

AGENDA
ASSEMBLY BUDGET SUBCOMMITTEE NO. 2
ON EDUCATION FINANCE
PART I

ASSEMBLYMEMBER S. JOSEPH SIMITIAN, CHAIR

WEDNESDAY, MAY 22, 2002
STATE CAPITOL, ROOM 447
1:30 AM

ITEMS TO BE HEARD

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ITEM 6110 DEPARTMENT OF EDUCATION**ISSUE 1: PROPOSITION 98 SOLUTION, "SHIFT"**

The issue for the subcommittee to consider is the Governor's May Revise proposal to fully fund the budget-year minimum Proposition 98 guarantee, via a shift of approximately \$1.15 billion in expenditures from the current year to the budget year.

BACKGROUND:

The Governor's May Revise estimates a \$1.184 billion increase in the Proposition 98 minimum guarantee, relative to minimum guarantee estimate of January. Due to the fiscal crisis, the Governor proposes to fully fund the guarantee by shifting approximately \$1.15 billion in current year expenditures to the budget year. (The current year funding level over-appropriates the minimum Proposition 98 funding level by several billions of dollars, so the proposed reduction in current year expenditures poses no threat to the state's commitment to fully fund the guarantee in the current year.) The proposed funding shift will not result in program reductions for the affected programs. The immediate effect on school districts is expected to be limited to a slight delay in expected payments. The administration proposes separate legislation, which must be approved in the current year, to carry out the proposed shift, which is summarized in the table below.

**Governor's proposed shift to fully fund the minimum Prop. 98 guarantee for 2002-03
(\$ in millions)**

Program	CY Change	BY Change
Instructional Time and Staff Development Reform Program	-\$76	\$76
Standardized Testing	-61	61
BTSA (Beginning Teacher Support and Assessment)	-39	39
Targeted Instruction Improvement Block Grant	-713	713
Governor's Performance Awards	-144	144
Community Colleges (unallocated)	-116	116
Total	-\$1149	\$1149

ISSUE 2: REVERSION ACCOUNT SWITCH

The issue for the subcommittee to consider is a proposal to use reversion account funds in place of current year funding for education, to free up General Fund.

BACKGROUND:

The Governor's May Revise proposes to use \$503 million in reversion account funding to replace a similar amount of current year funding, in order to free up \$503 million in General Fund, to help address the overall budget deficit. The Governor proposes language to carry out this switch, which will require the enactment of legislation by the end of this fiscal year.

Since the Governor's January budget originally proposed to spend Proposition 98 reversion account funding on a variety of purposes, the proposed use of those reversion account funds to fund current-year expenditures these original proposed expenditures (including textbook and library funding) unfunded. To address this situation, the Governor proposes to fund these purposes (albeit at a lower funding level) out of Proposition 98 budget year funds.

In particular, the Governor's May Revise proposes the following budget-year augmentations, in order to fund items that he originally proposed to fund with Proposition 98 reversion account funds:

Program	Amount	Comments
CSIS	\$11.3 million	see CSIS item in the agenda
Principal Training	\$7.5 million	same amount proposed in January
One-time School Library Materials Grant:	\$80 million	January proposed \$100 million -- see instructional materials/library item in the agenda
High-Tech High Schools:	\$4 million	same amount proposed in January
One-Time Instructional Materials Grant:	\$150 million	January proposed \$200 million -- see instructional materials/library item in the agenda)

Note that the Governor's May Revise does not propose budget-year funding for science lab equipment and materials, for he proposed \$75 million in reversion account funds in January.

COMMENTS:

Trailer bill language related to principal training program. At yesterday's hearing the subcommittee considered trailer bill language proposed by the administration to conform statute to current-year funding levels for the principal training program, (section 8) as follows:

44515. (a) Program funding is intended to serve ~~one-third~~ one-sixth of the total number of public school principals and vice principals in ~~each of~~ the first ~~two~~ years year of program implementation, one-third in the second year, with the remaining public school principals and vice principals to be served in the third and final year of the program.

(b) A local education agency shall receive program funding to train up to ~~one-third~~ one sixth of its schoolsite administrators in the 2001-02 fiscal year, one-

third in the 2002-03 fiscal year, and ~~one-third~~ the remainder in the 2003-04 fiscal year.

(c) If all of the statewide funding is not expended in a fiscal year, it may be redistributed on a pro rata basis to local education agencies that have served more than ~~one-third~~ the proportion specified in subdivision (a) of their schoolsite administrators during that fiscal year.

(d) It is the intent of the Legislature that a local education agency give highest priority to training administrators assigned to, and practicing in, low-performing or hard-to-staff schools.

The subcommittee held the proposed trailer bill language open, to consider it hand-in-hand with the funding level, and to explore opportunities to address concerns about the program.

Proposal for superintendent training. The Legislature is currently considering legislation to create a training program for superintendents. If the subcommittee wishes to show support for this concept, it can adopt the following language:

Add provisional language to Item 6110-193-0001 as follows:

X. Of the funds appropriated in Schedule (1) of this Item, \$375,000 shall be allocated to the State Department of Education for the Superintendent Training Program authorized pursuant to legislation enacted during the 2001-02 Regular Session

ISSUE 3: INSTRUCTIONAL MATERIALS/ LIBRARY FUNDS
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The issue for the subcommittee to consider is the Governor's proposal to fund instructional materials and library funds, as part of the Proposition 98 Reversion Account switch.

BACKGROUND:

As part of the Governor's May Revise proposal to use reversion account funds in place of General Fund for current-year K-12 education expenditures, the Governor proposes to increase budget year funding on the following two items, given that he had originally proposed to fund these issues with reversion account funding (at a higher funding level).

I. One-time School Library Materials Grants (Issue 463)

The Governor's May Revise requests that Item 6110-149-0001 be increased by \$80,000,000 to shift funding from Proposition 98 Reversion Account to Proposition 98 General Fund and reduce one-time school library funding by \$20,000,000.

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

Provisions:

The funds appropriated in this item are provided on a one-time basis to the State Department of Education for allocation to school districts and charter schools to purchase library books for school libraries or K-4 classroom libraries, in accordance with Provision 2. Future school library materials funding will be provided through the Instructional Materials Block Grant.

The State Department of Education shall apportion funds appropriated by this item on the basis of an equal amount per enrolled pupil for Kindergarten and grades 1-12, as certified by the Superintendent of Public Instruction based on the 2001 California Basic Education Data System (CBEDS) data, excluding summer school, and adult and regional occupational program and center enrollment.

Staff notes that the above May Revision language refers to a one-time appropriation, and specifies that future funding be included through the Instructional materials Block Grant, whereas the subcommittee already took action to fund this program on an ongoing basis, under current statute, and that school library funds be separated from the Governor's proposed instructional materials block grant. The May Revision language also refers to K-4 classroom libraries, whereas the subcommittee had taken an earlier action to provide ongoing funding for the existing school library program, which does not provide funding for K-4 classroom libraries (a separate program.) The subcommittee may wish to amend the proposed language to conform to its original action:

The funds appropriated in this item are provided on a ~~one-time~~ basis to the State Department of Education for allocation to school districts and charter schools to purchase library books for school libraries, pursuant to Section _____ of the Education Code, or K-4 classroom libraries, in accordance with Provision 2. ~~Future school library materials funding will be provided through the Instructional Materials Block Grant.~~

II. One-time Instructional Materials Grants (Issue 462)

The Governor's May Revise requests that Item 6110-189-0001 be increased by \$150,000,000 to shift funding for one-time instructional materials costs from Proposition 98 Reversion Account to Proposition 98 General Fund and reduce the allocation by \$50,000,000. In addition, it is also requested that (1) Item 6110-189-0001 be scheduled to identify its ongoing and one-time components, (2) a technical adjustment be made to stipulate that the funding flows through the Instructional Materials Fund, and (3) Provision 1 be amended and that Provisions 2 and 3 be added to Item 6110-189-0001 to conform to this action.

It is further requested that Item 6110-189-0001 be amended as follows:

6110-189-0001—For local assistance, Department of Education (Proposition 98), for transfer to the Instructional Materials Fund, Program 20-Instructional Support
250,000,000 400,000,000

Schedule:

(1) 20.20.020.005--Instructional Materials Block Grant.....250,000,000
(2) 20.20.020.006--One-
time Instructional Materials Grants.....150,000,000

Provisions:

1. Funds appropriated by this item-The funds in Schedule (1) shall be allocated to school districts to purchase standards-aligned instructional materials, pursuant to legislation enacted during the 2002-03 Regular Session.
2. The funds in Schedule (2) shall be provided on a one-time basis to the State Department of Education for allocation to eligible school districts and charter schools based on an equal amount per pupil enrolled in Kindergarten and grades 1-12 in eligible districts, for the purchase of standards-aligned instructional materials, in accordance with Provision 3.
3. To be eligible to receive funding under Schedule (2) of this item, a local education agency must certify to the State Department of Education within six weeks of enactment of this Act, or prior to the beginning of the 2002 school year, whichever is later, that it will purchase a standards-aligned and adopted Reading/Language Arts textbook or basic instructional materials, as defined in Education Code Section 60010(a), for each pupil by June 30, 2003."

Staff notes that the Governor's proposed language is identical to the provisional language adopted by the subcommittee at an earlier hearing for this set-aside, with the exception of the following sentence, which is not included in the May Revise language, above:

"This provision may be waived pursuant to Section 33050 of the Education Code."

ISSUE 4: CURRENT YEAR REDUCTIONS -- VARIOUS

The issue for the subcommittee to consider is a number of miscellaneous current-year reductions proposed in the Governor's May Revise.

BACKGROUND:

The Governor's May Revise proposes a number of current-year reductions, in order to free up General Fund to help address the overall budget deficit. These reductions will require separate legislation to be enacted by the end of this fiscal year. Some of the proposed current-year reductions were approved as part of yesterday's hearing on childcare issues. The remaining proposed reductions include:

1) Current Year, Charter School Facilities Grant (Issue 365)

The Governor's May Revise proposes to reduce this program in the current year by \$5,000,000 to reflect actual expenditures. Last year's budget act appropriated \$10 million for the grant program, but current-year revisions reduced the total amount available in the current year to \$5 million, which the Governor now proposes to capture as savings, due to the expectation that the funding will not be distributed in the current year.

2) Current Year, High Priority Schools Grant Program (Issue 011)

The Governor's May Revise proposes that Schedule (3) in this item (Low-Performing Schools) will be reduced by \$20,000,000 through urgency legislation to reflect the elimination of funds provided for the purposes of planning grants to schools in the second decile. Given the current fiscal situation, the administration states that it cannot support expanding the High Priority Schools Grant Program. During the current-year revisions to the budget, the Legislature re-captured a total of \$38 million from the proposed \$200 million one-time reduction from the High Priority Schools Grant Program, which was proposed to reflect a delay in implementation of the new program. Of this \$38 million, \$18 million was set aside for planning grants for decile 1 schools planning to participate in the High Priority Schools Grant Program. This funding has been distributed by SDE. \$20 million was set aside for planning grants for decile 2 schools, in anticipation of a future expansion of the program. This funding has not been distributed to date, and the Governor's May Revise proposes to capture the funding as savings.

3) Current Year, California School Age Families Education (CalSAFE) (Issue 353)

The Governor's May Revise proposes that this item be reduced by \$35,000,000, through urgency legislation to recognize and capture savings in the 2001-02 fiscal year. The proposed savings reflects lower-than-expected participation in the program. (Staff notes that the LAO estimates that an additional \$4 million in the current year will be unexpended.)

4) Advanced Placement Challenge Grant Program (Issue 251)

It is requested that Schedule (8) in this item be deleted, as the Administration proposes to capture these current-year savings through urgency legislation.

5) Current Year, STAR Contract Savings (Issue 013)

It is anticipated that Schedule (4) in this item will be decreased by \$5,000,000 to reflect savings in the STAR contract.

6) Current Year, Budget for Lower Digital High School Participation in 2001-02 (Issue 460)

It is anticipated that Item 6110-184-0001 be reduced by \$11,000,000 in 2001-02 to reflect lower than previously anticipated participation in the Digital High School program.

7) Advanced Placement Challenge Grant Program (Issue 001)

It is proposed that Schedule 7 in this item will be reduced by \$4,000,000 through urgency legislation to match the statutory funding formula contained in Education Code Section 52247.

8) High Risk Youth Education and Public Safety Program (Issue 357)

It is proposed that a reduction of \$4,000,000 be made from Item 6110-212-0001 of Section 2.00 of the Budget Act of 2001 (Chapter 106, Statutes of 2001) to recognize and capture savings in the 2001-02 fiscal year.

ISSUE 5: BUDGET YEAR REDUCTIONS (PROP. 98)

The issue for the subcommittee to consider is a number of budget-year reductions proposed in May Revise.

BACKGROUND:

The Governor's May Revise proposes a number of budget-year reductions. Those not referenced in other areas of the agenda, include the following:

1) Local Assistance—Teaching as a Priority Program (Issue 001)

The Governor's May Revise proposes to reduce the Teaching as a Priority Block Grant Program by \$30,000,000, from \$118,650,000 to \$88,650,000. The Governor proposes to still maintain the funding level proposed in January for this program, by redirecting \$30,000,000 in federal Title II funds for this program. (See Issue 001, Item 6110-195-0890).

2) Mathematics and Reading Professional Development Program (Issue 001)

The Governor's May Revise proposes to increase budget-year funding for this program by \$8,800,000, from \$22,928,000 to \$31,728,000. This adjustment is to reflect the Administration's proposal to delete \$87,072,000 for this program from Item 6110-485, Provision 5, and to instead fund the program using \$31,728,000 in Proposition 98 General Fund and \$78,272,000 in federal Title II, Part A, funds. This will avoid a supplantation problem.

3) Governor's Performance Awards (Issue 008)

The May Revise proposes that Schedule (2) and Provision 2 in this item (High Achieving/Improving Schools Program), and \$157,000,000 in associated funding, be deleted.

4) Certificated Staff Performance Awards Program (Issue 001)

The May Revise proposes that this item, and \$50,000,000 in associated funding, be deleted to reflect a delay in the Certificated Staff Performance Awards Program.

5) Delay Education Technology Staff Development for One Year (Issue 466)

The May Revise proposes that Item 6110-181-0001 be reduced by \$9,650,000 to delay the Education Technology Staff Development program for one year.

6) California School Age Families Education (CalSAFE) Caseload (Issue 353)

The May Revise proposes that this item be decreased on a one-time basis by \$35,000,000 to reflect slow ramp-up of the program.

7) Administrator Training and Evaluation Program and Exploratorium (Issue 002 and 003)

The May Revise proposes that Schedules (1) and (3) in this item, and \$3,096,000 in associated funding, be deleted. It is also requested that Provision 2 be deleted to conform to this action.

PAR trailer bill language. The May Revise proposes a new section to amend statutes for the Peer Assistance and Review to reduce each district's funding rate by 50 percent of the 2000-01 fiscal year rates. The 50 percent reduction would result in an additional \$17 million in savings, which would be allocated as specified.

ISSUE 6: BUDGET YEAR REDUCTIONS (NON-PROP. 98)

The issue for the subcommittee to consider is the Governor's May Revise proposal to reduce funding for two education programs funded with General Fund (non-Proposition 98).

BACKGROUND:**1) Advancement Via Individual Determination (AVID) (Issue 602)**

The May Revise proposes a decrease of \$6,300,000, from \$12,300,000 to \$6,000,000, as well as the following changes to provisional language.

1. Of the funds appropriated, ~~\$1,300,000~~ 1,000,000 is available for administration of the Advancement Via Individual Determination (AVID) centers and ~~\$6,000,000~~ 5,000,000 is available for competitive outreach grants to local education agencies for the AVID program. ~~Notwithstanding any other provision of law, the remaining \$5,000,000 shall be used solely for the provision of Advanced Placement teacher training or tutoring services, pursuant to Section 52247 of the Education Code.~~

The Governor's May Revise proposal effectively eliminates funding provided a couple of years ago to provide Advanced Placement teacher training or tutoring services, in order to increase access to AP courses among low-income children.

