

AGENDA**ASSEMBLY BUDGET SUBCOMMITTEE NO. 2
ON EDUCATION FINANCE****ASSEMBLYMEMBER AL MURATSUCHI, CHAIR****TUESDAY, APRIL 29, 2014****9 A.M. - STATE CAPITOL ROOM 444**

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VOTE ONLY CALENDAR

**6360 COMMISSION ON TEACHER CREDENTIALING
6110 DEPARTMENT OF EDUCATION**

ISSUE 1: DOF APRIL LETTERS – VARIOUS ADJUSTMENTS

The Governor proposes the following adjustments to budget items for the Commission on Teacher Credentialing and Department of Education for the 2014-15 Fiscal Year. These adjustments are described in the Department of Finance (DOF) April Letters and are considered technical adjustments, mostly to update federal budget appropriation levels or reimbursements to match the latest estimates and utilize funds consistent with current programs and policies.

6360	Commission on Teacher Credentialing
	Reimbursement Adjustment
1	<p>Amendment to Budget Bill Item 6360-001-0407 and Reimbursements, Support, Commission on Teacher Credentialing</p> <p>It is requested that Item 6360-001-0407 be amended by increasing reimbursements by \$175,000 to reflect funding provided by the University of Florida to convene field experts for the development of dual credential program models.</p> <p>The Commission on Teacher Credentialing (Commission) has been awarded a \$200,000 grant from the University of Florida to convene field experts to develop a dual credential program that will allow educators to earn special education and general education credentials concurrently. The Commission plans to begin this work in fiscal year 2013-14, as described in a Section 28 Letter submitted by the Department of Finance to the Legislature on March 7, 2014. The request does not require additional state funds or Teacher Credentials Fund.</p> <p>It is further requested that a new schedule and provisional language be added as follows to conform to this action:</p> <p>(6) Reimbursements -\$175,000</p> <p>X. Of the funds appropriated in Schedule (1), \$175,000 is one-time reimbursement funding for convening field experts to develop a dual credential program model that will allow educators to earn a special education and general education credential concurrently.</p>
6110	Department of Education
	Federal Funds Adjustments
2	<p>Items 6110-001-0001 and 6110-001-0890, State Operations (Issues 002 and 275)</p> <p>Public Charter Schools Grant Program (PCSGP) (Issue 002)—It is requested that Item 6110-001-0890 be increased by \$537,000 Federal Trust Fund and that Item 6110-001-0001 be amended to reflect the availability of one-time carryover funds for the PCSGP. The PCSGP provides competitive grant awards of up to \$575,000 to newly approved charter schools for planning and initial implementation. As part of the 2010 federal grant application, the State Department of Education (SDE) agreed to increase</p>

	<p>charter school technical assistance. These activities were previously funded by the 2011, 2012, and 2013 Budget Acts. However, due to concerns stemming from a reduction in the federal grant award and a change in the SDE contracting process, the SDE was unable to enter into contracts and fulfill its commitments. In September 2013, the SDE submitted a request to the United States Department of Education to amend the approved technical assistance component of California’s 2010 grant application. This request will allow the SDE to fulfill its required activities from the 2010 federal grant application within available resources.</p> <p>It is further requested that provisional language be added to Item 6110-001-0890 as follows to conform to this action:</p> <p>X. Of the funds appropriated in this item, \$537,000 is available on a one-time basis for the State Department of Education to contract for the development of charter school technical assistance contracts.</p>
<p>3</p>	<p>Item 6110-161-0890, Local Assistance, Amend Provisional Language for Special Education Compliance Monitoring (Issue 773)—It is requested that Provision 4 of this item be amended as follows to reflect current federal terminology. With the reauthorization of the federal Individuals with Disabilities Education Act and the development of the State Performance Plan and Annual Performance Report indicators, reference to “key performance indicators” is obsolete.</p> <p>“4. Of the funds appropriated in this item, \$1,420,000 is available for local assistance grants to monitor local educational agency compliance with state and federal laws and regulations governing special education. This funding level is to be used to continue the facilitated reviews and, to the extent consistent with key performance indicators <u>State Performance Plan/Annual Performance Report indicators</u> developed by the State Department of Education, these activities shall focus on local educational agencies identified by the United States Department of Education’s Office of Special Education Programs.”</p>
<p>4</p>	<p>Item 6110-112-0890, Local Assistance, Public Charter Schools Grant Program (PCSGP) (Issue 003)—It is requested that this item be increased by \$90,000 Federal Trust Fund to align to the available federal grant award. The PCSGP awards planning and implementation grants up to \$575,000 to new charter schools, as well as grants to disseminate charter school best practices.</p>
<p>5</p>	<p>Item 6110-113-0890, Local Assistance, Student Assessment Program (Issues 549, 554, and 555)—It is requested that Schedule (5) of this item be increased by \$889,000 federal Title VI funds to align to the available federal grant award. Federal funds for state assessments are provided for costs associated with the development and administration of the California Assessment of Student Performance and Progress, the English Language Development Test, and the California High School Exit Exam.</p> <p>It is also requested that provisional language be amended as follows to clarify contingency language that makes funding available for the California Assessment of Student Performance and Progress upon Department of Finance (Finance) review of supporting contract material.</p> <p>“1. The funds appropriated in Schedule (5) are provided for contract costs for the implementation of the California student assessment system established pursuant to Chapter 489 of the Statutes of 2013, as approved by the State Board of Education, and are contingent upon Department of Finance review of supporting contract material submitted by the State Department of Education <u>the related contract, during contract negotiations, prior to its execution.</u>”</p> <p>It is also requested that an amendment to provisional language be made as follows to eliminate unnecessary redundancies in Budget Bill language as Provision 8 within the item provides authority for contract savings from the California English Language Development</p>

