

AGENDA**ASSEMBLY BUDGET SUBCOMMITTEE NO. 2
ON EDUCATION FINANCE****Assembly Member Julia Brownley, Chair****TUESDAY, MAY 27, 2008
STATE CAPITOL, ROOM 444
TIME 10:00AM OR UPON CALL OF THE CHAIR**

Items To Be Heard

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ITEMS TO BE HEARD

6110 DEPARTMENT OF EDUCATION

ISSUE 1: OPEN ISSUES – VARIOUS CDE STATE OPERATIONS ISSUES

The issues for the Subcommittee to consider are various CDE state operations heard by the Subcommittee but held open.

BACKGROUND:

Open issues related to CDE State Operations:

- **Unallocated reduction.** The Governor's budget proposes an unallocated reduction of \$5.6 million to CDE's state operations as part of the across-the-board reductions. Since this is an unallocated reduction, CDE would determine how to absorb the reduction.
- **General Fund Adjustments:**
 - 1) **Reading Language Arts Adoption** - \$102,000 General Fund (GF) to provide support for the 2008 Reading Language Arts instructional materials adoption.
 - 2) **SB 80.** \$131,000 (GF) for one position to meet reporting requirements mandated as part of the sunset extension of the Districts of Choice program. SB 80 (Chapter 174; Statutes of 2007) mandated new reporting and evaluation requirements. Districts must report data and information about student inter-district transfers. CDE must now collect, analyze, and post information about inter-district transfers and must also prepare a comprehensive evaluation study of transfer options for students.
 - 3) **Math and Reading Professional Development Program.** \$109,000 (GF) and 1.0 position. SB 472 reauthorized AB 466 and added an English Learner Professional Development component. CDE had been authorized a limited term position until June 30, 2008. This funding would make the position permanent.
 - 4) **Harassment monitoring.** \$40,000 (General Fund) for 0.3 positions to implement the requirements of AB 394 (Levine), *Chapter 566, Statutes of 2007* which requires CDE to assess LEAs, as part of CDEs existing monitoring process, for compliance with specific anti-discrimination and harassment policies and procedures, and display on their web site specific bias-related, discriminatory, and harassment information.

5) **CTE website development and maintenance.** \$100,000 (General Fund) and a 1.0 limited term position to implement AB 597 (Committee on Education), *Chapter 529, Statutes of 2007* which requires CDE to create a comprehensive, easy to access, user-friendly website with information about CTE opportunities and programs available in the state.

- **Federal Funds adjustments:**

1) **CALTIDES** – \$231,000 (one-time) from federal Title II funds for two limited term positions related to the development of the California Longitudinal Teacher Integrated Data System (CALTIDES). The limited term positions are for one year.

2) **Child Nutrition and Information and Payment System (CNIPS).** \$1.874 million in federal Child Nutrition funds to extend 7.2 limited term positions for an additional year. CNIPS is an information technology system used to administer four United States Department of Agriculture (USDA) programs, including School Nutrition, Child and Adult Care Food, Summer Food, and Food Distribution. The CNIPS was originally anticipated to take two years however, CDE encountered a six month delay in getting the software contract approved and estimates that due to the complexity of the State's nutrition programs, the design of the system will require six months of additional time to build and implement. This results in an overall delay of 12 months to the project.

3) **High School Exit Exam.** \$103,000 in federal Title VI funds for 1.0 position to monitor changes to the CAHSEE pursuant to AB 347 (Nava), *Chapter 526, Statutes of 2007*. AB 347 implemented a settlement agreement in the *Valenzuela v. O'Connell* lawsuit by requiring school districts to provide intensive instruction and services to pupils who have not passed the high school exit examination by the end of twelfth grade. According to CDE, this position will facilitate the administration of the requirements, communicate with LEAs, prepare bill analyses and SBE items and help to monitor the CAHSEE contractor for compliance.

4) **April letter request - Child and Adult Care Food Program (6110-001-0890 - Issue 643)**—It is requested that this item be increased by \$172,000 Federal Trust Fund to establish 2.0 positions to improve the Department's compliance monitoring and technical assistance for the federal Child and Adult Care Food Program. This program provides funding to licensed child care centers, adult day care centers, and organizations that sponsor day care homes to ensure participants receive nutritionally-adequate meals and snacks. Recently, the federal government found an increasing number of sponsors that are seriously deficient in their administration of the program. As a result, the U.S. Department of Agriculture and Congress have imposed new financial management requirements on sponsors and additional oversight responsibilities for the Department.

COMMENTS:

Unallocated reduction and new general fund positions. The Subcommittee requested CDE to submit a specific plan outlining the approach to implementing the unallocated reduction. CDE submitted a plan with a general approach for targeting reductions. CDE did not submit specifics such as positions that could be eliminated or current vacancies in the department that might not be filled. At the May 22 hearing, the Subcommittee expressed concern that absent a more specific plan, it is difficult for the Subcommittee to know the hardship that the proposed \$5.6 million reduction places on the department. Further, it is difficult to know the extent to which the additional general fund positions are needed. The Subcommittee further expressed concern that if the general fund positions were approved, CDE would choose to not implement them as part of their unallocated reduction.