2) Professional Development Institute Stipends (Issue 001)

The May Revise proposes that this item, and \$48,000,000 in associated funding, be deleted. Federal Title I (Reading First) funds and Title II (Teacher Quality) funds will be used to provide local educational agencies with funding for professional development training. See Issue 001, Item 6110-126-0890 and Issue 003, Item 6110-195-0890.

The Governor's May Revise proposes to effectively eliminate state funding for the Professional Development Institutes, which are run by the University of California and were established several years ago to provide standards-aligned professional development in various fields to teachers.

ISSUE 7: GROWTH AND COLA

The issue for the subcommittee to consider is the Governor's May Revise proposal to fund growth and COLA for revenue limit apportionments, special education and categorical programs.

BACKGROUND:

The Governor's May Revise funds growth for revenue limit apportionments, special education and categorical programs. He proposes to fund COLA at 2% for apportionments and special education, and 1.66% (the statutory COLA) for all other categorical programs. The Governor estimated the statutory COLA at 2.15 % in the proposed January budget, but the statutory COLA has been revised downward to 1.66% since that time. The Governor, therefore, provides a greater COLA for revenue limit apportionments and special education than statutorily required, but provides the statutory COLA for all other programs.

Staff estimates that it would cost approximately \$26.1 million to increase the COLA for all categoricals from the proposed 1.66% to 2%, so that the COLA would be the same for all K-12 expenditures.

COMMENTS:

Local advocates argue that different COLA rates result in inequities in funding for different programs and the employees and students that are supported with them.

ISSUE 8: TESTING

The issue for the subcommittee to consider is proposed savings in testing programs, as proposed in the Governor's May Revise.

BACKGROUND:**1) Pupil Testing Program (Issues 001, 002, 601, and 602)**

The Governor's May Revise proposes a decrease of \$2,477,000 to testing programs. This adjustment includes a reduction of \$813,000 to reflect a decrease in the statutory COLA for these programs from 2.15 to 1.66 percent, along with the elimination of the English Language Development Test COLA due to contract savings. This adjustment also reflects a \$187,000 augmentation to reflect an increase in the statutory growth rate for this program from 1.07 to 1.37 percent. Additionally, this adjustment includes a reduction of \$831,000 in growth and \$1,020,000 in COLA to reflect the use of federal Title VI funds to pay the growth and COLA for the STAR program.

It is requested that the provisional language in this item be amended as follows:

"5. Of the funds appropriated in this item ~~\$942,000~~ \$268,000 is for the purpose of providing an adjustment for increases in enrollment at a rate of ~~4.07~~ 1.37 percent and ~~\$2,463,000~~ \$330,000 is for the purpose of providing a cost-of-living adjustment at a rate of ~~2.15~~ 1.66 percent."

2) English Language Development Test (Issues 003 and 004)

The Governor's May Revise requests that Schedule (5) in this item be decreased by \$12,286,000 for savings associated with the English Language Development Test. Of this amount, \$10,786,000 is for contract savings resulting from the current year contract including some test administration in the budget year. The remaining \$1,500,000 reflects the use of federal Title III funds to pay for development costs.

COMMENTS:

Use of Title III funds for ELD development test. The Governor proposes a \$1.5 million reduction in General Fund for the ELD test, to reflect the use of Title III funding for this purpose, which is intended to be used for programs to assist English learners. It is unclear how the federal funding will be redirected from local assistance to fund ELD development costs.

SDE proposal regarding ACE test. The budget contains \$843,000 for five ACE (Assessments in Career Education) tests. The costs per test, while falling slowly, are high. CDE has recommended eliminating the ACE tests for various reasons. First, districts have been slow in using the tests. Second, funding for the program is not sufficient for CDE to do the field testing to develop new questions and change the tests over time (which is standard practice for other tests). Third, CDE believes that the measure of success for voc ed should be STAR or other academic tests. Surveys of employers show they want workers with good basic skills--not

specific employment skills. Thus, SDE proposes to use the STAR results to evaluate whether voc ed programs are making a difference for students. If the testing is eliminated, SDE would post the ACE exams on the web site so districts who want to use the tests locally may do so.

ISSUE 9: TEACHER TRAINING AND PROFESSIONAL DEVELOPMENT BLOCK GRANT

The issue for the subcommittee to consider is an open issue related to block granting professional development programs.

BACKGROUND:

If the subcommittee wishes to support the block granting of professional development programs, but does not wish to prejudice any policy decisions made on this matter, as the Legislature considers block grant legislation, it could adopt the following language for all professional development items in the budget.

The funds appropriated in this item shall be made available for the professional development block grant pursuant to legislation enacted during the 2002-03 regular session.

ISSUE 10: SUPPLEMENTAL INSTRUCTION

The issue for the subcommittee to consider is a proposal to block grant Elementary School Intensive Reading Program funds.

BACKGROUND:

The Governor's budget includes \$30.5 million for the Elementary School Intensive Reading Program. This program, established by Chapter 2, Statutes of 1999, First Extraordinary Session (AB 2 Mazzoni) provides multiple, intensive reading opportunities for pupils in grades 1 through 4 and requires a school district, when expending these funds, to give first priority to increasing instructional opportunities for pupils who are experiencing difficulty learning to read. The program is funded on an hourly reimbursement rate with an intended model of 120 hours of instruction. The proposed funding rate as slightly adjusted by May Revision is \$3.44 per hour.

Many school districts have indicated that this funding rate requires student groupings that are too large to allow the most effective reading intervention and assistance. The result is that many school districts do not fully utilize the funding available to them under this program. A number of school districts officials have indicated that additional flexibility under this program would allow more effective use of existing funds.

The result is a pilot proposal within this program to allow SDE to authorize up to 20 school districts to receive their Elementary School Intensive Reading program funding as a block grant and provide those districts with flexibility in the use of those funds, provided they are used for the purposes of early reading instruction and intervention.

Add Provision 3 to Budget Bill Item 6110-205-0001

3. Notwithstanding any other provision of law, the Superintendent of Public Instruction may authorize not more than twenty school districts to claim and implement funding appropriated by this item as a block grant for the purposes of providing intensive reading instruction to students in kindergarten and grades 1-4. The Superintendent shall select districts to reflect geographic distribution and include small, medium, and large districts. No district may receive more than the amount to which it is entitled pursuant to the cap for the Elementary School Intensive Reading Program, but the district shall receive that amount as a block grant rather than as an hourly reimbursement. As part of a district's application, a district may request and the State Superintendent may approve waivers of specific requirements of the Elementary School Intensive Reading program. Each participating district shall report data to the Superintendent in the form and in accordance with deadlines required by the Superintendent in order to report to the Legislature on the advantages and disadvantages of the block grant approach. The Legislative Analyst shall, in consultation with the California Department of Education, review the submitted data and report to the Legislature no later than March 31, 2003, on the advantages and disadvantages of the block grant approach and make recommendations to the Legislature regarding the continuation or modification of this budget language.

ISSUE 11: COUNTY OFFICE OF EDUCATION EQUALIZATION FUNDING

The issue for the subcommittee to consider is a proposal to provide equalization funding for county offices of education.

BACKGROUND:

In order to implement a one-year equalization adjustment (using State funds rather than local county COLA) for county office court and community schools established in E.C. section 2550.5 and 2550.6, the following budget language would be necessary:

The Superintendent of Public Instruction shall apportion \$3,000,000 pursuant to section _____ of the Annual Budget Act for purposes of computing the equalization of revenue limits per unit of average daily attendance for 2002-03 pursuant to Education Code sections 2550.5 and 2550.6. Notwithstanding Education Code section 2550.5 (a), the Superintendent shall not implement the equalization formula for the 2002-03 fiscal year using the annual inflation adjustment calculated pursuant to paragraph (2) of subsection (a) of Education Code section 2550.2, and shall instead use the \$3,000,000 provided by the Budget Act. For the 2002-03 fiscal year, the Superintendent shall apportion the full statutory inflation adjustment per unit of average daily attendance for every county court and community school program.

ISSUE 12: FEDERAL FUNDS -- SANCTIONS AND INTERVENTIONS, TITLE I BASIC GRANTS

The issue for the subcommittee to consider is the May Revise proposal regarding sanctions and interventions and Title I Basic Grants.

BACKGROUND:

I. Sanctions/interventions under state and federal requirements: DOF proposes the following augmentations for state operations and technical assistance related to sanctions and interventions for schools that fail to improve, pursuant to both federal Title I requirements and state requirements under the Public School Accountability Act. DOF also proposes trailer bill language

- **II/USP sanctions:** \$6.5 million in Title I funding for schools subject to sanctions under II/USP, as follows: \$4 million for capacity building for schools subject to potential sanctions; \$1.7 million for school management teams assisting schools subject to takeover and \$800,000 for school assistance and intervention teams. (Issue 27) DOF proposes budget bill language requiring that the funding be pursuant to legislation and State Board approval, as follows:

Pursuant to legislation enacted during the 2001-02 Regular Session, of the funds appropriated in Schedule (1), \$6.5 million shall, upon approval by the State Board of Education, be available to support schools subject to sanctions pursuant to the Immediate Intervention/Underperforming Schools Program.

- **II/USP School Intervention and Assistance Teams:** \$6 million in expected II/USP savings (Prop. 98) for costs associated with School Intervention and Assistance Teams, which were created last year by AB 961 (Steinberg), as an alternative to state takeover of failing schools. (Issues 006 and 007). (The LAO recommends adopted language that would allow DOF to transfer funding between this new initiative and II/USP grants, in the event the \$6 million in savings does not materialize.) DOF proposes budget bill language requiring legislation and State Board approval before the funds are appropriated, as follows:

Pursuant to legislation enacted during the 2001-02 Regular Session, the funds appropriated in Schedule (4) shall, upon approval by the State Board of Education, be available to support schools working with School Assistance and Intervention Teams as part of the Immediate Intervention/Underperforming Schools Program.

- **Title I school improvement and intervention programs.** \$22.6 million in Title I funding for school improvement and intervention programs after federal regulations regarding Title 1, School Improvement Program are fully developed and an expenditure plan is approved by the State Board of Education. (issues 421 and 432). -- This provision is included under the Title I local assistance item, referenced below.

- **State operations support for school assistance teams:** \$794,000 in Title I funding to fund 8.0 existing positions for activities associated with assisting low-performing schools, including the Scholastic Audit Teams and School Assistance Teams. (issue 203)
- **State operations support for sanctions.** \$319,000 in Title I funding to support 3.0 positions for activities associated with federal and State sanctions and interventions, including the school take-over process. (issue 206)

II. Title I local assistance, Basic Grants:

The Governor's May Revise proposes an increase of \$290,822,000 to reflect an increase in the federal Title I Basic grants. These formula-driven funds will be used to assist low-income students to meet California academic standards. (issues 421 and 432)

It is additionally requested that the following provisional language be added to ensure that Title I funding is used to meet the State's academic priorities to the full extent allowed by federal law:

7. *Funds appropriated in schedule (1) from Title I Part A of the Elementary and Secondary Education Act shall be used by local education agencies to accomplish the objectives of the No Child Left Behind Act, consistent with the state consolidated application and any statutory provisions or provisions of this act that apply to the expenditure of these funds. To the extent allowed by federal law including the requirement to provide for parental involvement, funds shall be used to meet identified needs of recipient schools in the following priority order: 1) Planning for and compliance with any plan for remediation for a school upon which sanctions are imposed under the Public Schools Accountability Act or federal law. Funds shall be expended pursuant to a remediation plan approved by the State Board of Education under Sections 52054 and 52055.610 of the Education Code. 2) School improvement plans adopted under the Immediate Intervention/Under performing Schools, the High Priority Low Performing Schools or the Comprehensive School Reform programs. 3) Training of existing teachers to meet the state's standards for highly qualified teachers through the Alternative Certification (Intern) Program. 4) Recruitment and retention of highly qualified teachers. 5) Training of teachers to current state content standards in core subjects through the Math and Reading Professional Development Program, the Professional Development Institutes, or any other program approved by the State Board of Education. 6) Only after each school improves on the Academic Performance Index and all teachers in a local education agency meet state standards for highly qualified teachers and have received appropriate training in state standards-based instruction in all core subjects that they teach, may funds be used for all other purposes authorized under federal law. Each local education agency receiving funds from this item shall certify that its expenditure plan for these funds complies with these conditions and all applicable federal and state laws.*
8. *Of the funds appropriated in Schedule (1) of this item, \$22,600,000 shall be available for school improvement and intervention programs after federal regulations regarding Title 1, School Improvement Program are fully developed and an expenditure plan is approved by the State Board of Education.*

COMMENTS:

Re. Sanctions and Interventions -- The Legislature is currently considering legislation related to sanctions and state take-over of II/USP schools that have failed to make progress. The subcommittee may wish to have the Legislature consider legislation related to the school assistance and intervention teams and capacity-building, and make all proposed budget augmentations pursuant to legislation.

Re. Title I Basic Grants -- It is unclear how the state would ensure compliance with the proposed provisional language, which would apply to base Title I funding and not just the budget-year increase. In addition, the LAO recommends adopting language that would make receipt of these funds conditional upon participation in a statewide longitudinal database system to collect data required by the federal government under the new No Child Left Behind Act.

LAO recommended language. The LAO recommends the following provisions to a) allow DOF to transfer funds between local assistance and sanctions under the II/USP program and b) specify that districts provide data as a condition of receiving Title I funding.

6110-123-0001

Pursuant to legislation enacted during the 2001-02 Regular Session, the funds appropriated in Schedule (4) shall, upon approval by the State Board of Education, be available to support schools working with School Assistance and Intervention Teams or schools subject to state or federal sanctions by the Superintendent of Public Instruction as part of the Immediate Intervention / Underperforming Schools Program or No Child Left Behind (P.L. 107-110). To the extent necessary to fully fund the Immediate Intervention / Underperforming Schools Program, and School Assistance and Intervention Teams, the Department of Finance may transfer funds between Schedule (1) and Schedule (4) of this item.

6110-136-0890

7. As a condition of receipt of these funds, local education agencies shall provide data and information to the State Department of Education including transferring data as outlined in legislation enacted during the 2001-02 Regular Session to create a longitudinal database to track English Language Learners, migrant education pupils, and calculate a graduation rate, and dropout rate.

8. Of the funds appropriated in Schedule (1) of this item, ~~\$22,600,000~~ \$29,086,000 shall be available pursuant to legislation enacted during the 2001-02 Regular Session for school improvement and intervention programs after federal regulations regarding Title I.

ISSUE 13: FEDERAL FUNDS -- TITLE I STATE OPERATIONS

The issue for the subcommittee to consider is proposed augmentations for state operations related to administration of the No Child Left Behind Act.

BACKGROUND:

The Governor's May Revise proposes Title I funding for the following state operations augmentations:

- \$428,000 for 1.0 Education Consultant and 0.5 Staff Services Analyst, and that Item 6110-001-0001 be amended to conform. The positions are necessary to perform required compliance workload to ensure that students not making progress receive supplemental services. (Issue 420) This proposal relates to the new requirement that failing Title I schools use part of their Title I grant to provide supplemental instructional services to students. School districts can contract with any state-approved provider, including non-public organizations. The proposed augmentation is intended to provide SDE with the manpower to approve and monitor providers.
- \$124,000 for 2.0 new Accounting Officers, and that Item 6110-001-0001 be amended to conform. The centralized funding and positions will support increased workload (i.e. establishing grants, invoicing, and preparing financial statements) initiated by increases in various federal grants through the NCLB. (Issue 425)
- \$157,000 for 2.0 new Associate Governmental Program Analysts, and that Item 6110-001-0001 be amended to conform. The centralized funding and positions will support increased workload (i.e. awarding grants, establishing and maintaining procedures for charters) created by various programs through the NCLB. (Issue 426)
- \$227,000 and 3.0 positions to conduct audit and investigations workload required under NCLB. The new federal law requires extensive audits and compliance reviews of newly eligible organizations, and increases the number of auditable activities. (Issue 452)

ISSUE 14: FEDERAL FUNDS -- TITLE V, COMPREHENSIVE SCHOOL REFORM DEMONSTRATION PROGRAM

The issue for the subcommittee to consider is the Governor's May Revise proposal regarding Comprehensive School Reform Demonstration Program funds and language that would give priority in receipt of these funds to Decile I schools that wish to participate in the High Priority Schools Grant Program.