	<p>Test to be used to develop the new English Language Proficiency Assessments for California. This amendment also better reflects the intended use of funds allocated in this schedule.</p> <p>"2. The funds appropriated in Schedule (2) shall be available for approved contract costs for administration of the California English Language Development Test, and the development of and transition to the English Language Proficiency Assessments for California, consistent with the requirements of Chapter 7 (commencing with Section 60810) of Part 33 of Division 4 of Title 2 of the Education Code and Provision 3 of Item 6110-113-0004."</p>
6	<p>Item 6110-119-0890, Local Assistance, Neglected and Delinquent Children Program (Issue 279)—It is requested that this item be decreased by \$234,000 federal Title I funds to align to the available federal grant award. The Neglected and Delinquent Children Program provides supplemental instruction, including math and literacy activities, to children and youth in state institutions for juveniles and in adult correctional institutions to ensure that these youth make successful transitions to school or employment.</p>
7	<p>Item 6110-125-0890, Local Assistance, Migrant Education Program and English Language Acquisition Program (Issues 280, 281, and 282)—It is requested that Schedule (1) of this item be decreased by \$1,954,000 federal Title I funds for the Migrant Education Program to reflect a \$6,254,000 reduction to the available federal grant award and the availability of \$4.3 million in one-time carryover funds. The Program provides educational support services to meet the needs of highly-mobile children.</p> <p>It is further requested that provisional language be added as follows to conform to this action:</p> <p>X. Of the funds appropriated in Schedule (1), \$4,300,000 is provided in one-time federal Title I carryover funds to support the existing program.</p> <p>It is also requested that Schedule (2) of this item be increased by \$43,000 federal Title I funds for Migrant Education Program—State Level Activities to align to the available federal grant award. The state level activities of the Migrant Education Program includes funding to maintain statewide contracts for the Migrant Eligibility Database, migrant program assessment, college preparation, distance learning, data support, and tutoring programs.</p> <p>It is also requested that Schedule (3) of this item be decreased by \$10,559,000 federal Title III funds for the English Language Acquisition Program to align to the available federal grant award. This program provides services to help students attain English proficiency and meet grade level academic standards.</p>
8	<p>Item 6110-134-0890, Local Assistance, Basic Elementary and Secondary Education Act Program (Issue 548)—It is requested that Schedule (4) of this item be increased by \$37,963,000 federal Title I funds for the Title I Basic Elementary and Secondary Education Act to reflect an increase to the federal grant award. Local educational agencies (LEAs) use these funds to support services that assist low-achieving students enrolled in the highest poverty schools.</p>
9	<p>Item 6110-134-0890, Local Assistance, School Improvement Grant Program (Issue 550)—It is requested that Schedule (3) of this item be increased by \$73,743,000 federal Title I funds to reflect the availability of \$80,560,000 in one-time carryover funds and a \$6,817,000 reduction to the available federal grant award. The SDE awards school improvement grants to LEAs with the persistently lowest-achieving Title I schools to implement evidence-based strategies for improving student achievement.</p> <p>It is further requested that provisional language be added as follows to conform to this action:</p>

	<p>X. Of the funds appropriated in Schedule (3), \$80,560,000 is provided in one-time carryover funds to support the existing program.</p>
10	<p>Item 6110-136-0890, Local Assistance, McKinney-Vento Homeless Children Education Program (Issue 283)—It is requested that Schedule (1) of this item be increased by \$164,000 federal Title I funds to align to the available federal grant award. The McKinney-Vento Homeless Children Education Program provides a liaison to ensure homeless students have access to education, support services, and transportation.</p>
11	<p>Item 6110-137-0890, Local Assistance, Rural and Low-Income School Program (Issue 284)—It is requested that this item be decreased by \$90,000 federal Title VI funds to reflect a \$123,000 reduction to the available federal grant award and the availability of \$33,000 in one-time carryover funds. The Rural and Low-Income School program provides financial assistance to rural districts to help them meet federal accountability requirements and to conduct activities of the federal Elementary and Secondary Education Act program.</p> <p>It is further requested that provisional language be added as follows to conform to this action:</p> <p>X. Of the funds appropriated in this item, \$33,000 is provided in one-time federal Title VI carryover funds to support the existing program.</p>
12	<p>Item 6110-156-0890, Local Assistance, Adult Education Program (Issue 362)—It is requested that this item be increased by \$7,677,000 federal Title II funds to reflect the availability of \$10.5 million in one-time carryover funds and a \$2,823,000 reduction to the available federal grant award. The Adult Education Program supports the Adult Basic Education, English as a Second Language, and Adult Secondary Education programs.</p> <p>It is further requested that provisional language be added as follows to conform to this action:</p> <p>X. Of the funds appropriated in this item, \$10,500,000 is provided in one-time carryover funds to support the existing program.</p>
13	<p>Item 6110-161-0890, Local Assistance, Special Education (Issues 124, 125, and 126)—It is requested that Schedule (1) of this item be decreased by \$5,907,000 to reflect a \$10,795,000 reduction to the available Individuals with Disabilities Education Act (IDEA) grant awards and the availability of \$4,888,000 in one-time IDEA federal carryover funds.</p> <p>It is also requested that Schedule (3) of this item be decreased by \$1,563,000 to reflect a \$1,763,000 reduction to available IDEA preschool grant awards and the availability of \$200,000 in one-time federal IDEA carryover funds. The Administration proposes to allocate the carryover funds as local assistance grants to mitigate the impact of the federal sequester reduction in 2013-14.</p> <p>It is also requested that Provision 6 of this item be amended to reference Schedule (2), instead of Schedule (4). This is a technical correction to reflect a change in the scheduling of the item.</p> <p>It is further requested that provisional language be amended and added as follows to conform to these actions:</p> <p>“6. Of the funds appropriated in Schedule (4)(2), \$69,000,000 shall be available only for the purpose of providing educationally related mental health services, including out-of-home residential services for emotionally disturbed pupils, required by an individualized education program pursuant to the federal Individuals with Disabilities Education Act (20 U.S.C. Sec. 1400 et seq.) and as described in Section 56363 of the Education Code. The</p>