CDE testified that they are in the process of identifying specific reductions but noted the difficulty in submitting a specific plan at this stage in the budget process since it is not yet known how the Subcommittee will act on the Administration's proposed reductions to education programs. They also agreed that once budget decisions are finalized they would share their plan with the Legislature. Further, they assured the Committee that if additional positions were approved by the Committee, they would fill those positions.

ISSUE 2: OPEN ISSUE - STATE SPECIAL SCHOOLS – CAPITAL OUTLAY

The issues for the Subcommittee to consider are the capital outlay proposals for the State Special Schools heard by the Subcommittee but held open.

BACKGROUND:

Athletic Complex. The Governor's budget provides \$17,123,000 to design and construct an athletic complex for the Riverside School for the Deaf to ensure the safety of participants and spectators and maximize the use of the fields available for interscholastic sports, physical education classes, school functions, and recreational activities for residential students. The complex will be used for a variety of sporting events including soccer, baseball, football, and track and field. The project will improve existing fields and will include field lights, walking paths, track and football field with viewing stands, a new restroom, and concession stand.

Football Field. The Governor's budget provides \$14,371,000 to renovate the football field at the Fremont School for the Deaf. The project includes an artificial turf field, synthetic running track, access to fields, bleachers, press box, restrooms and field lighting.

April Letter Request - Kitchen/Dining Facility. The April DOF Letter that Item 6110-301-0660 be increased by \$4,912,000 to augment the construction phase for the Kitchen and Dining Hall Renovation project at the California School for the Deaf, Riverside. During the design phase, it was determined that the project scope would need to include: (1) extra bathroom facilities in order to meet state plumbing codes and (2) redesign of the kitchen layout to prevent contamination of food during preparation and serving.

LAO recommendation. The LAO recommends rejection of the Athletic Complex for the School for the Deaf in Fremont and the Football Field/Track for the School for the Deaf in Riverside. The LAO visited the facilities and concluded that the Riverside facilities, though not ideal, do not have significant health and safety issues. The LAO did see significant problems with geese and gophers damaging the field at Fremont, as well as a shortage of locker facilities however, these are just two small pieces of their project. The project includes a much larger list of renovations, including lighting, new bleachers, and a new track.

Overall, although these facilities are not ideal, they are not what the LAO considers facilities in desperate need of replacement. Given the fiscal issues that the state currently faces and the very significant costs of these two projects (\$31 million combined), the LAO would recommend rejecting these projects. However, they would not be opposed to the state special schools submitting a more modest proposal that addresses the specific health and safety needs in future years.

With regards to the additional appropriation requested for the Kitchen Renovation project, the LAO recommends approval. Since the project has already been approved and preliminary plans developed, it is less risky and likely more cost-effective to continue with the renovation as opposed to building a completely new facility.

ISSUE 3: OPEN ISSUE - NO CHILD LEFT BEHIND ACT (NCLB): TITLE I FUNDING FOR PROGRAM IMPROVEMENT SCHOOLS AND DISTRICTS

The issue previously heard by the Subcommittee and held open is the one-time carryover funds and the increase in federal funds to provide intervention and assistance to schools in Program Improvement under NCLB.

BACKGROUND:

Adequate Yearly Progress and Program Improvement. Pursuant to the federal No Child Left Behind (NCLB) act, each year, schools, and school districts must meet four sets of requirements to make Adequate Yearly Progress (AYP). The requirements include: (1) student participation rate on statewide tests, (2) percentage of students scoring at the proficient level or above in English-language arts and mathematics on statewide tests, (3) API Growth, and (4) graduation rate (if high school students are enrolled). Numerically significant groups of students at a school or school district also must meet participation rate and percent proficient requirements.

LEAs that receive federal Title I funds that do not meet AYP targets for two consecutive years within specific areas are identified for Program Improvement (PI).

As the Subcommittee heard at a prior hearing, currently, 97 local educational agencies, which include 96 school districts and one county office of education, have advanced to PI Year 3 status based upon failure to make AYP for at least five years and are now subject to corrective action and technical assistance. In anticipation of these districts needing assistance, last year's budget set aside \$23.9 million in Title I "set-aside" funds. This included accompanying budget bill language specifying that the funds may be programmed pursuant to legislation adopted during the 2007-08 regular legislative session. Legislation was not adopted and carryover funds remain for this purpose.

Sources of funding to assist PI schools. NCLB allows states to set aside four percent of their total Title I grant to help schools improve their performance. Both ongoing and one-time carryover funds are currently available under this set-aside. \$65.2 million is available in ongoing funds and a total of \$47.2 million in one-time carryover is available (\$18.1 million of this fund will revert to the federal government if it is not spent by September 2008.)

