new grants in the two months that remain in the fiscal year. CDE notes the following issues related to the unused \$60 million:

- Allocation of planning grants in the Current Year (CY) is constrained by the \$201 million in the Budget Year (BY).
- There are sufficient funds to invite all unfunded 2005 API Base ranks 1 and 2 schools (775). This includes CSR schools who agree to become HP. This would leave balances of \$14.8 million (of \$201 M) in the budget year and \$25.8 million (of \$60 M) in the current year.
- Budget Year options for the remaining \$14.8 million are:

<u>Budget Year Option</u>	<u>Effect on Current Year</u>
1. Fund 31 of the 101 former II/USP schools in rank 1 that never were able to fully participate in HP	• Additional planning costs of \$1.55 million
2. Fund into rank 3 (30 schools)	• Additional planning costs of \$1.5 million
3. a. Fund 140 alternative schools pilot program (\$7 million) <u>and</u> b. Provide funding for specific district activities directed at helping HP schools (\$7 million)	• None

Following decisions regarding the Budget Year, then decisions can be made to deal with the Current Year balance.

- Current Year options for \$25.8 million\* remaining.  
(\*amount impacted by Budget Year decisions above)

<u>Current Year One-time Options</u>	<u>Effect on Budget Year</u>
1. Fund alternative schools program (\$7 - \$10 million)	• Frees up \$7 - \$10 million in Budget Year. Interacts with option 3a above.
2. Fund individualized learning plans for students at risk of not passing CAHSEE (\$5 - \$8 million)	• None
3. Provide support for specific district	• Frees up \$7 - \$10 million in Budget

activities directed at helping HP Year. Interacts with option 3b above.  
schools (\$7 - \$10 million

4. Provide more planning grants to • None  
rank 3 schools



**ISSUE 16: PROGRAM IMPROVEMENT SET-ASIDE**

The issue for the subcommittee to consider is the Governor's May Revise proposal to change the federal Title I set-aside amounts set-aside for various school improvement activities related to compliance with the No Child Left Behind Act.

**BACKGROUND:**

**January 10 budget.** The federal NCLB law allows states to set aside four percent of their total Title I grant to help schools improve their performance. For California, this set-aside amounts to \$69.2 million in ongoing funds for 2006-07, as reflected in the Governor's January 10 budget. In addition, there is approximately \$22.3 million in unused funds from prior years (carryover) available. However, the Governor's budget redirects this carryover, along with carryover funds from other federal programs, to a new program that targets program improvement schools. The subcommittee already took action to redirect this Title I carryover back to the program.

**May Revise technical changes to reflect reduction in the federal grant award.** The Governor's May Revise proposes to reduce funding for this purpose by \$17.9 million, to reflect a decrease in the federal grant. The subcommittee's earlier action to re-appropriate carryover back to this program, will help backfill this reduction. The Governor's May Revise request is included below:

**6110-136-0890, Local Assistance, Title I School Improvement Program (Issue 258)**

It is requested that Schedule (3) of this item be decreased by \$17,868,000 to make amounts available for Title I state-monitored schools under the Immediate Intervention/Underperforming Schools Program consistent with SDE funding estimates. Similarly, it is requested that funding be adjusted for the district accountability program.

It is further requested that Provisions 3 through 5 of this item be amended as follows:

"3. Of the funds appropriated in Schedule (3) of this item, up to ~~\$10,000,000~~ \$1,600,000 shall be made available to support school assistance and intervention teams that enter into a contract with a school pursuant to subdivision (a) of Section 52055.51 of the Education Code. These funds shall be allocated in the amount of \$75,000 for each school assistance and intervention team assigned to an elementary or middle school, and \$100,000 for each team assigned to a high school. The State Department of Education and Department of Finance may approve applications with justification for a total funding level of \$125,000.

4. Of the funds appropriated in Schedule (3) of this item, up to ~~\$20,000,000~~ \$22,069,000 shall be made available to provide \$150 per pupil for each pupil in a

school that is managed in accordance with paragraph (3) of subdivision (b) of Section 52055.5 of the Education Code or that contracts with a school assistance and intervention team pursuant to subdivision (a) of Section 52055.51 of the Education Code.

5. Of the funds appropriated in Schedule (3), ~~\$29,240,000~~ \$16,180,000 shall be available pursuant to Article 3.1 (commencing with Section 52055.57) of Chapter 6.1 of Part 28 of the Education Code, for Title I district accountability.”

<b>COMMENTS:</b>
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At an earlier hearing, CDE requested language that would allow it to transfer funds between the above schedules, to address the problems it has in estimating the number of schools that will be eligible for each pot of money.

**ISSUE 17: FEDERAL READING FIRST FUNDS**

The issues for the subcommittee to consider are the May Revise technical adjustments to this program, as well as the following open issues related to this program:

- Criteria before the State Board for consideration regarding the “sufficient progress” for 4<sup>th</sup> year funding and the potential effect on waived classrooms.
- Whether to approve a 5<sup>th</sup> year of funding for round one grantees.
- Whether to set aside funding for new districts to participate.