	<p>Superintendent of Public Instruction shall allocate these funds to special education local plan areas in the 2014–15 fiscal year based upon an equal rate per pupil using the methodology specified in Section 56836.07 of the Education Code.”</p> <p>X. Of the funds appropriated in Schedule (1), \$4,888,000 in one-time federal Individuals with Disabilities Education Act (20 U.S.C. Sec. 1400 et seq.) carryover funds shall be available to support the existing program and to mitigate the impact of the 2013-14 federal sequester reduction to grants for local educational agencies.</p> <p>X. Of the funds appropriated in Schedule (3), \$200,000 in one-time federal Individuals with Disabilities Education Act (20 U.S.C. Sec. 1400 et seq.) carryover funds shall be available to support the existing program and to mitigate the impact of the 2013-14 federal sequester reduction to the Preschool Grant Program.</p>
<p>14</p>	<p>Item 6110-166-0890, Local Assistance, Vocational Education Program (Issue 363)—It is requested that this item be increased by \$5,736,000 federal Title I funds to reflect the availability of \$6,298,000 in one-time carryover funds and a \$562,000 reduction to the available federal grant award. The Vocational Education Program develops the academic, vocational, and technical skill of students in high school, community colleges, and regional occupational centers and programs.</p> <p>It is further requested that provisional language be added as follows to conform to this action:</p> <p>X. Of the funds appropriated in this item, \$6,298,000 is provided in one-time carryover funds to support the existing program.</p>
<p>15</p>	<p>Item 6110-183-0890, Local Assistance, Safe and Drug Free Schools Program (Issue 607)—It is requested that this item be decreased by \$8,434,000 Federal Trust Fund to reflect a \$9,088,000 reduction to the available federal grant award and the availability of \$654,000 in one-time carryover funds. The Safe and Supportive Schools program supports statewide measurement of school climate and helps participating high schools improve conditions such as school safety, bullying, and substance abuse.</p> <p>It is further requested that provisional language be added as follows to conform to this action:</p> <p>X. Of the funds appropriated in this item, \$654,000 is provided in one-time carryover funds to support the existing program.</p>
<p>16</p>	<p>Item 6110-193-0890, Local Assistance, Mathematics and Science Partnership Program (Issue 364)—It is requested that this item be increased by \$507,000 federal Title II funds to align to the available federal grant award. The Mathematics and Science Partnership Program provides competitive grants to partnerships of low-performing schools and institutions of higher education to provide staff development and curriculum support to mathematics and science teachers.</p>
<p>17</p>	<p>Item 6110-197-0890, Local Assistance, 21st Century Community Learning Centers Program (Issue 847)—It is requested that Schedule (1) of this item be increased by \$36,629,000 Federal Trust Fund to reflect the availability of \$35,878,000 in one-time carryover funds and a \$751,000 increase to the available federal grant award. The 21st Century Community Learning Centers Program provides communities funding to establish or expand before and after school programs that provide disadvantaged K-12 students with academic enrichment opportunities and supportive services.</p> <p>It is further requested that provisional language be added as follows to conform to this action:</p>

	X. Of the funds appropriated in this item, \$35,878,000 is provided in one-time carryover funds to support the existing program.
18	<p>Item 6110-201-0890, Local Assistance, National School Lunch Program Equipment Grants (Issue 603)—It is requested that this item be increased by \$3,051,000 Federal Trust Fund to reflect one-time funding for National School Lunch Program equipment assistance grants. Qualifying LEAs receiving funding can purchase equipment needed to serve healthier meals, meet nutritional standards, and improve food safety.</p> <p>It is further requested that provisional language be added as follows to conform to this action:</p> <p>X. Of the amount appropriated in Schedule (1), \$3,051,000 is provided on a one-time basis for National School Lunch Program equipment assistance grants.</p>
19	<p>Item 6110-240-0890, Local Assistance, Advanced Placement (AP) Fee Waiver Program (Issue 285)—It is requested that this item be increased by \$833,000 to reflect the availability of \$612,000 in one-time carryover funds and a \$221,000 increase to the available federal grant award. The AP Fee Waiver program reimburses school districts for specified costs of AP, International Baccalaureate, and Cambridge test fees paid on behalf of eligible students. These programs allow students to pursue college-level course work while still in secondary school.</p> <p>It is further requested that provisional language be added as follows to conform to this action:</p> <p>X. Of the funds appropriated in this item, \$612,000 is provided in one-time carryover funds to support the existing program.</p>
	General Fund and Other Adjustments
20	Item 6110-001-0001, Support, Align Funding for Charter School Appeal Reviews Position (Issue 001) —It is requested that Schedule (2) of this item be increased by \$15,000 General Fund to align funding for a charter school appeal reviews position with estimated position costs.
21	Item 6110-001-0001, Support, Shift State Operations Funding Between Schedules (Issue 278) —It is requested that Schedule (2) of Item 6110-001-0001 be decreased by \$825,000 and that Schedule (3) of Item 6110-001-0001 be increased by \$825,000 to accurately reflect program funding. This technical adjustment would correct an error that resulted from removing current year one-time funding from the incorrect schedule/program when preparing the Governor's Budget. This adjustment would have no effect on the total amount budgeted in the item.
22	<p>Item 6110-113-0001, Local Assistance, Student Assessment Program (Issues 551 and 553)—It is requested that provisional language be amended as follows to remove unnecessary provisional language that is repeated in statute and to make conforming changes by referencing the Standardized Testing and Reporting Program when the California Assessment of Student Performance and Progress is referenced, which allows approved apportionment costs to be paid in prior fiscal years.</p> <p>“6. It is the intent of the Legislature that the State Department of Education (SDE) develop a plan to streamline existing programs to eliminate duplicative tests and minimize the instructional time lost to test administration. The SDE shall ensure that all statewide tests meet industry standards for validity and reliability.”</p> <p>“10. The funds appropriated in Schedule (8) shall be used to pay approved apportionment</p>