BACKGROUND:

The Governor's May Revise proposes the following Title V federal funding, including Comprehensive School Reform Demonstration (CSRD) funding, which the state has traditionally used to fund the Immediate Intervention in Underperforming Schools program (II/USP). CSRD is a competitive grant program, which provides funding to low-performing schools to help them improve student performance.

- Issue 026: \$39,041,000 to allocate to local educational agencies for innovative assistance programs pursuant to Section 5131 of the No Child Left Behind Act.
- Issue 028: \$32,662,000 in Comprehensive School Reform Demonstration funds redirected from Item 6110-136-0890.
- Issue 029: \$7,081,000 to reflect an increase in the federal Comprehensive School Reform Demonstration Program grant.
- Issue 030: \$90,000 in carryover funds provided for innovative education programs pursuant to previous Title VI. Under the reauthorized Elementary and Secondary Education Act, Innovative Programs has been moved to Title V.

The Governor proposes the following language relative to the proposal:

6110-123-0890 -- For local assistance, Department of Education, Payable from the Federal Trust Fund.....78,874,000

Schedule:

- (1) 20.60.030.031-Immediate Intervention/Underperforming Schools Program39,743,000*
- (2) 20.60.030.035-Innovative Programs, Title V-ESEA39,131,000*

Provisions

- 1. Funds provided in Schedule (1) of this item are provided for the sole purpose of funding implementation grants for federally funded schools participating in the Immediate Intervention/Underperforming Schools Program, as established by Chapter 6.1 (commencing with Section 52053) of Part 28 of the Education Code.*

The Governor's May Revise also proposes to move the CSRD funding into a new item, with a conforming deletion of this funding from the old item. (Issue 205).

COMMENTS:

Use of CSRD funding to fully fund the High Priority Schools Grant Program. Although the Governor's May Revise sustains the \$200 million in Proposition 98 funding for the High Priority Schools Grant Program, this amount is still expected to fall short of fully funding the participation of all Decile I schools that wish to participate. There is federal CSRD funding available in the budget year, to fund schools that wish to participate in either the II/USP program or the High Priority Schools Grant Program. If the subcommittee wishes to prioritize the use of CSRD funding for the High Priority Schools Grant Program, in order to eliminate General Fund pressure in out years to fully fund the program, it can adopt the following budget bill language:

The State Department of Education will issue a request for applications that gives equal priority for receipt of 2002-03 Comprehensive School Reform Demonstration funding for the following two groups of schools: 1) Title I school identified as being in need of improvement or corrective action (required priority for subgrants under Part F of Title I of the ESEA); and 2) schools in decile 1 of the Academic Performance Index that were invited to apply for the High Priority Schools Grant Program and not already funded by that program or by the Comprehensive School Reform Demonstration program.

Schools from group 2 above that submit Comprehensive School Reform Demonstration applications meeting required criteria may choose to be funded at \$400 per pupil for one year with continuation grants for two additional years, and are required to meet the requirements of the High Priority Schools Grant Program. Schools not participating in the High Priority Schools Grant Program that are selected for the Comprehensive School Reform Demonstration Program will be funded at \$200 per pupil.

Senate language regarding advanced notice. The Senate has adopted language related to several of the new federal line items which requires that the administration provide advance notice to the Legislature regarding its expenditure plan before it spends the money.

2. The State Board of Education and the Superintendent of Public Instruction may not adopt or amend any plan for the expenditure of these funds pursuant to the federal No Child Left Behind Act of 2001 (P.L. 107-110) except upon advance notice provided to the chairs of the fiscal and policy committees that consider education and appropriations in both houses of the Legislature. Advance notice shall be 30 days if the plan for the expenditure is submitted between January 1st and August 30th of the year, and advance notice shall be 45 days if the plan for the expenditure is submitted between September 1st and December 31th of the year.

ISSUE 15: FEDERAL FUNDS -- TITLE I READING FIRST GRANTS

The issue for the subcommittee to consider is an increase in federal funding for a new federal competitive grant program, Reading First.

BACKGROUND:

State operations: The Governor's May Revise proposes an increase of \$1,873,000 for SDE administrative activities related to the Reading First Program, which is intended to improve reading instruction in grades K-3. Of this amount, \$873,000 is to redirect 6.0 existing staff to assist in Program administration, \$500,000 is for SDE to contract with the California State University-operated Center for the Improvement of Reading Instruction for assistance in incorporating Reading First Program methodologies into teacher preparation programs, and \$500,000 is for SDE to contract for annual evaluations of Program effectiveness. (issue 251)

It is requested that the following provisional language be added to Item 6110-001-0890:

Of the funds appropriated in this item, \$1,873,000 is for administration of the Reading First Program. Of this amount, \$873,000 is to redirect 6.0 staff to assist in Program administration, \$500,000 is for the Department to contract with the California State University-operated Center for the Improvement of Reading Instruction, and \$500,000 is for the Department to contract for annual evaluations of Program effectiveness.

Local assistance. The Governor's May Revise proposes \$131.1 million and the following provisional language for the local assistance portion. (Issue 001) The provisional language requires the funding to be routed through the California Professional Development Institutes and the Math and Reading Professional Development Program. Staff notes that while these two program serve teachers of children in grades K-12, the federal program is intended to be used to improve reading in grades K-3.

6110-126-0890 - For local assistance, Department of Education, Program 20,60.290 – Instructional Support, Title I, Part B of the Elementary and Secondary Education Act (Reading First Program) payable from the Federal Trust Fund..... 131,100,000

Provisions:

- 1. The funds appropriated in this item are for competitive grants to local education agencies. These funds may be used to select and administer reading assessments for students in grades K-3, inclusive, and to select and implement scientifically based programs of reading instruction for students in grades K-3, inclusive. These funds also may be used to provide standards-aligned professional development in the area of reading to teachers in grades K-3, inclusive, and to teachers in grades K-12, inclusive, who serve students with special needs.*
- 2. Professional development activities funded with Reading First Program funds shall be conducted via the California Professional Development Institutes authorized pursuant to Article 2 (commencing with Section 99220) of Chapter 5 of Part 65 of the Education Code, and the Mathematics and Reading*

Professional Development Program authorized pursuant to Article 3 (commencing with Section 99230) of Chapter 5 of Part 65 of the Education Code or any other program approved by the State Board of Education.

COMMENTS:

State-level activities. Federal law allows states to set aside up to 20% of their total allocation for state administration and state-level activities. Of this total amount set aside, states must set aside 65% for state-level professional development activities (including reforming certification and support for teachers and administrators), 25% for technical assistance, and 10% for state administration. The Governor's May Revise does not propose any funding for state-level activities or technical assistance.

LAO alternative. The LAO proposes an alternative distribution for the funds, which it will present at today's hearing.

ISSUE 16: FEDERAL FUNDS -- TITLE II, PART A, IMPROVING TEACHER QUALITY

The issue for the subcommittee to consider is the Governor's May Revise proposal relative to new funding to improve teacher quality.

BACKGROUND:

Title II of ESEA contains funding for professional development. Among the changes in federal law is the consolidation of two existing professional development programs, the Class Size Reduction Program (school districts could spend the funding on class size reduction or professional development) and the Eisenhower Professional Development State Grants, into a new program, State Grants for Improving Teacher Quality. The net change in funding is expected to be an increase of approximately \$105 million, or 46 percent. School districts can spend the funds on the following purposes: a) recruitment and retention of highly qualified teachers, paraprofessionals, and principals, b) professional development and c) improving the quality of the teaching force. Districts that receive this money must make progress toward the goal of having only highly qualified teachers by the end of 2005. If a district fails to make progress after three years, the state is required to enter into an agreement on the use of its funds.

The Governor's May Revise contains the following proposals for the local assistance funding that is distributed on a formula basis. (The program requires that 2.5% of a state's grant be distributed via competitive grants by the state's higher education administrator; the May Revise accordingly proposes that CPEC administer \$8.2 million in competitive grants.)

I. 6110-195-0890, Title II, Part A—Teacher and Principal Training and Recruiting Fund.

The Governor's May Revise proposes that \$315 million of the \$331.6 million available be distributed on a formula basis to school districts, and requires that school districts use specific percentages of the funding for existing state programs: K-3 class size reduction (approximately \$206.3 million), the Mathematics and Reading Professional Development Program (\$78.8 million), the Teaching As A Priority Block Grant Program which provides funds to low-performing schools to help them increase the number of credentialed teachers, (\$30 million), and the Principal Training Program (\$1.6 million). (Issues 001, 002, 003, 004 and 005)

The May Revise proposes the following language, as amended to implement the proposal:

*6110-195-0890 - For local assistance, Department of Education, Program 20,60.290 – Instructional Support, Title II, Part A of the Elementary and Secondary Education Act (Teacher and Principal Training and Recruiting Fund) payable from the Federal Trust Fund.....31
7,026,000*

Provisions:

- 1. Of the funds appropriated in this item, \$206,700,000 shall be for class size reduction activities in kindergarten and grades 1-3, inclusive.*
- 2. Of the funds appropriated in this item, \$78,272,000 shall be for the Mathematics and Reading Professional Development Program authorized pursuant to Article 3 (commencing with Section 99230) of Chapter 5 of Part 65 of the Education Code.*

3. ~~Of the funds appropriated in this item, \$30,000,000 shall be for purposes of the Teaching As A Priority Block Grant authorized pursuant to Section 44735 of Chapter 3.36 of Part 25 of the Education Code.~~

1. Local education agencies shall use \$315,000,000 of the funds appropriated in this item according to the following distribution: 1) 9.5 percent to recruitment and retention of highly qualified teachers consistent with the Teaching as a Priority Program, 2) 25 percent for placing teachers in the Math and Reading Professional Development Program with a priority given to math teachers, 3) 65.5 percent to mitigate any costs in excess of current funding levels associated with operating an existing K-3 class size reduction program. If not needed to maintain an existing class size reduction program, these funds may be used for any purpose authorized in Title II of the No Child Left Behind Act.

4. *Of the funds appropriated in this item, \$1,554,000 shall be for the Principal Training Program authorized pursuant to Article 4.6 (commencing with Section 44510) of Chapter 3 of Part 25 of the Education Code.*

5. *Of the funds appropriated in this item, \$500,000 is unexpended Eisenhower Professional Development Program funds that have been carried over from 2001-02 to 2002-03. These funds may be used for any purposes delineated in Provisions 1 through 3 above.*

II. California Subject Matter Project for Science The Governor's May Revise proposes that \$5 million in federal Title II funds be appropriated to the California Subject Matter Project for Science, as follows: (Issue 001)

6110-194-0890, For local assistance, Department of Education, Program 20,60.190 – Instructional Support, Title II, Part A of the Elementary and Secondary Education Act (Teacher and Principal Training and Recruiting Fund) payable from the Federal Trust
 Fund..... 5,000,000

Provisions:

1. *The funds appropriated in this item shall be for transfer to the University of California, which shall use the funds to support the California Subject Matter Projects for Science authorized pursuant to Article 1 (commencing with Section 99200) of Chapter 5 of Part 65 of the Education Code.*

COMMENTS:

Federal law is flexible. The federal No Child Left Behind Act allows school districts to use Title II funding for a variety of purposes related to improving teacher preparation. The subcommittee may wish to adopt language that provides more local flexibility in using the funding.

LAO alternative. The LAO recommends using half of the new Title II funds administered through CPEC for competitive grants for alternative credentialing projects, which would allow the Legislature to reduce the Governor's May Revise proposal for alternative credentialing

projects by an equal amount, for a General Fund savings of \$4.175 million. The proposal would require the following provisions.

6360-485—Reappropriation (Proposition 98), California Commission on Teacher Credentialing.
The sum of \$4,175,000 is reappropriated from the Proposition 98 Reversion Account for the following purposes:

0001—General Fund

(1) \$4,175,000 to support the Alternative Certification Program established pursuant to Article 11 (commencing with Section 44380) of Chapter 2 of Part 25 of the Education Code. As authorized by Section 44386 of the Education Code, these funds also may be made available for the California Pre-Internship Teaching Program established pursuant to Article 5.6 (commencing with Section 44305) of Chapter 2 of Part 25 of the Education Code.

California Postsecondary Education Commission (Conforming Action)

6420-101-0890, \$8,208,000

New Provision. Of the amount appropriated in this item, a minimum of \$4,104,000 shall be used to fund K-12/university partnerships that support pre-interns, interns, or teachers in other alternative credentialing programs.

General Fund Savings

\$4,175,000 from Proposition 98 Reversion Account for other K-12 purposes.

Funding available for one-time legislative proposals. The following are one-time legislative proposals for which federal funding is available:

- **Substitute teacher training.** Last year, the subcommittee approved \$300,000 for a pilot program to help train substitute teachers, which disproportionately affect the instructional environment of students in low-performing schools. Unfortunately, the appropriation was vetoed in last year's budget act. The original author of the proposal has modified the original proposal so that it now modifies an existing training program offered by the Los Angeles County Office of Education, to ensure that the training is appropriate for district teachers. The new proposal would cost \$100,000 and would establish a pilot training program for substitute teachers in each school district with an enrollment of 500,000 or more. Each new substitute teacher who will provide services in low-performing schools will be provided with a minimum of two days of training before the teacher begins to provide services as a substitute teacher. Staff notes that under the federal Title II, Improving Teacher Quality program, the state can set aside up to \$5 million for state-level activities, including the purposes described here.
- **Evaluation of teacher training programs.** The subcommittee is currently considering legislation to conduct an independent evaluation of the availability and effectiveness of cross-cultural training for teachers. Staff notes that under the federal Title II, Improving Teacher Quality program, the state can set aside up to \$5 million for state-level activities, including program evaluation. The federal Title III, Language Acquisition Program also allows California to set aside up to \$2.3 million for state-level activities related to improving the achievement of English learners, including program evaluation.

Other evaluations. As noted in the above table, the Legislature may set aside federal funds for program evaluation for a number of purposes related to improving the achievement of economically disadvantaged children.

ISSUE 17: FEDERAL FUNDS -- TITLE II, ENHANCING EDUCATION THROUGH TECHNOLOGY GRANT PROGRAM.

The issue for the subcommittee to consider is the Governor's May Revise proposal regarding increased funding for professional development relative to education technology.

BACKGROUND:

I. Local assistance, Enhancing Education Through Technology Grants (Issue 453) -- The May Revise proposes to increase item 6110-180-0890 by \$28,939,000 to conform to a federal increase for the education technology program. Of this increase, \$611,000 would be allocated to the California Technology Assistance Project (CTAP) to provide required technical assistance, and the balance granted to LEAs. Specifically, the NCLB (1) eliminates the existing education technology program, (2) requires that 50 percent (\$41,175,000) of program funds be allocated on a formula basis to local education agencies (K-12) receiving Title I funds, (3) allocates the other 50 percent (\$41,175,000) on a competitive basis, (4) requires competitive grantees to use 25 percent (\$10,294,000) for professional development activities, and (5) allows the State to determine how the remaining 75 percent (\$30,881,000) of competitive grant funds are used. The Administration proposes using the discretionary funds for the existing program, which assists schools with planning and purchasing classroom computers for grades 4-8. It proposes amendments to provisions 1 and 2 to conform to these actions, as follows:

"1. The funds appropriated in this item are for allocation to school districts that are awarded formula or competitive grants pursuant to the federal ~~Technology Literacy Challenge~~ Enhancing Education Through Technology Grant Program. The State Board of Education shall review and approve any changes to the criteria and procedure used in the application and award of competitive grant funds during the 2001-02 fiscal year prior to the release by the Superintendent of Public Instruction of the application form to school districts. The discretionary portion of competitive funding shall be used to continue the existing program, which assists schools with planning and purchasing classroom computers for grades 4-8.