The state has also received federal funding under the new School Improvement Fund (SIF). The state received a grant of \$16.6 million in 2007 that went unexpended and is now carrying over to this budget year. In addition, the state received \$60.4 million in ongoing funds under the 2008 grant providing a total of \$77 million in the budget year. According to California's application for funding, the state will provide funds on a competitive basis to districts starting with districts in Year 5 of Program Improvement. 104 districts are eligible under this criteria. As the following chart shows, a total of \$189.6 million is available in the budget year for school improvement activities.

Federal Funding for School Improvement (in thousands)			
Funding Sources	One-time	On-going	Total
Title I Set-Aside (2008)		\$65,206	\$65,206
Title I Carryover (reverts in 2008)	\$18,170		\$18,170
Title I Carryover (reverts in 2009)	\$29,188		\$29,188
School Improvement Fund (SIF) Grant (2008)		\$60,492	\$60,492
SIF Grant (2007)	\$16,620		\$16,620
TOTAL	\$63,978	\$125,698	\$189,676

April DOF letter. The Administration submitted several requests related to Title I Set Aside Funds in their April letter. The requests are as follows:

Item 6110-134-0890, Local Assistance, Title I Set Aside Funds:

- **Align Appropriation with Available Federal Funds (Issue 564)**—It is requested that this item be decreased by \$10,794,000 federal Title I Set Aside funds to align the appropriation with available federal funds. LEAs will use these funds for services to improve low-income student academic performance.

Staff Comments: This is a technical adjustment to align the appropriation with the available federal funds. Staff recommends approval of this item.

- **Establish the Federal Title I School Improvement Grant (Issue 566)**—It is also requested that Schedule (7) be added to appropriate \$77,113,000 federal Title I School Improvement Grant (SIG) funds for grants to LEAs. Of this amount, \$16,620,000 reflects the availability of one-time carryover funds. The SIG program will provide funds to LEAs with schools in program improvement or corrective action that demonstrate the greatest set of academic challenges and the greatest commitment to raising student achievement. The Department submitted an application and received approval from the U.S. Department of Education for the expenditure of these funds; however, approval of specific program criteria by the State Board of Education is still pending.

It is further requested that a new schedule and provisional language be added as follows to conform to this action:

(7) 10.30.004 – School Improvement Grant..... 77,113,000

X. The funds appropriated in Schedule (7) shall be available for requirements as specified in the federal No Child Left Behind Act of 2001 (20 U.S.C. Sec. 6303(g)) and are contingent upon approval of local educational agency and school site selection and participation criteria by the State Board of Education after April 1, 2008.

X. Of the funds appropriated in this item, \$16,620,000 is provided in one-time carryover funds to support the program.

Staff Comments: *This item should be considered as part of a comprehensive approach to program improvement. Staff recommends the Subcommittee appropriate the \$77,113,000 for the federal Title I School Improvement Grant (SIG) funds pursuant to Legislation.*

- **Shift Funding from Schoolsite to Local Educational Agency Corrective Action Activities (Issue 571)**—It is also requested that \$20.0 million be shifted from Schedule (3) to Schedule (5), to eliminate funding for Immediate Intervention Underperforming Schools Program (II/USP) corrective action activities and provide funding to LEAs for federal No Child Left Behind corrective action and technical assistance activities. Although the II/USP ended in 2004-05, a handful of schools have not exited the program and continue to receive grants of \$150 per-pupil to implement improvement plans prepared by external evaluators. Instead, it is requested that these funds support the State Board of Education's action to impose corrective action and technical assistance activities on 97 LEAs that recently received federal No Child Left Behind (NCLB) corrective action status. This shift will: (1) eliminate funding for a program that has been replaced by other state and federal programs, (2) improve the nexus between NCLB funding and its requirements, and (3) establish baseline funding for current and future corrective action LEAs.

It is further requested that Provision (3) be deleted as follows to conform to this action:

~~“3. The funds appropriated in Schedule (3) shall be made available to provide \$150 per pupil pursuant to Section 52055.54 of the Education Code in a school that is managed in accordance with paragraph (3) of subdivision (b) of Section 52055.5 of the Education Code or that contracts with a school assistance and intervention team pursuant to subdivision (a) of Section 52055.51 of the Education Code.”~~

LAO Recommendation: *Approve proposal to eliminate II/USP state monitoring but do not designate funds to be used for LEA corrective action as determined by the SBE. Instead, these funds should support LEAs in Program Improvement, pursuant to legislation.*

6110-001-0890 - Federal School Improvement Grant Program (Issue 567)—It is requested that this item be increased by \$378,000 federal Title I School Improvement Grant (SIG) funds for 4.0 positions to support the new SIG program. The SIG program will provide funds to LEAs with schools in program improvement or corrective action that demonstrate the greatest set of academic challenges and the greatest commitment to raising student achievement. These positions would establish a competitive grant process, review applications, award funds, and monitor progress. Expenditure of these funds is proposed to be contingent upon final approval of specific program criteria by the State Board of Education.