	<p>costs from the 2013–14 and prior fiscal years for the California English Language Development Test, the California High School Exit Examination, <u>the Standardized Testing and Reporting (STAR) Program</u>, and the California student assessment system established pursuant to Chapter 489 of the Statutes of 2013.”</p> <p>It is further requested that provisional language be amended as follows to clarify contingency language that makes funding available for the California Assessment of Student Performance and Progress upon Finance review of supporting contract material.</p> <p>“2. The funds appropriated in Schedules (5), (6), and (7) are provided for contract costs for the implementation of the California student assessment system established pursuant to Chapter 489 of the Statutes of 2013, as approved by the State Board of Education, and are contingent upon Department of Finance review of supporting contract material submitted by the State Department of Education <u>the related contract, during contract negotiations, prior to its execution.</u>”</p> <p>It is further requested that provisional language be amended as follows to clarify contingency language that makes funding available for the English Language Proficiency Assessments for California upon Finance review of supporting contract material and to better reflect the intended use of funds allocated in this schedule.</p> <p>“3. The funds appropriated in Schedule (3) shall be available for approved contract costs for administration of the California English Language Development Test (CELDT) meeting the requirements of Chapter 7 (commencing with Section 60810) of Part 33 of Division 4 of Title 2 of the Education Code. These funds shall also be available for the development of and transition to the English Language Proficiency Assessments for California which include initial identification and annual assessments aligned to the state English language development standards in accordance with Chapter 478 of the Statutes of 2013, and are contingent upon the <u>Department of Finance review of supporting contract material submitted by the State Department of Education.</u> <u>submittal of the related contract by the State Department of Education to the Department of Finance. Ongoing funding for the English Language Proficiency Assessments for California shall be contingent upon an appropriation in the annual Budget Act.</u> Incentive funding of \$5 per pupil is provided in Schedule (8) for district apportionments for the CELDT. As a condition of receiving these funds, school districts must agree to provide information determined to be necessary to comply with the data collection and reporting requirements of the federal No Child Left Behind Act of 2001 (P.L. 107-110) regarding English language learners by the State Department of Education.”</p>
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STAFF COMMENTS:

No concerns have been raised with any of the proposed actions in this issue. Staff recommends approving these items with the suggested changes, as noted.

ITEMS TO BE HEARD**6360 COMMISSION ON TEACHER CREDENTIALING****ISSUE 1: COMMISSION ON TEACHER CREDENTIALING: GOVERNOR'S 2014-15 BUDGET PROPOSALS**

The issues for the Subcommittee to consider include:

- The overall 2014-15 proposed budget for the Commission on Teacher Credentialing (CTC).
- The Governor's trailer bill language to allow the CTC to charge fees to review existing education preparation programs for accreditation. The Governor's Budget assumes an increase of \$650,000 with this new fee authority.
- The Governor's trailer bill language to allow for the State Controller to transfer funds from the Test Development and Administration Account to the Teacher Credentials Fund when funds in the Teacher Credentials Fund are insufficient to meet the CTC's immediate funding needs.

PANELISTS:

- Dr. Mary Sandy, Executive Director, Commission on Teacher Credentialing
- Kim Leahy, Department of Finance
- Jameel Naqvi, Legislative Analyst's Office

BACKGROUND

The Commission on Teacher Credentialing (CTC) was created in 1970 in order to establish and maintain high standards for the preparation and licensing of public school teachers and administrators. The CTC consists of nineteen members, fifteen voting members and four ex-officio, non-voting members. The Governor appoints fourteen voting Commissioners and the State Superintendent of Public Instruction or a designee serves as the fifteenth voting member. The ex-officio members are selected by each of the higher education segments.

The CTC's mission is to inspire, educate and protect the students of California. The CTC has three primary functions: issuing teacher credentials, accrediting teacher preparation programs and conducting disciplinary reviews of credential holders. The CTC issues credentials, permits and waivers to classroom teachers, student service specialists, school administrators, and child care professionals. The CTC also adopts standards and performs accreditation reviews of teacher preparation programs, including public and private institutions of higher education and local educational agencies (LEAs) in California. In addition, the CTC is required to review and take action on misconduct cases involving credential holders and has the authority to suspend and revoke credentials.

State Operations

The CTC has a total annual budget of about \$20 million, including 152 authorized positions. The CTC's state operations are almost entirely funded through two special funds – the Teacher Credentials Fund and the Test Development and Administration Account.

As shown in the table below, the majority of the CTC's revenue is generated by teacher credential fees, which funds the Teacher Credentials Fund. Revenue is also generated through educator exam fees, which funds the Test Development and Administration Account, and a small amount of revenue is generated by reimbursements from the Department of Education.

Fund Source	2012-13 Actual	2013-14 Projected	2014-15 Proposed	BY to CY Change	% Change
General Fund, Proposition 98	\$26,191	\$0*	\$0*	\$0	0%
Teacher Credentials Fund	13,806	15,271	15,919	648	4
Test Development and Administration Account	4,069	4,226	4,218	(8)	(0)
Reimbursements	308	308	308	\$0	0
Total Expenditures (All Funds)	\$44,374	\$19,805	\$20,445	\$640	3%
* Funding consolidated into the Local Control Funding Formula					

Teacher Credentials Fund (Credential Fees)

The Teacher Credentials Fund is generated by fees for issuance, of new and renewed credentials and other documents. Current law requires, as a part of the annual budget review process, the DOF to recommend to the Legislature an appropriate credential fee sufficient to generate revenues necessary to support the operating budget of the Commission plus a prudent reserve of not more than 10 percent.

In 2012-13 the CTC increased the credential fee from \$55 to \$70 due to fund instability primarily due to a decrease in credential applications. The \$70 fee is the maximum fee authorized in statute. The fee remained \$70 for 2013-14, and there is no proposal to change the fee for 2014-15.