2. Notwithstanding Provision 1, of the funds appropriated in this item, ~~\$850,000~~ \$1,461,000 is available to provide funding for the California Technology Assistance Project (CTAP) to provide federally-required technical assistance and to help districts apply for and take full advantage of the Federal ~~Technology Literacy Challenge~~ Enhancing Education Through Technology Grants."

- I. **State operations.** The Governor's May Revise proposes an increase of \$256,000 and 3.0 (one extension and two new) two-year limited-term positions to administer the redefined and expanded federal education technology program. (Issue 454) The NCLB increases workload by requiring SDE to administer a larger number of grants (both competitive and formula-driven), identify the LEAs that have the highest number of indigent students, and provide technical assistance. The May Revise requests that Provision 9 be technically amended to conform to this action, as follows:

- “9. Of the funds appropriated in this item, ~~\$1,345,000~~ \$1,601,000 shall be used for administration of the ~~Technology Literacy Challenge~~ Enhancing Education Through Technology Grant Program. Of this amount:
- (a) \$580,000 is available only for contracted technical support and evaluation services associated with the ~~Technology Literacy Challenge~~ Enhancing Education Through Technology Grant Program.”

COMMENTS:

SDE recommended changes. SDE recommends the following changes (in bold) to DOF's proposed language, in order to ensure that the use of funds conforms with federal law:

1. *The funds appropriated in this item are for allocation to school districts that are awarded formula or competitive grants pursuant to the federal ~~Technology Literacy Challenge~~ Enhancing Education Through Technology Grant Program. The State Board of Education shall review and approve any changes to the criteria and procedure used in the application and award of competitive grant funds during the 2001-02 fiscal year prior to the release by the Superintendent of Public Instruction of the application form to school districts. The discretionary portion of competitive funding shall be used to ~~continue the existing program,~~ **which** assists schools with ~~planning and~~ **purchasing and using** classroom computers for grades 4-8.*
- **Allowable state administration.** Under federal law, California could set aside up to \$4.3 million of its state grant for state administration activities, including evaluations. The Governor's May Revise proposes that \$356,000 be used for state administration activities.

ISSUE 18: FEDERAL FUNDS -- TITLE III, ENGLISH LANGUAGE ACQUISITION PROGRAM, MIGRANT EDUCATION FUNDS.

The issue for the subcommittee to consider is the Governor's May Revise proposal for new federal Title III funds to serve English learners.

BACKGROUND:

Title III, state operations support. The Governor's May Revise proposes an increase of \$2,510,000 in federal funds for the following: (1) 2.0 Education Consultant positions (\$202,000), (2) to support 16.0 existing SDE positions (\$1,581,000 from existing budget authority) that are currently funded with expiring federal funds, and (3) for other activities (\$2,308,000) to provide local education agencies with technical assistance (developing English proficiency measures and curriculum or parental involvement) for implementing the new federal requirements. (Issue 423).

The Governor's May Revise also proposes \$1,500,000 to support 14 existing redirected positions in the Comite Oversight Unit. The funding would be used to support increased workload stemming from a recent revised settlement agreement that requires SDE to provide a higher level of oversight and compliance monitoring for English language learners. SDE indicates that it is no longer able to absorb these costs due to budget constraints. (Issue 424) In addition, the Governor's May Revise proposes a current-year increase of \$810,000 to SDE's state operations budget in the current year, to reflect an augmentation to pay for plaintiff's legal fees pursuant to the settlement agreement for *Comite de Padres v. Superintendent of Public Instruction et. al.* (issue 434).

Title III, Migrant Education, local assistance. The Governor's May Revise proposes to combine an existing item for federal migrant education funding and the new Title III item into a single item, for a total of \$232 million in federal funds. An increase of \$5,699,000 is proposed for federal Migrant Education funds. DOF also requests that Item 6110-141-0890 be eliminated to conform to this action. This action will appropriate all available federal funds and serve to more closely align the Title III English Language Acquisition program and the Migrant Education program with the student populations they serve, as intended by the federal government.

Item 6110-125-0890 is also proposed to include \$108,284,000 for the Title III English Language Acquisition program pursuant to the No Child Left Behind Act, and proposes that \$1.5 million of this amount be used for development costs associated with the English Language Development Test. Additionally, it is requested that the Emergency Immigrant Education program in Item 6110-176-0890 be eliminated (\$41,191,000) to conform to this action. The Title III English Language Acquisition program combines funds previously funded through Title VII-Bilingual (direct to local education agencies) and the Emergency Immigrant Education program funds to provide local assistance to ensure that English language learners meet State academic standards.

The May Revise proposes the following language to add the new item.

6110-125-0890—For local assistance, Department of Education, payable from the Federal Trust
Fund.....244,668,000

Schedule:

(1). 10.30.010-Instruction, Title I of the Elementary and Secondary Education Act-Migrant Education..... 134,384,000

(2). 20.10.004—Title III, Language Acquisition..... 110,284,000

Provisions:

1. Of the funds appropriated in this item, the State Department of Education shall use no less than \$6,000,000 and up to \$7,100,000 for the California Mini-Corps Program.

2. The funding provided in Schedule (2) of this item shall be used in a manner that conforms to the intent of Education Code Sections 300-340 (Proposition 227).”

COMMENTS:

Title III contains new accountability provisions for English learners. The federal No Child Left Behind Act requires states to establish accountability benchmarks specifically for English learners, and requires state intervention in schools that fail to meet those benchmarks. The annual measurable achievement objectives that states are required to develop must measure English learner's attainment of English proficiency as well as academic content standards, and must include:

- annual increases in the percentage of children making progress learning English,
- annual increases in the number of students attaining English proficiency as determined by an English language development assessment tool and
- the statewide adequate yearly progress definition used for all students to measure progress toward meeting math and reading proficiency levels.

Intervention timeline. This new program requires school districts receiving funding to make progress toward the annual measurable objectives. School districts that fail to meet these objectives for two consecutive years must develop an improvement plan specific to English learners. States are required to provide technical assistance to these schools in developing their improvement plans, including professional development strategies. For districts that fail to meet these objectives for four consecutive years, states are required to do the following:

- Require the district to modify its curriculum and program of instruction.
- Determine whether the district should continue to receive funds from the program.
- Require the districts to replace personnel relevant to the districts' failure to meet the annual measurable objectives.

Due to the important accountability provisions associated with this new funding, the subcommittee may wish to distribute the funding pursuant to legislation.

Use of funding for ELD development costs may be problematic. The Governor proposes to use \$1.5 million in Title III funding for ELD development costs. It is unclear how the federal funding will be redirected from local assistance to fund ELD development costs.

ISSUE 19: FEDERAL FUNDS -- TITLE IV, COMMUNITY SERVICE PROGRAM

The issue for the subcommittee to consider is a proposed new federal program for suspended and expelled students.

BACKGROUND:

I. State operations. The Governor's May Revise proposes an increase of \$334,000 to fund three positions to administer a new federal Title IV community service program for suspended and expelled students, grant funding for which is proposed in Item 6110-183-0890 below. (Issue 355)

II. Local assistance. The Governor's May Revise proposes an increase of \$5,139,000 in local assistance funding to reflect additional federal authority provided pursuant to Title IV of the federal No Child Left Behind Act of 2001 for the Safe and Drug-Free Schools program (Issue 350). In addition, it is requested that this item be increased on a one-time basis by \$250,000 to allow for use of federal carryover funding for this same program (Issue 351).

Finally, it is requested that this item be increased by \$6,340,000 to reflect new federal funding for a community service program for suspended and expelled students (Issue 355), and that provisional language be added as follows (Issue 352):

2. Of the amount appropriated in this item, \$6,340,000 is for grants to carry out programs under which students expelled or suspended from school are required to perform community service, pursuant to Section 4126 of Title IV of the No Child Left Behind Act of 2001. As a condition of funding, grantees must certify that students will be appropriately supervised while performing community service activities under this program.

ISSUE 20: FEDERAL FUNDS -- TITLE VI ASSESSMENT FUNDS

The issue for the subcommittee to consider is the Governor's May Revise proposal to spend \$28.9 million in available federal assessment funds.

BACKGROUND:

The federal No Child Left Behind Act provides states with funding to develop assessments now required by the federal law, including a new requirement that states test English learners regarding their progress in obtaining English proficiency. California has developed most of the assessments now required by the federal law, although it must still obtain federal approval of its assessments, which is uncertain. Therefore, California is able to utilize assessment funding to support existing assessments and to support data collection to meet federal data reporting requirements.

The Governor's May Revise proposes the following from the available funding:

I. State operations support. DOF proposes an increase of \$694,000 to support 5.0 positions in the Standards and Assessment Division for workload associated with growth in the State's system of assessments. (Issue 204)

I. Longitudinal Database Development. The Governor's May Revise proposes \$10,524,000 in Title VI funding for development of a longitudinal database to track student academic progress for purposes of federal reporting requirements associated with the No Child Left Behind Act. (Issue 252)

It is requested that the following provisional language be added to Item 6110-001-0890:

Of the funds appropriated in this item, \$10,524,000 is for costs associated with the development of a longitudinal database and collection of required data. This database shall be used to track student progress for purposes of federal reporting requirements associated with the No Child Left Behind Act. The Department of Education must receive Department of Finance approval of an expenditure plan prior to expending these funds.

III. Other assessment and data collection support. The Governor's May Revise proposes \$20,720,000 in federal Title VI, Flexibility and Accountability funds for activities related to developing and improving the statewide system of testing and accountability. (Issues 014, 016, 017, 018, 019, 020, 023, 024, 031, and 032)

It is requested that the following language be added:

*6110-113-0890 -- For local assistance, Department of Education – Title VI
Flexibility and Accountability, payable from the Federal Trust
Fund.....20,720,000*

Provisions:

1. *Of the funds appropriated, \$1,445,000 is available for the continued development of the Alternative Schools Accountability Model to include alternative schools within the State's system of accountability.*
2. *Of the funds appropriated, \$500,000 is available on a one-time basis to develop training materials and provide technical assistance to schools regarding statewide standards and assessments for pupils with disabilities.*
3. *Of the funds appropriated, \$3,000,000 is available on a one-time basis to study and develop an alternative assessment for pupils who cannot participate in the High School Exit Examination even with accommodations or modifications. Use of these funds is contingent on prior approval from the Department of Finance of an expenditure plan.*
4. *Of the funds appropriated, \$800,000 is available for development of the fifth-grade STAR science test to comply with the No Child Left Behind Act.*
5. *Of the funds appropriated, \$1,000,000 is available on a one-time basis for the English Language Development Test. Of the total, \$500,000 is for a pilot program for a computer-based version of the English Language Development Test. The remaining \$500,000 is for additional test item development.*
6. *Of the funds appropriated, \$300,000 is provided to develop Assessment Data Collection and Edit software to improve pupil demographic information collection on the statewide assessments.*
7. *Of the funds appropriated in this item \$831,000 is for the purpose of providing an adjustment for increases in enrollment at a rate of 1.37 percent and \$1,020,000 is for the purpose of providing a cost-of-living adjustment at a rate of 1.66 percent for the Standardized Testing and Reporting (STAR) Program.*
8. *Of the funds appropriated, \$900,000 is provided for an Assessments and Accountability Public Awareness Campaign Website to provide parents and the general public information regarding statewide standards, assessments, and accountability.*
9. *Of the funds appropriated, \$7,924,000 is set-aside for activities related to developing and improving the statewide system of testing and accountability, as more information is available regarding federal requirements pursuant to the No Child Left Behind Act. These funds shall be available for encumbrance only upon the prior approval by the Department of Finance of an expenditure plan submitted by the Department of Education detailing the proposed use of this funding.*

COMMENTS:

Increasing ELD rate. At prior hearings, the subcommittee expressed interest in increasing the rate provided to school districts for administering the English Language Development test. This federal funding is available for that purpose, and SDE included such a proposal in its original request to DOF.

LAO alternative. The LAO presents the following alternative for use of these funds.

Title VI -- Federal Assessment Funds (\$ in thousands)

Purpose	LAO proposal	Governor's May Revision
STAR -- offset General Fund increase	\$6,769	\$1,851

Longitudinal database set-aside	10,000	10,524
California English Language Development Test rate increase to \$5 per pupil.	5,600	----
Accommodations and alternative assessments for STAR, CELDT and HSEE set-aside	3,500	3,500
Alternative Schools Accountability Model	775	1,445
5 th grade Science assessment development	800	800
Pilot to electronically administer CELDT test	500	500
Improve STAR "header" data collection	300	300
State operations -- 5 of the 17 positions requested by SDE	694	694
Public awareness campaign	---	900
CELDT additional item development	---	500
Title VI set-aside	---	7,924
Totals	\$28,938	\$28,938

SDE General Fund funding for web-site. The Governor's May Revise maintains \$1 million in non-Proposition 98 General Fund for a web-site managed by SDE to provide information on the state's testing system. This funding may be duplicative of the administration's proposal using federal funds.

ISSUE 21: FEDERAL FUNDS -- RURAL AND LOW-INCOME GRANT PROGRAM

The issue for the subcommittee to consider is an increase for a new federal rural and low-income grant program.

BACKGROUND:

I. State operations. The Governor's May Revise proposes an increase of \$96,000 for 1.0 new Education Consultant to administer the Rural and Low-Income Grant Program. The funding and position will support oversight and technical assistance workload (issuing grants, monitoring compliance, and providing technical assistance) stemming from the new Rural and Low-Income Grant Program in the NCLB. (Issue 429)

II. Local assistance. The May Revise proposes a new Item 6110-137-0890 to provide \$2,426,000 for the new Rural and Low-Income School Program. These funds will be used to provide qualifying districts with funding flexibility in meeting local needs. (Issue 428)

It is requested that the following Item be added:

6110-137-0890—For local assistance, Department of Education, Program 20.10.005-Rural and Low-Income Schools Grant, payable from the Federal Trust Fund.....2,426,000

ISSUE 22: SPECIAL EDUCATION

The issue for the subcommittee to consider is the Governor's May Revise proposal relative to special education funding.

BACKGROUND:

The Governor's May Revise contains the following proposal relative to revised enrollment estimates and an increase in federal special education funding:

1) Augment McGeorge School Of Law Contract (Issue 002)

The Governor's May Revise requests that Item 6110-001-0890 be increased by \$1,000,000 to provide funds to augment the mediation and due process contract with the McGeorge School of Law.

It is requested that Provision 10 of Item 6110-001-0890 be amended to conform to this action:

“10. Of the funds appropriated in this item, ~~\$7,952,000~~ \$8,952,000 is for dispute resolution services, including mediation and fair hearing services, provided through contract for the Special Education Program.”

2) Funding to Update Special Education Guidelines (Issue 003)

The Governor's May Revise request that Item 6110-001-0890 be increased by \$180,000 in one-time funds to update the following four Special Education guidelines that are either required by state or federal law, or that are the result of a lawsuit: Transition Guide and Program Guidelines; Early Intervention Brochures; Guidelines and Procedures for specialized physical health care needs of pupils with disabilities; and Guidelines for language, academic, and special education services required for limited English proficient students.

3) Increase Focused Monitoring Travel Budget for Special Education Division (Issue 004)

The Governor's May Revise proposes an increase of \$125,000 to provide additional funding for the Special Education Division Focused Monitoring and Technical Assistance Units.

It is requested that the following provisional language be added to Item 6110-001-0890 to conform to this action:

11.5 Of the funds appropriated in this item, \$125,000 shall be allocated for increased travel costs associated with program reviews conducted by the Special Education Division Focused Monitoring and Technical Assistance Units. Expenditure of these funds is subject to Department of Finance approval of an expenditure plan. The expenditure plan shall include the proposed travel costs associated with Focused Monitoring and Technical Assistance provided by the State Department of Education. It shall also include the estimated type and number of reviews to be conducted, and shall provide an estimated average cost per type of review. Annual renewal of this funding is subject to Department of Finance approval of an annual Focused Monitoring final expenditure report. The report shall be submitted on or before September 30 of each year,

beginning in 2003. It shall provide the total number of reviews conducted each fiscal year, the amount of staff and personnel days and hours associated with each category of review, the travel costs associated with the type and number of reviews conducted, and an average cost per type of review.