**BACKGROUND:**

**Governor’s budget.** The Governor’s January 10 budget included \$145 million in federal Reading First funds. This assumed a slight decrease in federal funds relative to last year’s funding level of \$152 million. The Governor’s May Revise would add \$12 million in one-time carryover funds to this total. The provisional language accompanying the funding is similar to last year’s language, with two exceptions: a) it assumes that the Legislature will grant approval for round one grantees to receive a 5<sup>th</sup> year of funding and b) it deletes references to new grantees, thereby appearing to assume that the final budget will not provide any funding for districts not currently participating to receive new grants (see below). Since the inception of the program, the budget has set aside \$6.65 million for technical assistance to districts that participate in the program. Specifically, it provides \$250,000 to the Sacramento County Office of Education for the administrative costs of running the training program, and \$6.35 million to eight regional technical assistance centers located in county offices of education.

The May Revise proposals are detailed below.

**6110-126-0890, Local Assistance, Reading First Program (Issue 511)**

It is requested that this item be increased by \$12,608,000 in one-time carryover to extend and expand grants to participating districts, pursuant to implementing legislation. The Reading First Program provides grants for scientifically-based reading programs that improve reading in kindergarten through grade 3.

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

*X. Of the funds appropriated in this item, \$12,608,000 is available from one-time carryover for continuing grants to districts for rounds 1, 2, and 3 and is contingent upon enactment of legislation enacted during the 2005-06 Regular Session for this purpose.*

**Background on program.** Federal Reading First funds were first provided to states upon the passage of the No Child Left Behind Act several years ago. Funds are provided to states to improve the reading instruction of their schools and the reading achievement of their students. The federal law cites K-3 teachers and special education teachers in grades K-12 as the intended targets of the training. According to California's implementation, eligible school districts may receive three-year grants up to \$6,500 per teacher in kindergarten through grade 3. (Districts may receive more if they submit a plan that adequately justifies the need for more money; the plan must be jointly approved by CDE and DOF.) Districts are eligible to apply for funding if they have large numbers of economically disadvantaged students and reading scores below state performance benchmarks. State law specifies that the funding can be used for purchasing reading materials, participating in state-approved professional development in reading and language arts, hiring reading coaches and reading assessments. In order to receive funding, districts must purchase standards-aligned textbooks for English/ Language Arts.

Participating schools must send teachers to training administered by the Sacramento County Office of Education for the first year of the program, and then may send teachers to other providers for the second and third years of training. Many teachers attend training administered by the Sacramento County Office of Education for all three years.

California initiated its version of the program in 2002-03. To date, the State Board of Education has provided approximately 110 school districts with Reading First grants, affecting approximately 20,000 classrooms. It has provided three rounds (cohorts) of funding and is in the process of providing a fourth round. However, it currently funds 55% of all eligible classrooms (see below).

**Definition of "significant progress" and the potential effect on waived classrooms.** Although the program was originally established as a three-year grant program, two years ago the administration stated its intent to provide a fourth year of funding for round 1 grantees that demonstrate significant progress in improving reading scores. Round 1 grantees have already received three years of funding, and are awaiting the State Board's approval of a definition of "significant progress" that would allow some grantees to receive a fourth year of funding this year (2005-06). Round 1 grantees include some waived classrooms that provide bilingual instruction in Spanish and English to English learners. Teachers in these waived classrooms argue that the most recent definition of "significant progress" before the State Board would disproportionately deny waived classrooms a fourth year of funding. Specifically, the criteria would disproportionately affect waived classrooms because 1) the criteria unfairly compares waived classrooms whose teachers have only received two years of funding<sup>1</sup> to classrooms that have received a full three years of funding, and 2) problems with the assessments and professional development for waived classrooms

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<sup>1</sup> Waivered classrooms in round 1 districts were late to receive funding because they were initially denied the opportunity to receive funding, and had to sue to be able to participate, which denied their entry.

have not been addressed. Last year the subcommittee approved language that required CDE to establish an advisory committee to address the problems in #2 above, but the advisory committee has only recently met and has not had an opportunity to put forth recommendations to CDE to address the problems.

**Provide 5<sup>th</sup> year of funding to round 1 grantees?** Last year the administration indicated its intent to provide a 5<sup>th</sup> and 6<sup>th</sup> year of funding to round one grantees if they demonstrate significant progress. Due to the Legislature's concerns about this deviation from the original plan to provide three-year grant, and questions about how this might affect the availability of funds for new grants, the Legislature included budget control language requiring legislation in order for the State Board to provide a fifth year of funding to round 1 grantees. CDE is sponsoring AB 2248 (Coto) to authorize a fifth year of funding. Staff notes that if the Legislature chooses to provide a 5<sup>th</sup> year of funding, it might consider whether this will create pressure on the General Fund to continue the program after the federal funding is expected to expire in two years.

**Set aside funding for new districts to participate?** Last year, the subcommittee specified that carryover funds (one-time unused funds from prior years) be used to fund currently unfunded school districts. It did this in response to a finding that the program was only funding 55% of eligible classrooms across the state. CDE reports that \$6.5 million was available in carryover in the current year and nine districts applied for the funding.