Test Development and Administration Account (Exam Fees)

The Test Development Administration Account is generated by various fees for exams administered by the CTC such as the California Basic Educational Skills Test (CBEST), the Reading Instruction Competence Assessment (RICA), and the California Subject Examination for Teachers (CSET), the California Teachers of English Learners (CTEL), and the California Preliminary Administrative Credential Examination (CPACE).

The CTC has the authority to review and approve the examination fee structure to ensure that the examination program is self-supporting. To determine fees for these testing programs, the CTC staff projects the number of exams, based upon their most recent figures, and compares these figures with projected examination program costs. In recent years, the number of examinations being administered has declined, resulting in fees being increased. As part of the 2012-13 budget, the CTC reviewed and approved additional fee increases for all of its major exams, resulting in \$500,000 in new revenues for the Test Development and Administration Account in 2012-13. No exam fee adjustments were made in 2013-14, and no adjustments are planned for 2014-15.

Recent Budget Shortfalls

Recent data shows that enrollment in teacher preparation programs and the number of credentials being issued has declined in recent years, negatively impacting the CTC's operating budget. According to the CTC's most recent report to the Legislature, teacher preparation enrollment declined by 20.7 percent between 2010-11 and 2011-12. As shown in the table below, teacher preparation enrollment declined by more than 18,000 candidates between 2007-08 and 2011-12, or 41 percent in the past five years. During this same period, the CTC saw a 30 percent decrease in the number of new teaching credentials issued.

Total Teacher Preparation Program Enrollment, 2007-08 to 2011-12

	2007-08	2008-09	2009-10	2010-11	2011-12	% Change from 10-11
Enrollment Totals	44,558	42,245	36,577	33,069	26,231	-20.7%

Source: Commission on Teacher Credentialing 2012-13 Annual Report to the Legislature

This decline in new teaching credentials and enrollment in teacher preparation programs has resulted in operating budget shortfalls at the CTC. In 2012-13 the CTC had a \$5 million budget shortfall, or approximately 25 percent of their budget. In response, the Legislature made a number of changes in the 2012-13 budget to reduce CTC's expenditures and increase revenues. These changes include:

- Raising the credential fee from \$55 to \$70
- Reducing staff by 13 positions
- Making one-time reductions in information technology
- Suspending certain accreditation activities

New Fee Authority

The 2013-14 budget authorized the CTC to institute fees for accreditation of new teacher preparation programs and for extraordinary accreditation activities, such as additional site visits for programs that do not meet all the required standards. The fees for new programs range from \$1,000 to \$2,000. The fees for programs that do not meet CTC's standards range from \$500 to \$3,000. The CTC projects that these new fees will generate approximately \$500,000 in additional revenue in 2013-14 and approximately \$200,000 in 2014-15. The CTC has resumed accreditation activities, such as site visits, that had been suspended in 2012-13.

Cash Flow Challenges

The CTC's recent budget shortfalls have resulted in insufficient reserve levels in the Teacher Credential Fund. Because credential volume fluctuates throughout the year, this creates cash flow issues for the CTC. Current law allows the CTC to borrow funds from the Test Development and Administration Account to cover a shortfall in the Teacher Credential Fund, with Department of Finance (DOF) authority. The DOF must notify the Joint Legislative Budget Committee of their intent to authorize the fund transfer at least 30 days prior to authorizing the

transfer. Most recently, this happened in 2011-12, when the reserve in the Teacher Credential Fund dipped below five percent, resulting in a transfer of \$1.5 million to cover necessary expenses.

Governor's 2014-15 Budget

The Governor's proposed budget provides a total of \$20.4 million for the CTC budget in 2014-15, an increase of \$640,000, or 3 percent from 2013-14. This increase in revenue is due to the Governor's proposed trailer bill language to expand the CTC's fee authority provided in 2013-14 to include existing teacher preparation programs. The Administration is also proposing to allow the CTC to temporarily transfer funds from the Test Development and Administration Account to the Teacher Credential Fund, if necessary to meet CTC's immediate funding needs.

Accreditation Fee Proposal

The Governor's 2014-15 budget proposes trailer bill language to allow the CTC to institute new fees, beginning in 2014-15, for accreditation reviews of existing educator preparation programs. These fees would cover non-salary, travel costs for specific accreditation reviews, and not the entire cost of accreditation activities for educator preparation programs. The Governor's budget assumes the new fees would generate an additional \$650,000 to the Teacher Credentials Fund in 2014-15. This amount is in addition to the \$200,000 assumed in the budget for the fees adopted in 2013-14.

The trailer bill language would prohibit the CTC from accepting an in-kind contribution from sponsors of education preparation programs in lieu of assessing the new fees. However, the language would not impact the CTC's existing cost recovery policy that allows an in-kind contribution in lieu of the initial program review fee.

Under the Governor's proposal, the specific fee schedule would be determined by the CTC. The CTC is required to notify the legislative budget committees and the Department of Finance at least 30 days prior to implementing the new fees or making any adjustments. The CTC is currently working to identify specific options for implementing the new fees and anticipates considering a recommended fee policy at the June Commission meeting. The CTC would adopt emergency regulations shortly after adopting a policy.

Fund Transfer Proposal

The Governor proposes trailer bill language that would require the State Controller to transfer funds from the Test Development and Administration Account to the Teacher Credentials Fund to meet the immediate obligations of the Teacher Credential Fund.

Under the proposal, funds transferred to the Teacher Credentials Fund would be returned to the Test Development and Administration Account as soon as there are sufficient funds to do so, but no later than 60 days after the initial funds transfer. At that time, if there is a balance owed to the Teacher Development and Administration Account, then funds would be returned to the account in monthly installments as monies accumulate in the Teacher Credentials Fund. If, at the end of the fiscal year, a balance is still owed to the Teacher Development and Administration Account, then the Teacher Credentials Fund would be ineligible for further fund transfers until the Teacher Development and Administration Account is fully repaid.