4) Training for Deaf and Hard of Hearing Interpreters (Issue 005)

The Governor's May Revise requests an increase of \$500,000 for the training of deaf and hard of hearing interpreters.

It is requested that the following provisional language be added to Item 6110-001-0890 to conform to this action:

Of the funds appropriated in this item, \$500,000 shall be for the training and certification of deaf and hard of hearing interpreters. Of this amount, \$250,000 shall be provided to districts for interpreter instruction, training, and certification. This funding shall be annually renewable for two years, pursuant to Department of Finance approval of an annual progress report, which shall be completed by April 30 of each year, beginning in 2003. The remaining \$250,000 provided pursuant to this provision is provided on a one-time basis, and shall be used to support a contract with a community college to establish a distance learning Interpreter Training Program for rural areas.

5) Cost Study for the Special Education Behavior Intervention Plan Mandate (Issue 006)

The Governor's May Revise proposes an increase of \$400,000 to provide funding for an interagency agreement to determine the cost of a potential reimbursable state mandate regarding Special Education Behavior Intervention Plans.

It is requested that the following provisional language be added to 6110-001-0890 to conform to this request:

Of the funds appropriated in this item, \$400,000 shall be used solely for the purposes of funding an interagency agreement with Department of Finance to fund a study to determine the cost of a potential Special Education Behavior Intervention mandate.

6) Special Education (Issues 100, 101, 102, 103, 104, 105, and 106)

The Governor's May Revise proposes to decrease the Proposition 98 General Fund for the Special Education program by \$3,782,000. This adjustment is necessitated primarily by a larger than previously estimated increase in the average daily attendance used to compute the Special Education entitlement, resulting in \$10,302,000 needed to increase Special Education growth from 1.11 percent to 1.40 percent. It is also the result of a current year base adjustment of \$177,000, and an augmentation of \$155,000 to provide funding for Necessary Small Special Education Local Plan Areas (SELPAs) with declining enrollment pursuant to Chapter 551, Statutes of 2001 (AB 303). These increases are reduced by \$1,172,000 to reflect an increase in property tax revenues and further reduced by \$5,075,000 to decrease the COLA from 2.15 percent to 2.00 percent. It is also the result of an increase of \$8,169,000 in the amount of federal funds available for use as an offset to the General Fund.

It is also requested that provisional language be added to Item 6110-161-0001 to specify that of the amount provided in Schedule (1), \$23,260,000 shall be appropriated to first ensure full

funding for the special education instruction, including pre-school as funded in Schedules (1) and (2) in the 2002-03 fiscal year. Once the Superintendent of Public Instruction has determined that none of the programs funded in Schedules (1) and (2) require any additional funding pursuant to the statutory formulas contained in Chapter 854, Statutes of 1997 (AB 602), the remaining amount shall be allocated on a per ADA basis pursuant to Section 56836.158 of the Education Code. This provision conforms to trailer bill language attached to this letter amending Education Code Section 56836.158

It is also requested that the provisional language in Item 6110-161-0001 be amended as follows:

“2. Of the funds appropriated in Schedule (1) of this item, ~~\$10,764,000~~ \$10,829,000, plus the 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, ~~\$8,222,000~~ \$8,272,000, plus the 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, ~~\$4,289,000~~ \$4,315,000, plus the COLA, shall be available for regional occupational centers and programs that serve pupils having disabilities, and ~~\$72,186,000~~ \$72,647,000, plus the COLA, shall be available for regionalized program specialist services, including ~~\$1,742,000~~ \$1,741,000, plus the 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 ~~\$125,173,000~~ \$114,756,000, plus the COLA, is available to fully fund the costs of children placed in licensed children's institutions who attend nonpublic schools.

7. Of the amount appropriated in Schedule (2) of this item, ~~\$764,000~~ \$964,000, plus the COLA, shall be available for infant program growth units (ages birth-two years). Funds 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.

11. Of the amount provided in Schedule (1), ~~\$76,012,000~~ \$72,433,000 is provided for a COLA at a rate of ~~2.15~~ 2.00 percent.

12. Of the amount provided in Schedule (2), ~~\$1,496,000~~ \$1,400,000 is provided for a COLA at a rate of ~~2.15~~ 2.00 percent.”

In addition, the following provisional language is requested to be added:

Of the amount provided in Schedule (1), \$155,000 plus the COLA, shall be available to fully fund the declining enrollment of necessary small SELPAs, pursuant to Chapter 551, Statutes of 2001 (AB 303).

Of the amount provided in Schedule (1) of this item, \$10,946,000 shall be appropriated in the following priority sequence:

(a) The Superintendent of Public Instruction shall allocate any additional amount, if needed, to augment the amounts appropriated in Schedules (1) and (2) of this item to ensure full funding for the 2002-03 fiscal year. Once the Superintendent of Public Instruction has determined that none of the programs in Schedules (1) and (2) of this item require any additional funding pursuant to the statutory formulas contained in Chapter 854, Statutes of 1997 (AB 602), the remaining amount shall be allocated pursuant to Section 56836.158 of the Education Code.

7) Adjustments for Increases in Federal Individuals with Disabilities Education (IDEA)—Part B Grant for Special Education (Issues 126, 127,128)

The Governor's May Revise proposes an increase of \$18,106,000 to account for a \$19,026,000 increase in IDEA federal funds, and a \$920,000 reduction in one-time special education federal fund expenditures.

It is also requested that Provision 2 in this item be amended to reflect a technical change in the reference to the federal special education funding formula.

It is also requested that Schedule (4) in this item be decreased by \$920,000 to reflect a reduction of \$420,000 in one-time funds provided in 2001-02 for costs associated with LCI and NPS mediated settlements from prior years, and to reflect a reduction of \$500,000 resulting from less than anticipated program expenditures for emergency impaction funds for SELPAs serving students previously served by a closed non public school operating at a licensed children's institute.

It is also requested that the provisional language in Item 6110-161-0890 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 ~~\$762,300,000~~ \$781,663,000, 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. Five percent of the amount received in excess of ~~\$762,300,000~~ \$781,663,000 may be used for state administrative expenses. If the funds for Part B of the federal Individuals with Disabilities Education Act that are actually received by the state are less than ~~\$762,300,000~~ \$781,663,000, the reduction shall be taken in capacity building.
2. The funds appropriated in Schedule (2) shall be distributed to state-operated programs serving disabled children from 3 to 21 years of age, inclusive. In accordance with federal law, the funds appropriated in Schedules (1) and (2) shall be distributed to local and state agencies on the basis of an equal amount per eligible, identified pupil the federal IDEA permanent formula.”

In addition, the following provisional language is requested to be added:

14. Of the funds appropriated in Schedule (4), up to \$500,000 shall be available in fiscal year 2002-03 for a special education local plan area that may apply for emergency impaction funds under this provision and pursuant to Section 56836.18 of the Education Code in the event a court of appropriate jurisdiction orders or advises the closure of a nonpublic, nonsectarian school operating at a licensed children's institution and the special education local plan area, in which the licensed children's institution is located is required to provide for special education and related services to individuals with exceptional needs who have been enrolled in the nonpublic, nonsectarian school at the time of closure. For pupils placed in the LCI/NPS pursuant to a court order, the special education local plan area shall be eligible to apply for reimbursement of actual costs under this provision for up to one-half the costs per pupil for which the nonpublic, nonsectarian school was previously reimbursed in the most recent fiscal year for which data is available. This provision shall apply to a maximum of one nonpublic, nonsectarian school operating at a licensed children's institution, and shall apply only to a school which closes as a result of a court order or advisory. Any special education local plan area receiving funds appropriated pursuant to this provision shall report to the State Department of Education, the Department of Finance, and the Legislative Analyst's office by April 15, 2003, regarding the services provided to students through this pilot and the performance outcomes for students, including, but not limited to, a summary of STAR test scores for students and any alternate assessments used to measure the achievement of special education students.

State special schools -- Capital Outlay adjustment.

The Governor's May Revise proposes to decrease Item 6110-301-0001 by \$81,000 to delete the equipment funding for the Pupil Personnel Services Building project (May Revise General Fund Reduction)

COMMENTS:

Alternative language regarding item #7. The Senate approved an alternative version of the provisional language for #7 above. Based on the 50 percent reimbursement provision in Budget Bill language accompanying the 2002 budget Act appropriation, it is estimated that Sweetwater UHSD will be claiming approximately \$500,000 of the \$1.0 million in IDEA funds available in the 2001 Budget Act. The Governor's proposed January budget included the full \$1.0 million for this program, but has been revised down to \$500,000 in the May Revises. Staff recommends the adoption of the following language to continue the 2001 Budget Act language (Item 6110-161-0890, Provision #14) in the 2002 Budget Act and reiterating the Legislature's intent regarding the use of these funds.

Add a new provision to Item 6110-161-0890:

XX. Of the funds appropriated in Schedule (4), up to ~~\$1 million~~ **\$500,000** shall be available in fiscal year ~~2001-02~~ **2002-03** for a special education local plan area that ~~may apply for~~ **applied for and, in 2001-02 is in receipt of**, emergency impaction funds under ~~this provision~~ **Provision 14 of Item 6110-161-0890 of the Budget Act of 2001 (Ch. 106, Stats. 2001)**

and pursuant to Section 56836.18 of the Education Code ~~in the event~~ **for the reason that** a court of appropriate jurisdiction ~~orders or aides~~ **has ordered or aided** the closure of a nonpublic, nonsectarian school operating at a licensed children's institution and the special education local plan area, in which the licensed children's institution is located, is required to provide for special education and related services to individuals with exceptional needs who had been enrolled in the nonpublic, nonsectarian school at the time of closure. For pupils placed in the LCINPS pursuant to a court order, the special education local plan area shall be eligible to apply for reimbursement of actual costs under this provision for up to one-half of the costs per pupil or which the non-public, nonsectarian school was previously reimbursed in ~~the most recent fiscal year for which data is available~~ **2000-01**. This provision shall apply to a maximum of one nonpublic nonsectarian school operating at a licensed children's institution, and shall apply only to a school which ~~closes~~ **has closed** as a result of a court order or advisory. Any special education local plan area receiving funds appropriated pursuant to this provision shall report to the State Department of Education, the Department of Finance, and the Legislative Analyst's office by April 15, ~~2002~~ **2003** regarding the services provided to students through this pilot and the performance outcomes of students, including, but not limited to, a summary of STAR test scores for students and any alternate assessments used to measure the achievement of special education students.

SDE requests. SDE is requesting the following, additional, state operations items out of federal funds:

1. Data Integration System FSR

\$1,000,000

\$1 million is requested to develop and implement an integrated data system for special education that incorporates data from all monitoring sources. This system is needed if the Department is to meet its required monitoring activities within existing staffing and budget resources; it will also enhance the Department's ability to provide comprehensive information to local, state, and federal policymakers on how school districts are serving students with disabilities. The funds would be set aside contingent upon approval of an FSR, which is on track for completion this December 2002. Delaying implementation of the system will severely hamper the Department's ability to meet workload requirements.

2. Universal Design Digital Textbook Pilot

500,000

To more efficiently and effectively meet its mandate of providing accessible instructional materials to students with disabilities, CDE is collaborating with the Center for Applied Special Technology (CAST) to pilot the use of universally designed (digitized) state-adopted instructional materials in the middle grades. With the required passage of the California High School Exam, the state should immediately explore ways to provide students with disabilities quicker access to the standards-based core curriculum and thereby increase the percentage of students passing high stakes tests. The pilot might also result in cost-savings. To support the pilot, \$500,000 is requested to train educators in the use of universally designed digital textbooks, and to evaluate the project for statewide use.

3. Alternative Hearing Process (Ch 591/00)

700,000

The current cost of state due process hearings has increased dramatically in recent years, challenging the state to explore alternative and potentially less costly and more effective ways to

provide due process. In 2000, the Legislature passed and the Governor signed AB 2321 (Ch 591/2000), which authorized a three-year pilot project for alternative due process hearing procedures conducted by local SELPAs. This pilot, however, has never been funded. \$700,000 is requested to fund this pilot.

4. California Youth Authority / CSU San Bernardino Contract: Administrative Costs. The 2001-02 Budget Act provided \$250,000 to the CDE for allocation, through an interagency agreement, to CSU San Bernardino, Center for the Study of Correctional Education, for special education monitoring of, and technical assistance for, the California Youth Authority pursuant to legislation (Chapter 536, Statutes of 2001--SB 505, Perata), as enacted in the 2000-01 Regular Session. The Governor's proposed 2002-03 budget (Item 6110-001-0890 (17)) continues this funding in the budget year. In late April, CDE informed the CSU Center that the department would need to retain 21 percent of the \$250,000 to cover administrative overhead expenses. The CSU Center states that it cannot implement the current (agreed upon, but not signed) contract without the full \$250,000 as specified in SB 505. Meanwhile, there have been limited monitoring and technical assistance services provided to CYA by CDE in the fiscal year. The department estimates the cost to cover the additional, administrative costs for each fiscal year is \$52,500. The following provisional language is suggested to effect this additional distribution of federal funds:

Amend Item 6110-001-0890 (17) to read:

17. Of the funds appropriated in the item ~~\$250,000~~ \$302,500 shall be allocated by the Department of Education to California State University, San Bernardino, Center for the Study of Correctional Education, for special education monitoring and technical assistance for the California Youth Authority pursuant to Chapter 536, Statutes of 2001.

BBL re. hearing impaired. The California Department of Education is required to provide the state-adopted instructional materials in a format accessible to students with disabilities. The department is funding a Universal Design Digital Textbook Pilot in collaboration with the Center for Applied Special Technology (CAST). CAST is being funded to provide the recently adopted English language arts texts (Open Court) for grades 4, 5, 6, in a universal design format. The goal of this pilot program is to assess the potential for universal design format to provide quicker and improved access to textbooks for students with disabilities. As this pilot project is limited to only one subject in grades 4 - 6, how are other students that are visually-impaired or otherwise unable to use conventional print media being served? More students could be served sooner rather than later with existing digital audio technology.

Suggested language:

6110-001-0001

The department shall explore ways to ensure students in grades K-8 and 9-12 have access to appropriate products and services in accessible format.

Emergency impact fund. E.C. section 56836.18 authorizes the Superintendent of Public Instruction to establish and maintain an emergency fund for the purpose of providing relief to special education local plan areas (SELPAs) when a licensed children's institution, foster family home, residential medical facility, or other similar facility serving individuals with exceptional needs opens or expands. This section also states the intent of the Legislature to provide

appropriations necessary to fund these emergency situations in the Budget Act for each fiscal year.

The 2001-02 Budget authorizes up to \$1,000,000 in Federal funds for this emergency fund. These funds are available only for SELPAs with pupils who have been placed in the above named facilities after the beginning of the school year. No funds remain in the current fiscal year for the impaction fund.

Suggested language, to address expected increase in need in the budget year (requires an augmentation of \$25,000 in the budget year).

6110-161-0890 (provision 3)

Of the funds appropriated in Schedule (4) of this item, up to \$1,250,000 may be used to fund licensed children's institution growth pursuant to Section 56836.18 of the Education Code.

ISSUE 23: CHARTER SCHOOLS

The issue for the subcommittee to consider is a proposal by the administration to change the charter school categorical block grant formula, so that it reflects prior-year appropriations.

BACKGROUND:

Funding model. The Governor's May Revise proposes a \$2.354 million to the charter school categorical block grant, to reflect estimated charter school ADA and an administration proposal to fund the item based on a one-year lag in proposition 98 appropriations. The administration's proposal would require statutory changes, and it proposed trailer bill language to effect this change. The Governor's May Revise proposed reductions still results in a substantial increase in funding over the current-year funding level.