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

X. Of the funds appropriated in this item, \$378,000 and 4.0 positions are provided to support workload for the federal School Improvement Grant (SIG) program. Expenditure of these funds is contingent upon approval of SIG local educational agency and school site selection and participation criteria by the State Board of Education at or after the May 2008 board meeting.

ISSUE 4: OPEN ISSUE - FEDERAL TITLE I READING FIRST PROGRAM

The issues heard by the Subcommittee and held open were the Governor's proposed level of funding for the program, reductions to the federal grant allocation, and the options for addressing this reduction.

BACKGROUND:

As was previously heard by the Subcommittee, the Governor's budget provides \$135.5 million in federal Title I Reading First funds for 2008-09. When the Governor's budget was built, the final federal grant amounts were not known. The federal government has since reduced grant funding by \$87.6 million or 64%. The new grant amount for 2008-09 is \$48.9 million. Below is the Administration's April letter request to implement this grant decrease. The Subcommittee will need to approve this language to align the budget to the federal grant amount.

Item 6110-126-0890, Local Assistance, Reading First Program (Issues 082 and 083)

It is requested that this item be decreased by \$78,141,000 federal Title I Reading First funds, which includes a decrease of \$87.6 million to align the appropriation with available federal funds and an increase of \$9,459,000 to reflect the availability of one-time carryover funds. The Reading First Program provides grants for schools to improve reading in Kindergarten or any of Grades 1 to 3, inclusive, with scientifically-based reading programs.

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

X. Of the funds appropriated in this item, \$9,459,000 is provided in one-time carryover funds to support the Reading First Program.

Implementation of program after reduction. Given that the program has been reduced by 64% and there is not enough funding to fully fund all existing cohorts, the Legislature may wish to provide guidance to CDE with regard to allocating the remaining funds. The Subcommittee had two options before them when this issue was previously heard.

Option1 (CDE Proposal): CDE is recommending the Subcommittee approve the following plan for future implementation of the program:

- Fiscal Year 2008-09: Fund Cohort One at 48 percent and fully fund Cohorts Two, Three, and Four.
 - Cohort One will be funded with 2008-09 grant money not used by Cohort Three.
 - Cohorts Two and Four will be fully funded from the 2007-08 federal grant allocation.
 - Cohort Three can be fully funded using the 2008-09 federal grant allocation.
 - There will be no carryover of 2008-09 funds.
- Fiscal Year 2009-10: Fully fund Cohorts Three and Four and reduce Cohort Two by approximately 50 percent.

- Cohorts Three and Four could be fully funded if the grant for 2009-10 is the same as 2008-09 (Both cohorts would be funded with current year money).
- For 2009-10, if funding is similar to 2008-09, there would be a new carryover of approximately \$26.5 million.

CDE Reading First Recommendation					
	2007-08	2008-09	Reduction	2009-10	Reduction
Cohort 1	\$56,069,302	\$26,867,345	48%	\$0	100%
Cohort 2	\$48,179,271	(Funded from FY2007)	0%	\$24,089,636	50%
Cohort 3	\$18,259,725	\$18,259,725	0%	\$18,259,725	0%
Cohort 4	\$2,489,500	(Funded from FY2007)	0%	\$2,489,500	0%
Total	\$124,997,798	\$45,127,070		\$44,838,861	
Carryover		\$0		\$288,209	

Option 2: LAO Alternative Option (see attached). As was noted, funding for this program has decreased significantly and there is no assurance that the federal government will continue funding the program. An alternative option would be to allocate available funds such that each cohort can participate in the program for six years. The Legislature could also reduce funding for the state and regional technical assistance centers at the same rate as reduction in local assistance funding (\$3 million reduction in 2008-09). There is general agreement that this program was intended to be at most a six year grant program.

ISSUE 5: OPEN ISSUE - FEDERAL TITLE II FUNDS

The issues that the Subcommittee heard but held open were the Governor's proposed funding level; the April letter adjustments to the federal grant allocation and the options for available carryover funds.

BACKGROUND:

Governor's budget. The Governor's budget provides a total of \$322 million in federal Title II funds for 2008-09 for Local Assistance, State Operations and State Level Activities:

- **Local Assistance.** The Governor's budget provides \$311 million for 2008-09 to LEAs as part of the Improving Teacher Quality Grant. The purpose of the grant is to help districts improve teacher and principal quality and to ensure that all teachers are highly qualified.
- **State Level Activities.** The Governor's budget provides \$8.7 million for 2008-09 for state level activities. The federal government requires that states spend a certain amount of funds on state-level activities designed to provide technical assistance to school districts. Of the amount provided, \$1.6 million is provided for the Administrator Training Program; \$4.4 million is provided for the California Subject Matter Projects; \$945,000 is provided for Compliance Monitoring, Interventions and Sanctions (CMIS) and \$1.8 million is for CALTIDES.
- **State Operations.** The Governor's budget provides \$2.3 million for 2008-09 for administrative activities (state operations at CDE).