This proposal would be in addition to the CTC's current authority to borrow funds from the Test Development and Administration Account to cover a shortfall in the Teacher Credential Fund, with Department of Finance (DOF) authority. Under this new proposal, the State Controller would make the necessary transfer automatically, alleviating any workload required of the CTC.

According to the CTC, the Governor's proposal is intended to address the CTC's short-term cash flow needs in the Teacher Credentials Fund. Due to the fluctuation in revenue throughout the year, these short-term fund transfers may be necessary to meet the CTC's immediate obligations.

LAO Recommendation

The LAO recommends adopting the Governor's proposal to expand accreditation fees to include all types of accreditation activities. The LAO argues that this proposal is consistent with the action taken last year, and would place CTC on a more sound fiscal footing. The LAO also recommends directing the CTC to make changes to their labor intensive accreditation process by January 1, 2016 and submit a status report to the Legislature by January 1, 2015.

Although the LAO believes that allowing the CTC to make short-term transfers from the Test Development and Administration Account to the Teacher Credentials Fund would improve its ability to manage their cash flow, the LAO recommends instead merging these two accounts and refining budget documents so that revenues can be more easily linked to expenditures.

STAFF COMMENTS/QUESTIONS:

The Governor's accreditation fee proposal will help address the CTC's recent budget shortfalls and ensure that the CTC is generating sufficient revenue to support their accreditation activities. This proposal is consistent with the action taken last year, which recognized that it is necessary for sponsors of educator preparation programs (institutions of higher education and LEAs) to contribute to the cost of accreditation in order to maintain the quality of all programs. According to the CTC, without this additional revenue, accreditation site visits and other important program responsibilities would likely be suspended.

With these changes, the CTC does not anticipate having a budget shortfall, however, they may still struggle with cash flow challenges until sufficient reserves accumulate in the Teacher Credentials Fund. The Administration's proposed trailer bill language would help address the CTC's short-term cash flow needs, without requiring additional workload for the CTC.

Staff agrees with the LAO's assessment that the current accreditation process is labor intensive and could be improved. However, due to continuing budget constraints at the CTC, the Subcommittee may wish to consider directing the CTC to do this work without a specific timeline or a status report to the Legislature. According to the CTC, they have already begun discussing changes aimed at streamlining the accreditation process. The Subcommittee may wish to ask the CTC to provide an update on these changes next year.

Suggested Questions:

- Given the improving economy and increased funding for schools, does the CTC anticipate increased enrollment in teacher preparation programs and credentials being issued in the near future?
- What was the impact of suspending certain accreditation activities in 2012-13?
- How would the CTC implement the Administration's proposed accreditation fees? What feedback has the CTC received from higher education institutions and LEAs?
- Does the CTC anticipate an ongoing need for fund transfers from the Test Development and Administration Account to the Teacher Credentials Fund?
- With the implementation of the Common Core State Standards, how is the CTC ensuring that teachers are being prepared to teach to the new standards? What are the CTC's budget limitations in completing this work?

6110 DEPARTMENT OF EDUCATION**ISSUE 2: CALIFORNIA DEPARTMENT OF EDUCATION: STATE OPERATIONS**

The issue for the Subcommittee to consider is the Governor's proposed adjustments for the California Department of Education state operations. These proposed adjustments include temporary and ongoing staffing increases for the 2014-15 Fiscal Year. Additionally, the Subcommittee may wish to consider CDE's state operations requests that were not approved by the DOF.

PANELISTS:

- Ed Hanson and various staff, Department of Finance
- Rachel Ehlers, Legislative Analyst's Office
- Monique Ramos, Department of Education

BACKGROUND

California's public education system is administered at the state level by the California Department of Education (CDE), under the direction of the Superintendent of Public Instruction and the State Board of Education. The CDE is responsible for enforcing education laws and regulations, which guide the education of more than 6.3 million students in 10,296 schools within 1,043 districts and 58 county offices of education.

State Superintendent of Public instruction Tom Torlakson is charged with overseeing CDE's state operations. Superintendent Torlakson was elected to office in 2010 and he is afforded two four-year terms. The Superintendent and the CDE are responsible for providing technical assistance to local school districts and working with the educational community to improve academic performance.

The State Board of Education (SBE) is the governing and policy-making body of the CDE. The SBE makes K-12 policy decisions in the areas of standards, instructional materials, assessment, and accountability. The SBE is tasked with adopting regulations in order to implement legislation and has the authority to grant waivers of the Education Code. The SBE has 11 members, all appointed by the Governor, including one student representative.

CDE State Operations

Most CDE staff work at the department's headquarters in Sacramento, where they administer state education programs and provide program support to local educational agencies. The CDE's administration, or state operations, is funded with a combination of non-Proposition 98 General Fund and federal funds. As shown in the chart on the following page, much of CDE's state operations are funded through federal funds.

CDE State Operations Fund Sources (dollars in thousands)

Fund Source	2011-12 Actuals	2012-13 Actuals	2013-14 Projected	2014-15 Proposed	BY to CY Change	% Change
General Fund CDE Headquarters	\$38,490	\$39,567	\$47,359	\$47,328	(\$31)	(0%)
Federal Funds	132,296	131,709	170,672	158,066	(12,606)	(7)
Fee Revenue	6,190	6,149	7,298	7,292	(6)	(0)
Bond Funds	2,291	2,282	2,786	2,789	3	(0)
Other Funds	10,788	10,790	22,187	22,330	143	(1)
Total Expenditures	\$190,055	\$190,497	\$250,302	\$237,805	(\$12,497)	(4.99%)
Percentage of FF to Total Expenditures	69.61%	69.14%	68.19%	66.47%		(1.72%)
Positions	2341.8	1356.2	1554.9	1564.1	9	0.59%

*This table does not include the State Special School appropriations. Source: California Department of Education