This funding is part of the direct funding model approved three years ago to help ensure that charter schools receive funding equal to that provided to non-charter schools. This funding model includes continuously apportioned revenue limit funding (similar to that received by school districts) and a categorical block grant that includes average funding for a number of categorical programs (without the programmatic requirements that non-charters must comply with). Charter schools may also apply directly to the state to receive funding from a number of categorical programs, and must comply with their related programmatic requirements. The calculation of the amount for the charter school categorical block grant is based on the Governor's May Revise proposal, which may or may not reflect the total appropriation level for categorical programs that is ultimately adopted by the Legislature.

Charter school oversight. The Governor's May Revise requests an increase in reimbursement authority of \$130,000 to expend statutory reimbursements for oversight of charter schools that have been approved by the State Board of Education. It is also requested that position authority be provided for one Education Consultant position to be paid out of reimbursements or through the base allocation provided for oversight purposes. (Issue 102)

Amend Provision 1 as follows:

"1. An amount equal to or greater than the amount appropriated in Schedule (5) shall be available for support of the State Board of Education (SBE) and shall be directed to meet the policy priorities of its members. Of the amount appropriated in this schedule, \$130,000 is to be directly allocated to the SBE to provide for statutory oversight of charter schools approved by the SBE. In addition, the State Department of Education is authorized to receive and expend statutory reimbursements of an amount estimated at \$130,000 for purposes of overseeing SBE-approved charter schools."

COMMENTS:

LAO recommendation re. funding model: The LAO recommends that the Legislature amend the statutory funding calculation for the charter school categorical block grant so that it reflects appropriation levels made in the final budget act instead of the Governor's May Revise.

SB 955 clean-up language. Chapter 586, Statutes of 2001, (SB 955, Alpert) limits—to the lesser of the charter school’s revenue limit or the basic aid district’s property tax per pupil—the amount of property tax transferred in support of pupils who reside in a basic aid district, but attend a charter school in a non-basic aid district. The purpose of this funding adjustment was to ensure fiscal neutrality for the state and, as a result, potentially save the state an estimated \$1 million (Proposition 98) per 220 students.

A basic aid district is a school district in which the amount of property taxes exceeds its revenue limit. These districts, numbering 61 in 1999-00, may retain the excess funds and still receive the state General Fund basic aid of \$120 per ADA (or minimum \$2,400 per district).

Due to lack of comprehensive data regarding the number of basic aid district students attending charter schools in non-basic aid districts, or how many basic aid districts have charter schools outside their district, the CDE has not implemented, and the Governor’s Budget does not assume, any General Fund (Proposition 98) savings pursuant to the implementation of SB 955.

Staff, in collaboration with the CDE, has proposed SB 955 “cleanup” trailer bill language that would impose a three-year (30-50-70 percent) phase-in of SB 955 to ultimately implement a 70 percent in-lieu property tax transfer (marginal cost formula) for basic aid districts. **(See Attachment 1)**

ISSUE 24: CALIFORNIA SCHOOL INFORMATION SERVICES

The issue for the subcommittee to consider is the Governor's May Revise funding level for the California School Information Services program (CSIS).

BACKGROUND:

The Governor's May Revise proposes to fund CSIS out of budget-year Proposition 98 funding, as part of the reversion account switch proposed by the Governor to generate approximately \$503 million in General Fund savings. (The Governor proposed to fund CSIS out of reversion account funds in his January budget.) The Governor's proposed funding level represents \$7 million for local grants, which are provided to local education agencies as an incentive for becoming part of CSIS. The proposed funding level is a \$4 million reduction relative to the January funding level. The May Revise also proposes \$4.3 million for CSIS oversight and management activities, a \$300,000 reduction relative to the January proposed budget.

To carry out the proposal, the Governor proposes that the following item be added:

6110-140-0001—*For local assistance, Department of Education, (Proposition 98), Program 20.90—Instructional Support, California School Information Services.....* 11,290,000

Schedule:

(1) 20.90.001.010—*CSIS Local Grants.....* 7,000,000
 (2) 20.90.001.020—*CSIS Oversight.....* 4,290,000

Provisions:

1. *The funds appropriated in Schedule (1) in this item shall be for the purpose of funding the Fiscal Crisis and Management Assistance Team's implementation of the local California School Information Services (CSIS) Project. These funds shall be used only if there are insufficient funds in the Educational Telecommunications Fund for CSIS local implementation activities. The Department of Finance shall notify the Chairperson of the Joint Legislative Budget Committee, or his or her designee, of its intent to request that the Controller transfer the amount projected to be required to meet the projected operational needs of the local CSIS project from Schedule (1) in this item into the Educational Telecommunications Fund for allocation pursuant to this item. The Controller shall transfer those funds not sooner than 30 days after this notification.*
2. *The funds appropriated in Schedule (2) in this item shall be for allocation to the Fiscal Crisis and Management Assistance Team for costs associated with administration of the CSIS Project.*

He proposes a corresponding change to an existing item, 6110-101-0349, CSIS Local Implementation as follows (Issue 252):

- “2. *Notwithstanding any other provision of law, if there are insufficient funds in the Educational Telecommunications Fund to meet the operational needs of the local California School Information Services (CSIS) project, the CSIS project's Chief Operating Officer shall notify the Department of Finance by providing an*

expenditure plan detailing the amount he or she projects will be required to meet those needs. The Department of Finance shall notify the Chairperson of the Joint Legislative Budget Committee, or his or her designee, of its intent to request that the Controller transfer the amount projected to be required to meet the projected operational needs of the local CSIS project from ~~the Proposition 98 Reversion Account~~ Item 6110-140-0001, into the Educational Telecommunications Fund for allocation pursuant to this item. The Controller shall transfer those funds not sooner than 30 days after this notification.”

ISSUE 25: MISCELLANEOUS SDE STATE OPERATIONS ADJUSTMENTS

The issues for the subcommittee to consider are various SDE state operations adjustments.

BACKGROUND:

The Governor's May Revise proposes the following adjustments to SDE's state operations:

1. Rent Issues for Relocation to East End Complex (Issue 402)

It is requested that Item 6110-001-0001 be increased by \$2,101,000 to provide SDE funding for dual occupancy rental agreement issues that resulted from an earlier than previously anticipated move date. If the Department of General Services is able to find an alternate occupant to fill the vacated space, some or all of these costs may be avoided.

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

Of the funding in this item, up to \$2,101,000 is available, as needed, for dual occupancy rent costs associated with the State Department of Education's move to the East End Complex. Any expenditure of these funds shall be made only after receiving written approval from the Department of Finance.

2. SDE Legal Office Staffing (Issue 403)

It is requested that the position authority in Item 6110-001-0001 be increased by 1.0 Staff Counsel III to provide support for increased legal office workload. The Department indicates that its base budget contains adequate funding to support the position.

3. Reimbursement Authority for New School Renovation and Repair Program (Issue 050)

It is requested that Item 6110-001-0001 receive reimbursements in the amount of \$83,000 from Item 6110-202-0890, and that one 18-month limited-term position be approved for technology program activities associated with the New Federal School Renovation and Repair Program.

In 2001-02, the State Department of Education received approximately \$138,524,000 from the U.S. Department of Education for the following purposes: (1) the renovation and repair of school facilities; and (2) technology activities related to school repair and renovation and for activities authorized under the Individuals with Disabilities Education Act. Of the funds provided, \$34.6 million is dedicated to lowering the ratio of students to multi-media computers in grades 4 through 8 in schools that have been repaired or renovated. This portion of the grant funding will be provided to Local Educational Agencies on a competitive basis to help promote improved teaching and student achievement.

ISSUE 26: INDEPENDENT STUDY

The issue for the subcommittee to consider is the Governor's proposal to reduce funding for independent study programs by 10%, and to eliminate Type C funding for county office independent study ADA.

BACKGROUND:

The Governor's January budget proposed to reduce funding for ADA generated by independent study programs operated by school districts and county offices by 10%, and to eliminate Type C funding for county office independent study programs. The Governor maintains this proposal in his May Revise, and estimates the savings generated by these proposals, as follows:

- School districts: \$23.1 million
- County offices of education: \$14.6 million

COMMENTS:

The subcommittee heard this issue earlier in the year and requested that DOF provide information on the cost of providing independent study programs, to evaluate the merits of the administration's proposal.

ISSUE 27: MANDATES

The issue for the subcommittee to consider is the budget year cost of the School Crime Report mandate, as well as language to implement the subcommittee's prior action regarding School Bus Safety II.

BACKGROUND:

I. Expired school physical fitness testing mandate. The Governor's May Revise proposes to decrease the amount appropriated for mandate reimbursement costs by \$696,000 to reflect the expiration of the school physical fitness testing mandate (issue 355).

II. School Crime Report. The Governor's May Revise proposes to eliminate \$1.5 million in funding for administration of the School Crime Report. It cites the availability of federal funding for school crime and truancy reporting requirements consistent with those specified in the federal No Child Left Behind Act of 2001. In addition, the Governor's May Revise proposes to correct a technical error which included a duplicative reference to \$1.6 million that has already been included in the school crimes reporting II mandate (issue 356).

The LAO recommends the deletion of \$7.5 million in Proposition 98 funding for mandate reimbursement costs related to the mandate. It has recently reviewed the methodologies used to collect and validate data and concludes that it is fundamentally flawed and results in data that is not useful. It recommends that SDE revisit the methodology and suspend the mandate in the budget year.

III. School Bus Safety II mandate. At a prior hearing, the subcommittee took action to suspend this mandate in the budget year and to amend the parameters and guidelines for the mandate in the annual claims bill. The LAO has drafted the following language to implement this action:

Budget bill

Add the School Bus Safety II mandate to the list of education mandates in the budget bill, but show a **ZERO** dollar amount and **add the following provision:**

Pursuant to Section 17581 of the Government Code, mandates identified in the appropriation schedule of this item with an appropriation of \$0 and included in the language of this provision are specifically identified by the Legislature for suspension during the 2002-03 fiscal year:

(1) School Bus Safety II (Chapter 624, Statutes of 1992; Chapter 831, Statutes of 1994; and Chapter 739, Statutes of 1997)

Education Trailer Bill

Make following changes to Government Code:

17581. (a) No local agency or school district shall be required to implement or give effect to any statute or executive order, or portion thereof, during any fiscal year and for the period immediately following that fiscal year for which the Budget Act has not been enacted for the subsequent fiscal year if all of the following apply:

(1) The statute or executive order, or portion thereof, has been determined by the Legislature, the commission, or any court to mandate a new program or higher level of service requiring reimbursement of local agencies pursuant to Section 6 of Article XIII B of the California Constitution.

(2) The statute or executive order, or portion thereof, has been specifically identified by the Legislature in the Budget Act for the fiscal year as being one for which reimbursement is not provided for that fiscal year. For purposes of this paragraph, a mandate shall be considered to have been specifically identified by the Legislature only if it has been included within the schedule of reimbursable mandates shown in the Budget Act and it is specifically identified in the language of a provision of the item providing the appropriation for mandate reimbursements.

(b) Notwithstanding any other provision of law, if a local agency elects to implement or give effect to a statute or executive order described in subdivision (a), the local agency may assess fees to persons or entities which benefit from the statute or executive order. Any fee assessed pursuant to this subdivision shall not exceed the costs reasonably borne by the local agency.

(c) This section shall not apply to any state-mandated local program for the trial courts, as specified in Section 77203.

~~(d) This section shall not apply to any state-mandated local program for which the reimbursement funding counts toward the minimum General Fund requirements of Section 8 of Article XVI of the Constitution.~~

Claims bill

Sec 1. The sum of \$1,000 is hereby appropriated from the General Fund to the Controller for allocation as follows:

(a) One thousand dollars for payment of claims from school districts, except community college districts, pursuant to former Section 38048 of, and Sections 39831.3 and 39831.5 of, the Education Code and Section 22112 of the Vehicle Code (School Bus Safety Act II, CSM 97-TC-22), for costs incurred from July 1, 1995, to June 30, 2002, inclusive.

Sec 2. The Commission on State Mandates shall amend the parameters and guidelines for the School Bus Safety II mandate (Chapter 624, Statutes of 1992; Chapter 831, Statutes of 1994; and Chapter 739, Statutes of 1997) prior to the disbursement of any funds under this item to (1) specify that costs associated with implementation of transportation plans are not reimbursable and (2) detail the documentation needed to support reimbursement claims under this item. In identifying the documentation needed to support reimbursement claims for this mandate, the commission shall consult with the Bureau of State Audits and the State Controller's Office.

ISSUE 28: ADULT EDUCATION

The issues for the subcommittee to consider are 1) an open issue related to the Governor's January proposal to reduce funding for citizenship funding, 2) an open issue related to adult education CalWORKs funding, and 3) a May Revise proposal to reflect an increase in federal adult education funding.

BACKGROUND:

I. Adult education citizenship funding. At a prior hearing, the subcommittee heard the Governor's proposed reductions to citizenship funding. If it wishes to restore some of the proposed cuts, the following language would allow it to redirect \$5 million in federal EL/Civics funding from SDE to the Department of Community Services and Development for citizenship and naturalization services.

6110-156-0890

1. Of the funds appropriated in this item, \$5,000,000 shall be used for adult basic education for citizenship and naturalization services for legal permanent residents who are eligible for naturalization.

Citizenship and naturalization services shall include, for this purpose, to the extent consistent with federal law, all of the following: (a) outreach services; (b) assessment of skills; (c) naturalization preparation and assistance; (d) instruction and curriculum development, including referral to other services; and (e) advocacy and follow-up services. The providers of the citizenship and naturalization services, for the purposes of this provisions, shall be those as defined by applicable federal law.

The Department shall provide \$5 million by contract to the Department of Community Services and Development. The funds shall be used to award grants for naturalization services consistent with services provided through Item 4700-101-0001 of this Act. All awards shall be made in accordance with federal law. Administration of these funds shall include the principles of performance-based contracts with community based organizations, and provision of local match amounts, consistent with existing program operation by the Department of Community Services and Development.

Funds provided to community agencies under this provision shall be reimbursed at up to \$350/participant/year, based on cost and the satisfactory provision of performance reporting required by the Department of Community Services and Development.

II. Adult education CalWORKs. At a prior hearing, the subcommittee voted to restore \$23 million in funding for CalWORKs adult education funding, for a partial restoration of the \$36 million that the Governor proposed to cut in January. The subcommittee approved this restoration from prior-year Proposition 98 reversion account funds, which the Governor's May Revise uses to create General Fund savings through the Proposition 98 reversion account "switch." Therefore, if the subcommittee wishes to restore this funding, it was wish to use a different funding source.

III. Adult Education Federal Grant Increase (Issues 001 and 002)

The May Revise proposes to increase federal adult education funding by \$18,046,000. \$4,046,000 reflects an ongoing increase in federal Adult Education and Family Literacy Act funds. These funds further encourage improved student outcomes in the area of English as a Second Language (ESL), ESL-Citizenship, Adult Basic Education and Literacy. As grant recipients must earn these federal funds by achieving specific benchmarks, these funds shall increase the educational capability of over 20,000 adult students. It is also requested that this item be increased by \$14,000,000 to enable the State Department of Education to utilize one-time carryover funds. This increase is in addition to \$4,000,000 in carryover authority assumed in the Governor's Budget in January for a total of \$18,000,00 in carryover authority for this program in the 2002-03 budget year. This carryover is available because providers fell short of projected student outcomes, declined to be funded after submitting an application or were determined to be out of compliance with program objectives.

ISSUE 29: HEALTHY START

The issue for the subcommittee to consider is a proposal requested by the subcommittee related to funding implementation grants for this program.

BACKGROUND:

The Governor's budget proposes to delete \$39 million for new implementation grants under this program, continuing a current-year reduction of \$38 million proposed by the Governor and approved by the Legislature in SB 1xxx (Peace). The proposed cut would not affect current grantees (who are in their second, third, fourth or fifth year of implementation), since funding for their implementation grants was provided in prior budgets. However, the cut would affect a number of schools that received planning grants in 1999-2000 and 2000-01, some of whom who were expecting to apply for implementation grants in the current year or budget year. Healthy Start is a competitive grant program that provides \$400,000 implementation grants to schools to provide comprehensive school-integrated services and activities. Schools receive \$200,000 for the first year of implementation, and \$100,000 each year for two years thereafter. Grantees are expected to obtain their own funding (public or private) after their implementation grants expire.