April letter adjustments. The Subcommittee heard and held open the following April letter request:

Item 6110-195-0890, Local Assistance, Title II Improving Teacher Quality Local Grants (Issues 086, 088, and 089)

It is requested that this item be ~~decreased~~ *increased* by \$4,059,000 federal Title II Improving Teacher Quality funds, which includes a decrease of \$23,000 to align the appropriation with available federal funds and an increase of \$4,082,000 to reflect the availability of one-time carryover funds. This program provides apportionments to LEAs for activities focused on preparing, training, and recruiting highly-qualified teachers.

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

X. Of the funds appropriated in Schedule (1), \$3,582,000 is provided in one-time carryover for Improving Teacher Quality Local Grants.

X. Of the funds appropriated in Schedule (3), \$500,000 is provided in one-time carryover for California Subject Matter Projects.

COMMENTS:

Options for Carryover. CDE has \$5.1 million in carryover for this program. The Committee may wish to consider using available carryover funds to support the following items:

- **Personnel Management Assistance Teams (PMAT).** As the Subcommittee heard at the April 29th hearing, California's plan for helping districts meet the Highly Qualified Teacher (HQT) requirements includes providing technical assistance to districts to ensure they meet the goals of NCLB. This includes ensuring equitable distribution of experienced teachers. SB 1209 (Scott), *Chapter 517, Statutes of 2006* established PMATs in six regional county offices of education. The 2006-07 budget act provided \$3 million for this purpose. The 2007-08 budget did not provide funding for PMATs.

The May Revise proposes reappropriate unexpended balances of several categorical programs and use the funds to, among other things, provide \$3 million in one-time general fund for the PMATs. CDE testified at an earlier hearing that the PMATs were also a candidate for Title II funds. The LAO does not recommend funding PMATs at all.

According to the LAO, research suggests teacher support and pay incentives matter most. Some research concludes that teacher recruitment isn't really the issue--the problem is teacher attrition. Thus, the LAO thinks that programs that are not directly focused either on teacher support (i.e. help for beginning or struggling teachers) or pay incentives (i.e. like APLE) should be much lower priorities, especially in this type of fiscal environment. In addition, over the last 10 years, the state has funded approximately 22 programs, roughly half have come and gone, and with no two consecutive years in which the same set of programs were funded. There have also been no evaluations focused on teacher recruitment.

- **LAO recommendations:**

- Currently the state receives \$2.8 million annually for state administration for Title II but spends only \$2.3 million on an ongoing basis, leaving about \$500,000 leftover annually. The LAO recommends using these funds to pay for Teacher Misassignment Monitoring (\$308,000, in the CTC budget) and to use approximately \$200,000 to fund 2 existing positions in CDE's Professional Development unit. This would provide \$500,000 in ongoing General Fund savings.
- CDE estimates approximately \$5.1 million in 2008-09 in available carryover funds. The LAO suggests using the funds to swap with an existing program for one-time savings. The funds could be used to replace Prop 98 funding for the Administrator Training Program (\$4.455 million, in item 6110-144-0001) or to replace General Fund dollars for the Subject Matter Projects within the UC budget (\$5 million, in item 6440-001-0001).

ISSUE 6: OPEN ISSUES - FEDERAL TITLE III FUNDS

The issues that the Subcommittee heard and held open are the Governor's proposed level of funding and options for available carryover funds for federal Title III funds.

BACKGROUND:

Governor's budget. The Governor's budget provides \$162.4 million in federal Title III funds for supplementary programs and services to English learners and eligible immigrant students. The purpose of the Title III program is to ensure that all English learners in California attain English proficiency, develop high levels of academic achievement in English, and meet the state academic standards. All school districts, county offices of education, direct-funded charter schools, juvenile hall court schools, and Division of Juvenile Justice institutions that report the enrollment of one or more English learners are eligible to participate in the Title III program. Participating local educational agencies are required to provide language education programs that specifically target eligible immigrant students and their families through the provision of supplementary programs and services.

COMMENTS:

Open Issues - Excess funds available. CDE has identified \$4.3 million (\$2.7 million in carryover and \$1.6 million ongoing) in funds dedicated to state administration. CDE has also identified a shortfall of \$884,000 in funds for state level activities. This leaves a total of **\$3.4 million** in undesignated federal funds that the state can use for either state level activities or state administration. The Subcommittee may wish to consider the following options for these funds:

- **Evaluation of Best Practices Pilot Program.** AB 2117 (Coto), *Chapter 561, Statutes of 2006* appropriated \$20 million for a multi-year research project to identify best practices for improving the academic achievement and English language development of English learners. The bill also appropriated \$1 million for an evaluation of the best practices pilot project. Last year the Governor vetoed half of the funds leaving \$500,000 for an evaluation. Legislative staff met with CDE staff who expressed concerns with the funding stating that they would have to limit the scope of the study. Unlike other studies where a standard form could be submitted to all pilot participants, this project includes varied program models and requires separate and distinct survey questions. The study also spans three years. Given that the state has invested \$20 million for this project, it is important that a comprehensive study of the pilot be fully funded.
- **Promoting the use of interpreters by school districts.** Last year the Governor vetoed \$50,000 in federal Title III one-time carryover funds for CDE to evaluate districts' use of interpreters when they communicate with non-English-speaking parents. He also vetoed language requiring CDE to a) report back on the different ways that districts communicate orally with non-English-speaking

parents, and b) identify the best ways for districts to communicate with non-English-speaking parents of K-12 public school students. The Subcommittee may wish to provide funds for this purpose again.