Recent Budget Reductions

The Department of Education has experienced a variety of reductions to their state operations since 2008-09, including staffing and operating expenses. In total, CDE has experienced over \$20 million in ongoing cuts and over \$9 million in one-time reductions. These budget reductions include:

- **Permanent state operations reductions following Executive Order.** In 2009-10 Governor Schwarzenegger issued an Executive Order implementing three day per month furloughs for all state workers due to the state's budget deficit. Although agencies headed by Constitutional Officers, such as CDE, were exempt from the Executive Order, CDE received an equivalent reduction of \$17.4 million (all fund sources) to their state operations in the 2009-10 budget. While the furloughs were eventually lifted, CDE's funding was never restored.
- **Staff reductions due to categorical flexibility.** Beginning in 2010-11, the Legislature provided categorical flexibility for LEAs, meaning they could use funding used for approximately 40 categorical programs for any educational purpose. Therefore, CDE did not have to monitor and provide technical assistance for these programs. Since categorical flexibility was established in 2009-10, CDE has experienced a reduction of 62 positions, for a total of \$20 million (all funds).
- **Operational efficiency reductions.** The 2011-12 budget included an operational efficiency reduction of \$3.369 million for CDE's state operations. Operation efficiency reductions were applied to all state agency budgets and required the departments to submit an implementation plan to the DOF. CDE's plan included a \$1.5 million (4.3 percent) reduction for the State Special Schools in 2011-12.

- **Additional staff furloughs.** In 2012-13, the CDE received a department-wide reduction of \$9.18 million (all funds) as a result of the one day per month Personal Leave Program (PLP) for all state employees. The CDE received a similar PLP reduction of \$11 million (all funds) in 2010-11.

Governor's 2014-15 Budget

The Governor's proposed budget provides six new positions and a total of \$719,000 for CDE's state operations, including:

- **Additional Positions for New Student Assessment System.** The Governor's Budget provides \$482,000 (non-Proposition 98 General Fund) for two new positions and two existing positions in order for CDE to implement and manage the new assessment system. This includes \$250,000 for two limited term (two-year) positions in order to integrate the new assessment data into the California Longitudinal Pupil Achievement Data System (CALPADS). The other \$232,000 is provided for the CDE to hire two experts in technology based student assessments. Funding for these two existing positions is contingent upon the Department of Finance (DOF) approving a spending plan that justifies the need for additional positions. All four positions are contingent upon the CDE submitting a Feasibility Study Report (FSR) to the DOF, which validates the need for the additional positions.

The CDE is requesting to convert the two limited-term positions provided in the Governor's Budget for implementing the new assessment system into permanent positions and reclassify one of the positions to a higher classification with the associated General Fund cost of \$41,000. The CDE argues that implementation of the new assessment system will require ongoing modifications to CALPADS in order to maintain student assessment data. Additionally, interfacing the new assessments with CALPADS will require experienced staff. The CDE argues that it will be difficult to attract highly qualified candidates for a limited-term position.

The CDE is also requesting \$432,000 General Fund in additional personnel cost in order to reclassify the two program consultants provided in the Governor's Budget. The CDE argues that these positions should be calculated at top step funding because they will oversee a "highly complex" information technology project that will require knowledgeable and experienced personnel.

The Subcommittee heard this issue on March 18th with the Governor's assessment proposals and held the issue open.

- **New Position for Charter School Appeals.** The Governor's January Budget and April Letter request provides \$115,000 (non-Proposition 98 General Fund) for one ongoing position to support activities associated with charter school appeals. The California Education Code provides that the SBE may authorize a charter school petition originally denied at that district and/or county level. The SBE has delegated its authority to the CDE to review and analyze charter petitions on appeal. This position will support the mandated activities required when reviewing a charter school appeals.

The CDE originally requested \$345,000 and 3 positions to review and analyze charter school appeals. However, the Administration is proposing to provide one position and \$115,000 based on the number of appeals expected in 2014-15.

- **Additional Data Collection Workload Due to LCFF.** The Governor's Budget includes \$240,000 (non-Proposition 98 General Fund) for 2 limited-term positions to support the implementation of the LCFF, such as providing unduplicated student counts, matching foster data received from the Department of Social Services (DSS), and meeting foster youth requirements. Of this amount, \$25,000 is available for an interagency agreement with DSS, upon approval of the DOF. The DOF indicated that the positions were provided on a limited-term basis because they anticipate much of the workload would be streamlined as CDE develops a process for matching data and importing data from DSS.

The CDE argues that at least some of this work would be ongoing; therefore providing limited-term positions would be problematic. The LAO agrees that much of the workload could be streamlined over time, however some activities will be required on an ongoing basis, such as ensuring data quality, troubleshooting data issues and submitting a report to the Legislature and Governor every two years. The LAO recommends the Legislature provide CDE with one new position and \$120,000 on an ongoing basis for the additional workload related to LCFF and foster youth data.

- **Increased Pupil Fee Appeals Workload.** The Governor's Budget includes \$114,000 for one position in order to support the additional workload required by AB 1575 (Lara), Chapter 776, Statutes of 2012. This bill statutorily prohibited LEAs from imposing pupil fees and established a local complaint process if a person believes an improper fee has been charged and a right to appeal to the CDE. As a result, the CDE has received a significant increase in pupil fee appeals. The CDE argues that this additional workload cannot be absorbed, and is necessary in order to comply with this legislation.

In addition to these new positions, the Governor's Budget proposes to annualize a number of positions provided in the 2013-14 budget. These positions include:

- \$1.14 million (non-Proposition 98 General Fund) for 8 ongoing positions to support the LCFF accountability system, as outlined in AB 97 (Committee on Budget), Chapter 47, Statutes of 2013.
- \$852,000 (non-Proposition 98 General Fund) for 6 ongoing positions to support the administration of the LCFF, including calculating apportionment and fiscal oversight.
- \$347,000 (non-Proposition 98 General Fund) for 3 limited-term positions to support the Career Technical Education Pathways Trust grant program established through AB 86 (Committee on Budget), Chapter 48, Statutes of 2013. These positions expire on June 30, 2016.