There are approximately 74 grantees that received planning grants in 2000-01, and 47 that received planning grants in 1999-2000. Some of these were expecting to apply for implementation grants in the current year, but could not due to the current-year reductions.

COMMENTS:

Provisional language. At a prior hearing, the subcommittee restored \$19 million in funding for Healthy Start and considered provisional language clarifying the funding mechanism. The subcommittee held the provisional language open, pending concerns about using the funding for planning grants. Staff recommends adoption of the following language, but include additional language to give first priority for this funding to operational grants with any remaining funds to be allocated for planning grants. This language was adopted by the Senate, with the additional language.

The amount appropriated in this item is for 2002-03 planning grants and the first year costs of operational grants awarded in 2002-03. It is the intent of the Legislature that the second year costs of operational grants awarded in 2002-03 be appropriated in the 2003-04 Budget and the third year costs for these grants be appropriated in the 2004-05 Budget.

ISSUE 30: PROPOSED RESTORATIONS

The issue for the subcommittee to consider is proposed restorations to the Governor's May Revise.

BACKGROUND:

The LAO believes that the subcommittee could capture the following amounts in unallocated current- and prior-year dollars, and use these funds to restore some of its priorities:

Funds Available to Revert from Fiscal Year 2000-01				
(Dollars in Thousands)				
Program	Amount			
Instructional Time and Staff Development	\$ 17,000			
School Improvement Program	3,416			
Pupil Transportation	2,855			
Instructional Material Funds	1,898			
9th Grade CSR	1,358			
CalSafe (in addition to \$18.9 million reduction)	1,137			
Others	556			
Total	\$ 28,220			
Funds Available to Revert or Reduce Appropriation Levels Fiscal Year 2001-02				
(Dollars in Thousands)				
Program	Amount			
Beginning Teacher Support and Assessment	\$ 25,000	a		
9th Grade CSR	25,000			
CalSafe (in addition to \$35 million reduction at May Revise)	4,000	b		
Instructional Material Funds	1,928			
Pupil Transportation	3,831			
School Improvement Program	3,975			
Total	\$ 63,734			
a. The May Revision proposes to reduce the 2001-02 BTSA appropriation level by \$39.0 million, provide \$39 million in July to backfill. The State Department of Education (SDE) Estimates that only \$14 million will be needed to fully fund the program for 2001-02.				
.b The SDE estimates that an additional \$4 million in savings is available in the 2001-02 fiscal year.				

However, SDE estimates that the May Revise would under fund CalSafe by \$10 million in 2002-03.			
We propose reappropriating the \$4 million 2001-02 CalSafe savings or any			
Unencumbered balance to CalSafe for 2002-03.			

Representatives of school employees have negotiated the following proposal to provide staff development for paraprofessionals, using \$1 million:

The language below was developed by the Dept. of Finance and agreed to by CSEA. CSEA would like to request that the Assembly Sub 2 add this language to the final budget:

6110-485--Reappropriation (Proposition 98) Department of Education. The sum of \$1,000,000 is reappropriated from the Proposition 98 Reversion Account, for the following purposes:

0001--General Fund

(1) \$1,000,000 to the State Department of Education, for transfer to Section A of the State School Fund, for allocation to local education agencies (LEAs) to provide training and staff development to classified school employees pursuant to local collective bargaining agreements. These funds shall be distributed a LEAs that apply for reimbursement, in fiscal year 2002-03, based on criteria established under the SB 1882 program for all classified school employees.

ISSUE 31: PROPOSITION 98 REVERSION ACCOUNT -- INFORMATION

The issue for the subcommittee to consider is the Proposition 98 reversion account, and the need for more information regarding amounts flowing into it and balances available.

BACKGROUND:

The Governor proposes to spend \$535 million from the Proposition 98 reversion account for a variety of K-12 and community college purposes, including instructional materials. The Proposition 98 reversion account contains all funds that were appropriated for K-14 purposes in a prior budget, but were unused. Normally, General Fund appropriations that are unused revert back to the General Fund and are available for any purpose, but because these funds were originally appropriated for Proposition 98 purposes, they can only be re-appropriated for Proposition 98 purposes.

COMMENTS:

Currently, there is no systematic reporting of the amounts flowing into the Proposition 98 reversion account, or the amount available for expenditure. For example, there is no fund condition statement for the account in the Governor's budget summary, as there is for other special funds. Given the large amount of money appropriated from this account, the subcommittee may wish to consider adopting the following language:

Add the following paragraph to control section 12.32:

(c) The Governor's 2003-04 Budget and the subsequent May Revision shall include fund condition statements for the Proposition 98 Reversion Account. The fund condition statements shall be supplemented with an accounting of the amount of each item of appropriation that has reverted or is anticipated to revert to the account during fiscal years 2001-02 through 2003-04. These supplemental statements shall be provided to the Legislature on January 10, 2003 and May 15, 2003.

CONSENT CALENDAR

6110-142-0001, Secondary Schools Reading Program (Issue 001)

It is requested that this item, and \$8,000,000 in associated funding, be deleted, as these activities are duplicative of other programs.

6110-143-0001, Student Academic Partnership Program (Issue 001)

It is requested that this item, and \$2,000,000 in associated funding, be deleted, as these activities are duplicative of other programs.

6110-147-0001, Delay Governor’s Reading Awards for One Year (Issue 465)

It is requested that Item 6110-147-0001 be reduced by \$4,000,000 to delay the Governor’s Reading Awards program for one year.

It is further requested that the schedule and provisions be technically amended to conform to this action, as follows:

“6110-147-0001—For local assistance, Department of Education (Proposition 98), Program 20.50 Instructional Support: California Reads Program Reading Awards Program established by Article 2 (commencing with Section 53050) of the Education Code.....4,750,000 750,000

Schedule:

- (1) ~~20.50.001 Reading Awards Program.....4,000,000~~
- (2) ~~20.50.002 California Reads Program.....750,000~~

Provisions:

- 1. ~~The funds appropriated in Schedule (1) of this item shall be used for the Reading Awards Program established by Article 2 (commencing with Section 53050) of Chapter 16 of Part 28 of the Education Code.~~
- 2. The funds appropriated in ~~Schedule (2)~~ of this item shall be used for the California Reads Program.”

6110-001-0001 and 6110-001-0890, Public Charter Schools (Issue 100)

It is requested that this item be reduced by \$220,000. The adjustment reflects a lower than anticipated federal allocation for local assistance grants to charter schools. This item must be reduced as no more than 5 percent of a specified federal grant award can be used for purposes of state operations. See related issue regarding the adjustment in local assistance in Item 6110-112-0890 (Issue 370).

Amend Provision 6 of Item 6110-001-0890 as follows:

"6. Of the amount appropriated in this item, ~~\$1,420,000~~ \$1,200,000 shall be used for the administration of the federal charter schools program. These activities include monitoring of grant recipients, and increased review and technical assistance support for federal charter school grant applicants and recipients. For fiscal year 2002-03, one Education Program Consultant position shall support fiscal issues pertaining to charter schools, including implementation of the funding model pursuant to Chapter 34 of the Statutes of 1998."

6110-001-0001 and 6110-001-0890, Federal Programs for Neglected and Delinquent Children (Issue 352 and 365)

It is requested that state operations funding for federal programs in Item 6110-001-0890 for neglected and delinquent children be reduced by \$5,000, from \$49,000 to \$44,000, to reflect Title I state operations authority at one percent of the grant award.

6110-101-0890, Title VI of the Elementary and Secondary Education Act (Issue 25)

It is requested that this item and \$40,769,000 in associated funding, be deleted to reflect that this program has been re-directed to Title V Innovative Programs pursuant to the Elementary and Secondary Education Act, as reauthorized by the No Child Left Behind Act (See Issue 26, Item 6110-123-0890).

6110-103-0890, Robert C. Byrd Honors Scholarship Program (Issue 022)

It is requested that this item be increased by \$107,000 to reflect an increase in the federal grant for this program.

6110-112-0890, Public Charter Schools, Local Assistance, (Issue 370)

It is requested that this item be reduced by \$7,334,000. The adjustment reflects a lower than anticipated federal allocation for local assistance grants to charter schools. See related issue regarding a state operations adjustment in Item 6110-001-0890 (Issue 100).

6110-119-0890, Federal Programs for Neglected and Delinquent Children (Issue 350)

It is requested that a new item be established for tracking of federal Title I funding for programs for neglected and delinquent children, and that funding of \$4,320,000, including a \$225,000 increase in federal funding for these programs, be appropriated via this item. (Related Issue 350 in Item 6110-136-0890 deletes \$4,095,000 in funding for neglected and delinquent children from that item).

6110-136-0890, Federal Programs for Neglected and Delinquent Children (Issue 350)

It is requested that funding for this item be shifted to Item 6110-119-0890.

6110-136-0890, Increase Federal Local Assistance for Even Start Literacy (Issue 455)

It is requested that Item 6110-136-0890 be increased by \$854,000, to conform to a federal increase for the Even Start Family Literacy Program. Based on merit, this local assistance funding will increase the size or number of competitive grants within the existing program, which promotes student and adult literacy skills.

6110-145-0890, Reading First (Issue 001)

It is requested that this item be added, and that \$100,000 in carryover funds from 2001-02 be appropriated, for activities to improve the reading skills of students in grades K-3.

It is requested that the following Item be added:

6110-145-0890 – For local assistance, Department of Education, Program 20, Reading Excellence Act.....100,000

Provisions:

1. The funds appropriated in this item shall be for activities to improve the reading skills of students in grades K-3.

6110-234-0890, Federal Class Size Reduction (Issue 106)

It is requested that this item be deleted. Funding for the program was eliminated by the No Child Left Behind Act of 2001.

6110-128-0890, Eisenhower Professional Development Program (Issue 001)

It is requested that this item, and \$45,764,000 in associated funding, be deleted. This is to reflect that funding for this program has been redirected to the Teacher and Principal Training and Recruiting Fund authorized pursuant to Title II, Part A, of the No Child Left Behind Act.

6110-136-0890, Advanced Placement Fee Waivers (Issues 351 and 352)

It is requested that Schedule (3) in this item be increased by \$406,000 to reflect a revised estimate of funding available in 2002-03 (Issue 351). In addition, it is requested that Provision 4 in this Item be amended to allow for one-time redirection of funding not needed to fully meet the demand for advanced placement fee waiver reimbursements and to revise a date reference (Issue 352), as follows:

1. The State Department of Education, for the purposes of the assessment system required by Title 1 of the federal Improving America's Schools Act of 1994, shall define a "program improvement school" as a school that ranks among the lowest in the state on the assessment used in the Standardized Testing and Reporting (STAR) Program, pursuant to Article 4 (commencing with Section 60640) of Chapter 5 of Part 33 of the Education Code. A school district may also identify a school that does not meet this criterion as a "program improvement school" during a fiscal year if 60 percent or more of the school's pupils are performing, as determined by the district's assessment system, below the standards adopted by the district.

2. In administering the accountability system required by this item, the State Department of Education shall align the forms, processes, and procedures required of local educational agencies in a manner that they may be utilized for the purposes of implementing the Public School Accountability Act, as established by Chapter 6.1 (commencing with Section 52050) of Part 28 of the Education Code, so that duplication of effort is minimized at the local level.

~~3. Funds appropriated in Schedule (3) are for the purpose of providing grants to local education agencies to pay the fees incurred by low-income students to take advanced placement examinations. These funds may not be used for any other purpose without the approval of the Director of Finance. The Director of Finance shall not approve any such request prior to a 30-day written notification to the entities named in subdivision (d) of Section 28.00 of this act. Any such request shall include (1) certification by the Department of Education that funding from all sources designated for this purpose is sufficient to meet the projected demand for fee assistance and (2) a program and expenditure proposal not to exceed one year in duration.~~

4. Funding provided within Schedule 3 shall be used to fully satisfy the demand for advanced placement examination fee reimbursements for low-income students. Any funding remaining after the demand for advanced placement exam fee reimbursements has been fully satisfied may be used on a one-time basis for pre-advanced placement activities as specified under the conditions of the federal grant application through which these funds were authorized. Use of funding for this alternative purpose shall not create nor imply any continuing obligation to fund the alternative activities beyond the 2002-03 fiscal year.

5. Funds appropriated in Schedule (4) of this item are provided for the sole purpose of funding implementation grants for federally funded schools participating in the Immediate Intervention Underperforming Schools Program, as established pursuant to Article 3 (commencing with Section 52053) of Chapter 6.1 of Part 28 of the Education Code.

6110-136-0890, McKinney-Vento Homeless Assistance (Issue 427)

It is requested that Item 6110-136-0890 be increased by \$2,196,000 to reflect an increase in the federal McKinney-Vento Homeless Assistance grant. These funds will be used consistent with existing State policy to ensure that homeless students are provided with support to enable them to continue to attend school and achieve academic success.

It is additionally requested that Schedule (2) of Item 6110-136-0890 be technically amended, as follows, to conform to the new federal program name.

~~“(2) 10.30.065-Stewart B. McKinney Homeless Children Education McKinney-Vento Homeless Children Education.”~~

6110-001-0001, Principal Apportionment System Rewrite (Issue 101)

It is requested that this item be increased by \$457,000 to provide project support for the rewrite of the Principal Apportionment System. Expenditures relating to these funds will be contingent upon approval of a pending SPR. It is also requested that provisional language be added to this item to govern the expenditure of the funds.

Add provisional language to Item 6110-001-0001:

Of the funds appropriated in this item, \$457,000 shall be available for project support of the Principal Apportionment System Rewrite (PASR). Expenditure of these funds is contingent upon Department of Finance approval of PASR Special Project Request (SPR) #5, and funds may only be expended as specified in that approval.

6110-001-0001, Reporting of State Appropriations Limit Data (Issue 103)

It is requested that provisional language be added to this item to specify a reporting timeframe by which the State Department of Education would provide a file of complete district-level State Appropriations Limit data to the Department of Finance for purposes of calculating the State's limit:

Add provisional language to Item 6110-001-0001:

On or before April 15 of 2003, the State Department of Education (SDE) shall provide to the Department of Finance an electronic file that includes complete district- and county-level State Appropriations Limit information reported to SDE. SDE shall make every effort to ensure that all districts have submitted the necessary information requested on the relevant reporting forms.

6110-001-0001, State Operations—Child Nutrition State Operations Reimbursement Authority (Issue 353)

It is requested that reimbursement authority be increased by \$303,000 on a one-time basis to accommodate reimbursements associated with the final year of a five-year grant for the Shaping Health As Partners in Education (SHAPE) program.

6110-001-0001, Legal Augmentation Provisional Language (Issue 406)

It is requested that Provision 27 of Item 6110-001-0001 be amended as follows to provide funding, if needed and applicable, for litigation costs directly related to the High School Exit Exam:

“27. Upon 30-day written notification of the Legislature, the Department of Finance may augment the appropriation in this item by up to ~~\$2,000,000~~ \$500,000 to pay for the Department of Education's state administrative costs associated with its compliance with any litigation legal settlements directly related to various lawsuits the High School Exit Exam.”

6110-001-0001 and 6110-001-0890, Contract for Special Disabilities Adjustment (Issue 001)

It is requested that Item 6110-001-0890 be increased by \$300,000 to provide one-time funds for support of the cost associated with a new study of the Special Disabilities Adjustment pursuant to Chapter 854, Statutes of 1997 (AB 602).

It is requested that provisional language be added to Item 6110-001-0890 to conform to this action:

Of the funds appropriated in this item, \$300,000 shall be provided solely to fund a new study of the Special Disabilities Adjustment pursuant to Chapter 854, Statutes of 1997 (AB 602).

6110-001-0001, Reimbursement Authority for San Francisco Unified School District Court-Ordered Monitoring Contact (Issue 404)

It is requested that the reimbursement authority in Item 6110-001-0001 be increased by \$57,000. The San Francisco Unified School District has agreed to pay SDE for court-ordered desegregation monitoring activities.