Open Issues - CDE intervention plan and coordination with Title I. Last year, CDE collaborated with the California Comprehensive Assistance Center at WestEd, and other partners to provide technical assistance to LEAs in Year 2 and Year 4 of not meeting one or more Annual Measurable Achievement Objectives (AMAOs). NCLB requires LEAs in Year 2 to develop and implement an addendum to their Title III LEA Improvement Plans. LEAs in Year 4 are required to develop and implement an additional "Action Plan" outlining how they will modify their curriculum, program and method of instruction for English learners. CDE also selected 11 county offices of education as regional leads to assist LEAs in Year 4 with developing and implementing these plans. These "action plans" were required to be submitted to CDE in February. If the plans were not submitted on time, Title III funds were withheld. The year 4 action plans are evaluated by one of the COE leads using an online evaluation and from the evaluation a report will be submitted to the State Board of Education.

CDE used \$1.8 million in Title III state activities funds from 2007-08 to begin this intervention. The Legislature did not explicitly designate a particular amount of funding for these activities and was not involved in the design or approval of this specific intervention approach. Unless the Legislature designates a different use for these funds and/or directs CDE to pursue a different intervention plan, CDE indicates they plan to use an additional \$1.8 million of Title III state activities funds to continue the interventions. The Subcommittee may wish to consider using this funding as part of a comprehensive program improvement package.

ISSUE 7: OPEN ISSUES - FEDERAL SPECIAL EDUCATION FUNDS

The issue that the Subcommittee heard and held open was the federal Special Education carryover funds.

BACKGROUND:

Federal Carryover. CDE has identified a total of \$11.4 million in undesignated federal Special Education funding. \$9.5 million (\$5.6 million one-time carryover) is from money dedicated to state administration (CDE positions). \$1.9 million in one-time federal funds is from state level activities. Money for state administration and state level activities can be interchanged or they can be shifted to local assistance. If the state does not dedicate a purpose for these carryover dollars they run the risk of being reverted back to the federal government.

COMMENTS:

The following are some options for the Subcommittee to consider as they decide how to allocate these available funds.

- **Backfill the Governor's reduction to State Special Schools.** The Governor's budget proposes a \$9.2 million General Fund (\$5.1 million Proposition 98) reduction for the State Special Schools. The LAO recommends the Subcommittee accept the Governor's reductions and then provide \$8.9 in federal Special Education funds to support the State Special Schools. They propose the remainder of the BBR, which is for transportation costs, be funded with Public Transportation Account (PTA) funds. The CDE has identified these funds as an authorized use for this purpose given that the mission of the schools and the student population that they serve are aligned with the permitted uses of special education funds.
- **Assessment for pupils with disabilities.** Provide approximately \$1.8 million to CDE to develop and implement a standardized evidence-based assessment for eligible pupils with disabilities. This would allow pupils with disabilities to demonstrate competence equivalent to the high school exit exam (CAHSEE). Costs would include: convening a panel to make recommendations to the State Board of Education, promulgating regulations, developing the assessment, and training for school staff on implementation of the assessment.

- **Autism clearinghouse.** Provide \$500,000 to CDE for the purpose of establishing a clearinghouse of evidence-based practices to address the needs of pupils with autism, pursuant to the recommendations of the Superintendent's Autism Advisory Committee. AB (2513), *Chapter 783, Statutes of 2006*, required the Superintendent of Public Instruction (SPI) to convene a statewide autism advisory committee to make recommendations identifying the means by which public and nonpublic schools could better serve pupils with autism and their parents. The advisory committee developed the recommendations and in November, 2007, the SPI issued the report, "A Call for Action: Improved Services for Children with Autism Spectrum Disorders [ASD]." One of the recommendations in the report calls for the development of a statewide, education-focused interagency clearinghouse to provide information on ASD related, evidence-based educational interventions, strategies, and other resources to a range of audiences.

ISSUE 8: APRIL LETTER – TITLE V INNOVATIVE PROGRAMS

The issue for the Subcommittee to consider is the elimination of funds for the Innovative Programs under Title V and the availability of one-time carryover from this program.

BACKGROUND:

Innovative Programs funded through federal Title V funds, is a federal categorical program designed to increase student academic achievement and support local educational reform consistent with statewide efforts. Some local activities supported by Title V include library services, instructional and media materials, staff development, and programs that meet the academic needs of students who are behind in achieving state content standards. A substantial portion of this funding was also used to fund CDE State Operations.

The federal government eliminated funding for this program however there is \$6 million available in one-time carryover. The April letter request below aligns the appropriation with the available federal funds.