<b>COMMENTS:</b>
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The LAO has recommendations on this program that it will present at today's hearing.

**ISSUE 18: CONTROL SECTION 12.40 (MEGA-ITEM TRANSFERS)**

The issues for the subcommittee to consider are:

- Open issues related to information received about districts' use of this control section, as considered by the subcommittee at an earlier hearing.
- Proposed changes to the control section proposed in the May Revise.

**BACKGROUND:**

**April DOF proposal to make technical corrections to Control Section 12.40.** Control section 12.40 allows districts to transfer up to 10% of the funding from specified categorical programs into another program, as long as the total increase to any one program does not exceed 15% of the base of the receiving program. The Governor's April DOF letter makes technical changes to the control section, as follows:

A number of items containing appropriations for block grants were erroneously included in Control Section 12.40. Because statute already allows local educational agencies to transfer funds between these items, they should not be included in this control section. In addition, one of the other items in the control section has been renumbered. It is requested that Section (b) of Control Section 12.40 be amended to reflect these technical corrections:

(b) The education programs that are eligible for the flexibility provided in subdivision (a) include the following items: Items 6110-111-0001, 6110-119-0001, 6110-122-0001, 6110-124-0001, 6110-128-0001, ~~6110-151-0001~~, 6110-150-0001, 6110-167-0001, 6110-181-0001, 6110-193-0001, 6110-203-0001, 6110-209-0001, ~~6110-243-0001~~, ~~6110-245-0001~~, ~~6110-246-0001~~, ~~6110-247-0001~~, ~~6110-248-0001~~, and 6110-224-0001 of this act.

The effect of the proposed changes would mean that the following programs are subject to these flexibility provisions:

- Home to School Transportation
- Educational Services for Foster Youth
- Specialized Secondary Programs
- Gifted and Talented Pupil Program
- Economic Impact Aid
- Agricultural Vocational Education Incentive Program
- Educational Technology – CTAP
- Bilingual Teacher Training
- Child Nutrition Programs
- Teacher Dismissal Apportionments
- Year-Round School Grant Programs

As a condition of using the flexibility provisions allowed under control section 12.40, districts must report to CDE on the amounts they shift between programs. The most recent data available on these shifts is from 2004-05, when there were a larger number of programs in the control section – many of these programs were subsequently taken out of the control sections when they were placed into block grants by categorical reform legislation (AB 825 (Firebaugh)). The table below summarizes the statewide net amounts transferred in and out of the programs included in the control section in 2004-05. (The amounts transferred in and out of the different programs differ by district.)

### 2004-05 Statewide Categorical Flexibility Transfers per Control Section 12.40

Program	Net transfers in	Net transfers out	Grand Total (Net amount transferred)
Unrestricted	\$6,055,175	(\$8,693)	\$6,046,482
Child Nutrition: School Programs	95,117	(1,288,982)	(1,193,865)
Agricultural Vocational Incentive Grants		(42,051)	(42,051)
Targeted Instructional Improvement Grants Program (TIIG)	2,048,020	(232,276)	1,815,744
Dropout Prevention: Educational Clinics	77,942		77,942
Dropout Prevention: Implementation Model		(7,560)	(7,560)
Dropout Prevention: Alternative Work Centers	8,837	(22,800)	(13,963)
Dropout Prevention: Motivation/Maintenance	12,953	(185,454)	(172,501)
<b>Economic Impact Aid (EIA)</b>	<b>90,250</b>	<b>(6,221,410)</b>	<b>(6,131,160)</b>
<b>Economic Impact Aid: Limited English Proficiency (LEP)</b>	<b>24,170</b>	<b>(10,204,856)</b>	<b>(10,180,687)</b>
Education Technology: CTAPS, SETS, & Supplemental Grants	901,743	(58,098)	843,645
Education Technology: Staff Development		(1,032)	(1,032)
Gifted & Talented Education (GATE)	915,318	(1,352,284)	(436,966)
<b>Transportation: Home to School</b>	<b>16,799,480</b>	<b>(399,898)</b>	<b>16,399,582</b>
<b>Transportation: School Bus Replacement</b>	<b>6,918</b>	<b>(210)</b>	<b>6,708</b>
Transportation: Special Education	7,793,234	(56,464)	7,736,769
School Improvement Program (SIP)	1,173,018	(14,578,649)	(13,405,631)
School Improvement Program (optional)	134,057	(650,532)	(516,475)
California Peer Assistance & Review Program for Teacher	122,336	(552,012)	(429,676)
Staff Development: Intersegmental Teacher Institutes		(10,455)	(10,455)
Supplementary Programs: Foster Youth		(93,658)	(93,658)
Supplementary Programs: Foster Youth in LCI's		(8,553)	(8,553)
Supplementary Programs: Specialized Secondary	5,250		5,250
Tenth Grade Counseling	33,157	(321,047)	(287,890)
Grand Total	\$36,296,973	(\$36,296,973)	0

**COMMENTS:**

The subcommittee heard these issues at an earlier hearing and left them open.