6110-001-0001, Reimbursement Authority for State Board of Education (Issue 405)

It is requested that the reimbursement authority in Item 6110-001-0001 be increased by \$34,000. The authority will be used to collect fees associated with an increased number of public requests for the board's hearing minutes.

6110-109-0001, Gang Risk Intervention Program (GRIP) (Issue 356)

It is requested that this item be decreased by \$3,000,000 to reflect one-time savings from realignment of funding between fiscal years.

6110-113-0001, Item Development—High School Exit Exam (Issue 005)

It is requested that Schedule 7 in this item be decreased by \$4,000,000 to reflect savings in item development for the High School Exit Exam.

Amend Provision 6 as follows:

"6. The funds appropriated in Schedule (7) shall be available for test item development for the STAR and ~~High School Exit Examination~~ programs during the 2002-03 fiscal year. The test items developed with these funds shall make progress in aligning ~~these exams~~ this exam with the State Board of Education-approved academic content standards and in ensuring that these exams are valid and reliable as measured by industry standards."

6110-113-0001, California High School Proficiency Exam (Issue 033)

It is requested that this item be revised to add the California High School Proficiency Exam Program and Reimbursements authority in the amount of \$750,000 to provide funding for the Department of Education to become the chief fiscal agent in the administration of the California High School Proficiency Exam.

6110-113-0001, High School Exit Examination Workbooks (Issue 034)

It is requested that Schedule (8) and Provision 7 in this item, along with \$2,353,000 in associated funding, be deleted to reflect savings in the High School Exit Exam Workbooks contract due to delay in development of materials.

6110-165-0001, Vocational Education, Workforce Investment Act Support (Issue 001)

It is requested that this item be amended to eliminate \$13,846,000 in excess reimbursement authority to reflect that no federal funds will be provided to the State Department of Education (SDE) from the Employment Development Department. Since the federal Workforce Investment Act (WIA) replaced the Job Training Partnership Act (JTPA) in 1999, SDE has not received any local assistance reimbursements.

It is requested that Provision 1 be deleted.

6110-166-0890, Federal Vocational and Technical Education Grant Increase (Issue 001)

It is requested that this item be increased by \$8,000,000 to provide sufficient authority to reflect an increase in federal Vocational and Technical Education grants. Specifically, the increased funding will expand access to and improve the quality of secondary and postsecondary courses and programs oriented to build specific job skills. The enhanced service delivery in six industrial sectors (Agriculture, Business and Marketing, Health and Human Services, Home Economics and Careers in Technology, Industrial and Technology Education, and Arts, Media and Entertainment) will also continue to include a high level of accountability for academic achievement, as required by federal law. We note that \$4,628,000 of the increase provided in this item is one-time carryover due to difficulties encountered allocating all funds provided in the 2001-02 fiscal year.

It is requested that the following provisional language be added:

Of the funds appropriated in this item, \$4,628,000 is available as a one-time carryover of unexpended funds-from the 2001-02 fiscal year.

6110-201-0890, Federal Per-Meal Reimbursements for Child Nutrition (Issue 357)

It is requested that this item be augmented by \$4,200,000 to reflect a revised estimate of federal reimbursements for meals served to low income children.

6110-202-0001, Child Nutrition Pilot Program (Issue 350)

It is requested that provisional language for this item be amended as follows:

“1. Funds appropriated in Schedule (1) of this item are for child nutrition programs pursuant to Section 41311 of the Education Code. Claims for reimbursement of meals pursuant to this appropriation shall be submitted no later than September 30, 2003, to be eligible for reimbursement.”

In addition, the following provisional language is to be added:

Funds provided in Schedule (2) of this item shall be used to fund the entire life of the child nutrition pilot program known as LEAF (Linking Education, Activity, and Food), including

grants to local educational agencies as well as incrementally enhanced per-meal reimbursements for eligible pilot participants as specified in Education Code Section 49433.7.

Increase Item 6110-102-0890, Learn and Serve America Program (Issue 001)

It is requested that this item be increased by \$485,000 to reflect the carryover of this amount of unexpended Learn and Serve America Program funds from 2001-02.

Increase Item 6110-125-0890 (Issue 458 and 459) by \$12,600,000 and add conforming provisional language as follows:

Of the funds appropriated in Schedules (1) and (2) in this item, \$12,600,000 in carryover funding is provided on a one-time basis for the previously approved purposes, as follows: Migrant Education (\$12,100,000) and Immigrant Education (\$500,000).

Increase Item 6110-136-0890 (Issue 457) by \$14,325,000 and add conforming provisional language as follows:

Of the funds appropriated in Schedules (1) and (2), \$14,325,000 in carryover funding is provided on a one-time basis for previously approved purposes, as follows: Title I grants to local education agencies (\$1,000,000), Title I Even Start (\$10,000,000), Title I Capital Expenses (\$2,800,000), and Title II McKinney Homeless Children Education (\$525,000).

Control Section 12.60, Include Digital High School as Voluntary Participation Program Eligible for Transfer of Unobligated Funds (Issue 456)

It is requested that Budget Bill language in Control Section 12.60 be amended to include the Digital High School program (Item 6110-184-0001) with other voluntary participation programs eligible for inter-item transfer of unobligated funds to fully fund eligible participation, when necessary. This proposal would provide schools with greater flexibility for meeting service demands, without increasing net costs on the State from budgeted resources.

“Section 12.60. It is the intent of the Legislature that education programs with voluntary participation be funded at statutorily authorized levels. Notwithstanding any other provision of law, the Controller, upon approval of the Director of Finance, shall transfer unobligated funds between any of the following voluntary participation programs to the extent needed to fully fund eligible participation. The Department of Finance shall notify the Joint Legislative Budget Committee of any transfers made under this control section. The items between which the Controller may transfer funds pursuant to this section are the following: Items 6110-104-0001, 6110-112-0001, 6110-121-0001, 6110-125-0001, 6110-158-0001, 6110-184-0001, 6110-191-0001, 6110-193-0001, 6110-195-0001, 6110-198-0001, 6110-204-0001, 6110-205-0001, 6110-232-0001, and 6110-234-0001.”

ATTACHMENT I: SB 955 CLEAN-UP LANGUAGE.**SB 955 Clean-up Trailer Bill Language**

SEC 1.

Section 47632 of the Education Code is amended to read:
47632. For purposes of this chapter, the following terms shall be defined as follows:

(a) "General-purpose entitlement" means an amount computed by formula set forth in Section 47633 beginning in the 1999-2000 fiscal year, which is based on the statewide average amounts of general purpose funding from those state and local sources identified in Section 47633 received by school districts of similar type and serving similar pupil populations.

(b) "Categorical block grant" means an amount computed by the formula set forth in Section 47634 beginning in the 1999-2000 fiscal year, which is based on the statewide average amounts of categorical aid from those sources identified in Section 47634 received by school districts of similar type and serving similar pupil populations.

(c) "General-purpose funding" means those funds that consist of state aid, local property taxes, and other revenues applied toward a school district's revenue limit, pursuant to Section 42238.

(d) "Categorical aid" means aid that consists of state or federally funded programs, or both, which are apportioned for specific purposes set forth in statute or regulation.

(e) "Educationally disadvantaged pupils" means those pupils who are eligible for subsidized meals pursuant to Section 49552 or are identified as English learners pursuant to subdivision (a) of Section 306, or both.

(f) "Operational funding" means all funding except funding for capital outlay.

(g) "School district of a similar type" means a school district that is serving similar grade levels.

(h) "Similar pupil population" means similar numbers of pupils by grade level, with a similar proportion of educationally disadvantaged pupils.

(i) "Sponsoring local educational agency" means the following:

(1) In the cases where a charter school is granted by a school district, the sponsoring local educational agency is the school district, except as provided in paragraph (5).

(2) In cases where a charter is granted by a county office of education after having been previously denied by a school district, the sponsoring local educational agency means the school district that initially denied the charter petition, except as provided in paragraph (5).

(3) In cases where a charter is granted by the State Board of Education after having been previously denied by a local educational agency, the sponsoring local educational agency means the local educational agency designated by the State Board of Education pursuant to paragraph (1) of subdivision (k) of Section 47605 or if a local educational agency is not designated, the local educational agency that initially denied the charter petition, except as provided in paragraph (5).

(4) For pupils attending county-sponsored charter schools who are eligible to attend such schools solely as a result of parental request pursuant to subdivision (b) of Section 1981, the sponsoring local education agencies means the pupils' school districts of residence, except as provided in paragraph (5).

(5) For only the purpose of transferring amounts in-lieu of property taxes as provided in Section 47635, for pupils who reside in and are otherwise eligible to attend school in a basic aid school district, but who attend a charter school authorized by a non-basic aid district or county office of education, the sponsoring local educational agency is the basic aid district.

(j) For purposes of this section, "basic aid school district" means a school district that does not receive from the state, for any fiscal year in which the subdivision is applied, an apportionment of state funds pursuant to subdivision (h) of Section 42238.

SEC. 2

Section 47635 of the Education Code is amended to read:

47635. (a) A sponsoring local educational agency, other than those defined in paragraph (5) of subdivision (i) of Section 47632, shall annually transfer to each of its charter schools funding in lieu of property taxes equal to the lesser of the following two amounts:

(1) The average amount of property taxes per unit of average daily attendance, including average daily attendance attributable to charter schools, received by the local educational agency, multiplied by the charter school's average daily attendance.

(2) The statewide average general-purpose funding per unit of average daily attendance received by school districts, as determined by the State Department of Education, multiplied by the charter school's average daily attendance in each of the four corresponding grade level ranges: kindergarten and grades 1, 2, and 3; grades 4, 5, and 6; grades 7 and 8; and grades 9 to 12, inclusive.

(b) For fiscal year 2002-03, a sponsoring local educational agency, as defined in paragraph (5) of subdivision (i) of Section 47632, shall annually transfer to each of its charter schools funding in lieu of property taxes equal to the lesser of the following two amounts:

(1) The average amount of property taxes per unit of average daily attendance, including average daily attendance attributable to charter schools, received by the local educational agency, multiplied by the charter school's average daily attendance, multiplied by thirty (30) percent.

(2) The statewide average general-purpose funding per unit of average daily attendance received by school districts, as determined by the State Department of Education, multiplied by the charter school's average daily attendance in each of the four corresponding grade level ranges: kindergarten and grades 1, 2, and 3; grades 4, 5, and 6; grades 7 and 8; and grades 9 to 12, inclusive.

(c) For fiscal year 2003-04, a sponsoring local educational agency, as defined in paragraph (5) of subdivision (i) of Section 47632, shall annually transfer to each of its charter schools funding in lieu of property

taxes equal to the lesser of the following two amounts:

(1) The average amount of property taxes per unit of average daily attendance, including average daily attendance attributable to charter schools, received by the local educational agency, multiplied by the charter school's average daily attendance, multiplied by fifty (50) percent.

(2) The statewide average general-purpose funding per unit of average daily attendance received by school districts, as determined by the State Department of Education, multiplied by the charter school's average daily attendance in each of the four corresponding grade level ranges: kindergarten and grades 1, 2, and 3; grades 4, 5, and 6; grades 7 and 8; and grades 9 to 12, inclusive.

(d) Commencing with the 2004-05 fiscal year, a sponsoring local educational agency, as defined in paragraph (5) of subdivision (i) of Section 47632, shall annually transfer to each of its charter schools funding in lieu of property taxes equal to the lesser of the following two amounts:

(1) The average amount of property taxes per unit of average daily attendance, including average daily attendance attributable to charter schools, received by the local educational agency, multiplied by the charter school's average daily attendance, multiplied by seventy (70) percent.

(2) The statewide average general-purpose funding per unit of average daily attendance received by school districts, as determined by the State Department of Education, multiplied by the charter school's average daily attendance in each of the four corresponding grade level ranges: kindergarten and grades 1, 2, and 3; grades 4, 5, and 6; grades 7 and 8; and grades 9 to 12, inclusive.

(e) The sponsoring local educational agency shall transfer funding in lieu of property taxes to the charter school in monthly installments, by no later than the 15th of each month.

(1) For the months of August to February, inclusive, a charter school's funding in lieu of property taxes shall be computed based on the amount of property taxes received by the sponsoring local educational agency during the preceding fiscal year, as reported to the Superintendent of Public Instruction for purposes of the second principal apportionment. A sponsoring local educational agency shall transfer to the charter school the charter school's estimated annual entitlement to funding in lieu of property taxes as follows:

(A) Six percent in August.

(B) Twelve percent in September.

(C) Eight percent each month in October, November, December, January, and February.

(2) For the months of March to June, inclusive, a charter school's funding in lieu of property taxes shall be computed based on the amount of property taxes estimated to be received by the sponsoring local educational agency during the fiscal year, as reported to the Superintendent of Public Instruction for purposes of the first principal apportionment. A sponsoring local educational agency shall transfer to each of its charter schools an amount equal to one-sixth of the difference between the school's estimated annual entitlement to funding in lieu of property taxes and the amounts provided

pursuant to paragraph (1). An additional one-sixth of this difference shall be included in the amount transferred in the month of March.

(3) For the month of July, a charter school's funding in lieu of property taxes shall be computed based on the amount of property taxes estimated to be received by the sponsoring local educational agency during the prior fiscal year, as reported to the Superintendent of Public Instruction for purposes of the second principal apportionment. A sponsoring local educational agency shall transfer to each of its charter schools an amount equal to the remaining difference between the school's estimated annual entitlement to funding in lieu of property taxes and the amounts provided pursuant to paragraphs (1) and (2).

(4) Final adjustments to the amount of funding in lieu of property taxes allocated to a charter school shall be made in February, in conjunction with the final reconciliation of annual apportionments to schools.

~~(5) Subdivision (a) and paragraphs (1) to (4), inclusive, of subdivision (b) do not apply for pupils who reside in, and are otherwise eligible to attend a school in, a basic aid school district, but who attend a charter school in a nonbasic aid school district. With regard to these pupils, the sponsoring basic aid district shall transfer to the charter school an amount of funds equivalent to the revenue limit earned through average daily attendance by the charter school for each pupil's attendance, not to exceed the average property tax share per unit of average daily attendance for pupils residing and attending in the basic aid district. The transfer of funds shall be made in not fewer than two installments at the request of the charter school, the first occurring not later than February 1 and the second not later than June 1 of each school year. Payments shall reflect the average daily attendance certified for the time periods of the first and second principal apportionments, respectively. The Superintendent of Public Instruction may not apportion any funds for the attendance of pupils described in this subdivision unless the amount transferred by the basic aid district is less than the revenue limit earned by the charter school, in which event the Superintendent of Public Instruction shall apportion the difference to the charter school from state funds.~~

SEC. 3

Section 47663 of the Education Code is amended to read:

47663. (a) For a pupil of a charter school sponsored by a basic aid school district who resides in, and is otherwise eligible to attend, a school district other than a basic aid school district, the Superintendent of Public Instruction shall apportion to the sponsoring school district an amount equal to 70 percent of the revenue limit per unit of average daily attendance that would have been apportioned to the school district that the pupil resides in and

would otherwise have been eligible to attend.

(b) A district that loses basic aid status as a result of transferring property taxes to a charter school or schools pursuant to Section 47635 shall be eligible to receive a pro rata share of funding provided by subdivision (a), with the proration factor calculated as the ratio of the following:

(1) The amount of property taxes that the district receives in excess of its total revenue limit guarantee, prior to any transfers made pursuant to Section 47635.

(2) The total amount of property taxes transferred pursuant to Section 47635 to the charter school or schools that it sponsors.

~~(c) The Superintendent of Public Instruction may not apportion funds for the attendance of a pupil in a charter school of a nonbasic aid school district who resides in, and is otherwise eligible to attend school in, a basic aid school district unless the pupil is subject to the exception set forth in paragraph (5) of subdivision (b) of Section 47635.~~

~~(d)~~ (c) For purposes of this section, "basic aid school district" means a school district that does not receive from the state, for any fiscal year in which the subdivision is applied, an apportionment of state funds pursuant to subdivision (h) of Section 42238.