Item 6110-123-0890, Local Assistance, Title V Innovative Programs (Issues 568 and 570)

It is requested that this item be decreased by \$4,870,000 federal Title V funds, which includes a decrease of \$10,870,000 to align the appropriation with available federal funds and an increase of \$6.0 million to reflect the availability of one-time carryover funds. Innovative Programs grant funds are provided to districts to develop and implement innovative educational programs intended to improve school, student, and teacher performance. Beginning in federal fiscal year 2008, the federal government eliminated funding for the Innovative Programs.

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

X. The funds appropriated in this item are one-time carryover funds to support the existing program.

ISSUE 9: OPEN ISSUES – MAY REVISE - DATA SYSTEMS PROPOSALS

The issues for the Subcommittee to consider are the several augmentations for data systems proposed in the May Revision.

BACKGROUND:

Governor's Budget - California Longitudinal Pupil Achievement Data System (CALPADS). The Governor's budget provides \$10.9 million from various funds to continue development and administration of CALPADS in 2009-09. Of this amount \$3.2 million is General Fund (non-98), \$5.3 million is from the Education Telecommunications Fund, and \$2.4 million is from federal Title VI funds. The Subcommittee took action at a prior hearing, per the LAO recommendation, to replace the \$3.2 million GF with Title VI funds.

Governor's Budget Proposal for CALTIDES. The Governor's budget also provides \$248,000 in federal Title II funds to extend 2.5 positions through June 30, 2009 to support third year costs associated with CALTIDES and \$150,000 for temporary help to convert microfilm data on lifetime credential holders to electronic media.

Open Issues - May Revision Proposals. The open issues for the Subcommittee to consider are as follows:

1) 6110-101-0349, Local Assistance, California School Information Services (Issue 428)

It is requested that \$1,114,000 Educational Telecommunications Fund be provided to the California School Information Services program to support workload associated with the development of the California Longitudinal Pupil Achievement Data System. This funding would be used to support 7.0 local positions to provide subject matter expertise relating to the design, development, testing, and implementation of the data system.

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

X. Of the funds appropriated in this item, \$1,114,000 is provided for the California School Information Services program on a one-time basis to provide subject matter expertise relating to the design, development, testing, and implementation of the California Longitudinal Pupil Achievement Data System.

2) 6110-488, Reappropriation (Issue 429) - Provides \$7.9 million in one-time Proposition 98 funds for the Fiscal Crisis and Management Assistance Team to cover the costs of administering the CSIS Best Practices Cohort. Specifically, the May Revise letter requests the following language:

1. The sum of \$7,900,000 is hereby reappropriated to the State Department of Education for transfer by the Controller to Section A of the State School Fund for allocation by the Superintendent for the purpose of funding the Fiscal Crisis and Management Assistance Team costs associated with the administration of the California School Information Services Best Practices Cohort. The amount reappropriated pursuant to this section is for one-time use in the 2008-09 fiscal year beginning July 1, 2008, and ending on June 30, 2009.
- 3) 6110-181-0001, Local Assistance, Education Technology (Issue 426).** It is requested that this item be increased by \$1,142,000 Proposition 98 General Fund to enable the California Technology Assistance Project (CTAP) to train regional trainers on system implementation, as well as ensure coordination with the State Department of Education, California School Information Services, and the contractor approved for developing the California Longitudinal Pupil Achievement Data System. Funding for growth is included in Issue 470.

It is further requested that provisional language be added to conform to this action:

X. The California Technology Assistance Project shall coordinate with the State Department of Education, California School Information Services, and approved contractor for developing the California Longitudinal Pupil Achievement Data System, and provide training to regional trainers on system implementation.

LAO alternative. The LAO proposes the following alternative to the Governor’s budget proposal:

Subject	Governor's Proposal: Funding	LAO Alternative: Funding	Comments
New System Development			
CALPADS development	\$10.9 million total funding (\$3.2 million General Fund, \$5.3 million Education Telecommunications Fund, and the rest in federal funds)	\$11.5 million total funding (\$5.3 million Education Telecommunications Fund and the rest federal funds)	The Subcommittee took action to fund \$10.9 million of the total CALPADS costs with Federal Funds per the LAO recommendation. The Subcommittee would need to take conforming actions and provide an additional \$600,000 to approve the LAO recommendation.
CSIS involvement in CALPADS development	Additional \$1.1 million (Education Telecommunications Fund)	No additional funding. Provision allowing \$1.1 million of the federal funds appropriated for above CALPADS development item to be used for CSIS involvement.	
TOTAL FUNDING FOR CALPADS DEVELOPMENT	\$12 million (\$3.2 million General Fund, \$6.4 million Education Telecommunications Fund, and the rest federal funds)	\$11.5 million (all federal funds)	
CALTIDES development	\$1.8 million (federal Title II funds)	\$1.2 million (federal Title II funds)	LAO alternative based on CDE cost estimate.
Pre-CALPADS Preparation			
CSIS Best Practices Cohort (CSIS Lite)	\$7.9 million (one-time General Fund)	\$7.8 million (federal Title I funds)	LAO alternative uses federal funds instead of General Fund.
CTAP training for CALPADS	\$1.1 million (ongoing General Fund)	We are working on an alternative data quality and training package. Recommend rejecting this proposal.	LAO alternative will use federal Title I funds instead of General Fund.

ISSUE 10: MAY REVISE LETTER - COUNTY OFFICE OF EDUCATION (COE) FOR WILLIAMS AUDITS

The issue for the Subcommittee to consider is the May Revise request to allow COEs to use part of the funds provided for Williams Audits to also monitor school compliance with the Valenzuela settlement agreement.

BACKGROUND:

The Governor's Budget provides \$8.9 million to COEs for the purposes of conducting audits for school district compliance with the Williams Settlement. This is \$1.089 million less than was provided in 2007-08.

As part of the Williams Settlement Agreement, COEs conduct site visits at schools in deciles 1 through 3 to review, monitor, and report on teacher certification and assignment, the condition of facilities, and whether students are being provided core instructional materials.

Pursuant to the Valenzuela settlement, COEs have recently been tasked to determine whether students are notified of the opportunity to enroll for two additional years of high school if they have yet to pass the High School Exit Exam.

The Governor proposes in his May Revise that COEs use \$1.5 million of the money provided for Williams Audits to monitor compliance with the Valenzuela settlement. According to the letter, funding was initially provided for Valenzuela in 2007-08 however in future years funds were contingent upon an appropriation in the Budget Act. Rather than provide additional funding, the Administration proposes COEs use Williams Audit funding for this purpose.

6110-266-0001, County Offices of Education for Williams Audits (Issue 737)

It is requested that provisional language be added to this item specifying that County Offices of Education (COEs) may use up to \$1.5 million General Fund for monitoring school compliance with the Valenzuela settlement agreement. Specifically, the Valenzuela settlement (codified in Chapter 526, Statutes of 2007 (AB 347), provides intensive instruction services for two additional years after completion of grade 12 for students who have failed to pass the California High School Exit Exam, required LEAs to notify students of their eligibility for these services, and required COEs to monitor LEA notification efforts. Further, that legislation authorized COEs to use \$1.5 million of Williams Audits funding to perform notification monitoring in 2007-08 and specified that funding in future years was dependent on Budget Act appropriations. The proposed provisional language would continue the funding arrangement initiated by the statute.

It is requested that provisional language be amended as follows:

“1. Funds appropriated in this item are for allocation to county offices of education for the purposes of site visits pursuant to Sections 1240 and 52056 of the Education Code and for verification of the completion of Emergency Repair Program projects. Up to \$1,500,000 may be used to provide funding to county offices of education for the oversight activities required pursuant to subparagraph (E) of paragraph (2) of subdivision (c) of Education Code Section 1240.”

ISSUE 11: OPEN ISSUE - COLA: PROPOSED CHANGE TO INDEX

The Subcommittee heard and held open the Governor's proposed change to the COLA index and the LAO alternative COLA proposal.

BACKGROUND:

Both the LAO and Administration have concerns with existing COLA index. Both the Administration and the LAO have concerns with the existing index used to calculate the K-12 COLA because it is heavily influenced by cost increases in areas that do not significantly affect schools.

Governor's Proposal. In an effort to better align the COLA with the cost pressures schools actually face, the Governor proposes to change the index used to calculate the K-12 COLA from the GDPSL to a modified version of the CA CPI-W. The proposed change would take effect beginning in the budget year. The proposed change would lower the rate from 5.43 % (GDPSL) to 4.40 % (CA CPI-W).

LAO Recommendation. The LAO argues that because the CA CPI-W focuses exclusively on consumer costs, it may be influenced by cost increases that have no bearing on schools' operational expenses.

Because the state is providing K-12 COLA funding to schools and colleges—the employers—and not directly to the employees, they believe the GDPSL is a more appropriate inflationary measure than the Administration's proposal. However, the overall GDPSL index does not accurately reflect cost increases schools actually face. Therefore, the LAO recommends that instead of using the total GDPSL, the state use the employee compensation component of the index. According to the LAO, this would account for inflationary changes in employer costs for both salaries and benefits and this approach also results in greater simplicity and transparency, making it easier for all parties to understand.

COMMENTS

COLA change and the effect on the budget year and out-years. The LAO contends that this may be the best year for a change to the COLA index since K-12 education programs may not receive a COLA in 2008-09. (Neither the Governor's proposed budget nor the LAO alternative includes COLAs.) However, the change in 2008-09 could have a fiscal effect on future K-12 revenue limits if the Legislature chooses to create a "deficit factor."

When COLA is not provided, the state has the option of providing a deficit factor. This allows the state to keep track of the level of revenue limit funding that would be needed in subsequent years if the earlier reduction had not occurred. As a result, the state achieves short-term savings but revenue limits are not affected into perpetuity. Instead, the state provides more than otherwise required for revenue limits when times are better.