Other Adjustments:

The Governor's 2014-15 Budget also provides \$321,000 in one-time non-Proposition 98 General Fund to support temporary staff to complete the work outlined in AB 899 (Weber), Chapter 709, Statutes of 2013. This bill required the CDE to link the ELD Standards with the academic content standards for mathematics and science by August 1, 2015.

The Governor's Budget also makes the following federal fund adjustments:

- Shifts \$501,000 and 3 positions for the Federal Migrant Education Program from local assistance to CDE's state operations.
- Approves the CDE's request to dedicate \$1.047 million in federal Race to the Top-Early Learning Challenge Supplemental Grant funding for three positions dedicated to administering the grant and ensuring CDE is in compliance with all the grant requirements.

STAFF COMMENTS/ QUESTIONS:

Staff has identified two additional CDE state operations requests not approved by DOF that the Subcommittee may wish to consider.

- 1.) **Additional funding for LCFF and LCAP Salary Increases.** The CDE is requesting an additional \$247,000 (non-Proposition 98 General Fund) to cover higher salaries for the newly created LCFF and LCAP positions provided in 2013-14, and made permanent in the Governor's 2014-15 proposed budget. CDE argues that they have begun to hire staff at higher salary ranges due to the level of expertise required for this work. According to CDE, the staff that has been hired thus far was previously in federally funded positions. Therefore, CDE will be unable to find relief by backfilling the vacated positions at a lower level because the savings would be attributed to federal funds. Without this funding augmentation, CDE argues that they will not be able to fill all the positions provided.

Typically, positions are funded at the mid-step level. The Administration and LAO argue that approving this proposal would set a precedent that goes against the state's traditional budgeting practices. However, the Subcommittee may want to consider approving this additional funding in order to ensure that the implementation of the LCFF and LCAP is successful. Although this would go against common budgeting practice, staff believes that these particular positions should be fully funded to allow CDE to hire the high-level, experienced staff necessary for this important work.

- 2.) **One-Time Funding to Modify English Language Development Standards.** The CDE is requesting \$172,000 in one-time non-Proposition 98 General Fund to support temporary staff in completing the work outlined in AB 899 (Weber), Chapter 709, Statutes of 2013. The Governor's Budget provides \$321,000 for temporary staff to complete this work. The CDE argues that additional funding for temporary staff is needed to complete the necessary activities to link the ELD Standards to the content standards for math and science. These activities include coordinating stakeholder meetings and public hearings, as well as developing requests for proposals and overseeing contracts. Although, the DOF agrees that there is additional workload associated with managing the modification of the ELD standards, the request was denied with the expectation that the CDE will absorb this cost within their existing temporary help funding. The CDE argues that because the staff that would be temporarily assigned to this work are currently funded with Title III federal funds, General Fund is necessary to support the work required by AB 899.

Foster Youth Student Support

The Subcommittee may also wish to consider providing additional resources within the CDE's state operations to ensure adequate statewide support is provided for California's foster youth students. There has been significant progress made in recent years in addressing the needs of foster youth students. The LCFF recognizes the fact that additional resources are necessary in order to improve outcomes for this student population. The Local Control Accountability Plans (LCAPs) also require LEAs to identify how they are going to improve the outcomes of this subgroup. Additionally, the CDE is now required to inform school districts of their students that are in foster care on a weekly basis.

With these new policy changes, comes more responsibility for CDE to support LEAs in implementing these changes. The CDE currently has a significant number of staff supporting activities related to low-income and English learner students, using both state and federal funds. The CDE recently reported a total of one staff person dedicated to foster youth issues. Although foster youth make up a small percentage of the student population compared to low-income and English learners, it is essential that they are receiving the state-level support needed in order to implement these new policies effectively, and ultimately improve outcomes for these students.

Suggested Questions:

- Why is the State Department of Education primarily funded through federal funds? How does this impact CDE's state level activities?
- What is the LAO's overall assessment of the CDE's workload and state operations funding level?
- How has the LCFF impacted the CDE's workload overall?
- Does the CDE have sufficient resources to provide the necessary support for various student subgroups, including foster youth?

ISSUE 3: GOVERNOR'S 2014-15 BUDGET PROPOSAL: INSTRUCTIONAL MATERIALS FOR THE VISUALLY IMPAIRED

The Subcommittee will consider how to best provide instructional materials for pupils who are blind, visually impaired, or have other disabilities. The Subcommittee will consider the Governor's proposed trailer bill language to allow the CDE to assess a fee on LEAs that choose to acquire accessible instructional materials from the CDE.

PANELISTS:

- Jillian Kisse, Department of Finance
- Rachel Ehlers, Legislative Analyst's Office
- Monique Ramos, Department of Education

BACKGROUND

The 2013-14 budget consolidated the majority of the state's categorical programs with the discretionary revenue limit funding to create the more simplified Local Control Funding Formula (LCFF). Under the new LCFF, the State Instructional Materials Fund (IMF) was defunded, eliminating the authority of the State Board of Education (SBE) to encumber some of these funds to provide accessible instructional materials for visually impaired students.

Governor's 2014-15 Budget

The Governor's proposed trailer bill language allows the CDE to assess a fee on LEAs that choose to acquire accessible instructional materials for the visually impaired from the CDE. The CDE is charged with determining the amount of the fee charged to LEAs.

The CDE previously requested \$4.5 million in ongoing General Fund state operations in order to produce, house, and distribute accessible instructional materials and specialized media for students who are blind, visually impaired or have other disabilities and are unable to access the general curriculum. According to the CDE, without a centralized system for producing, storing and distributing these materials, some LEAs may choose to do this work on their own, resulting in increased cost to the state due to the duplication of effort by LEAs as multiple LEAs will pay to transcribe the same book. CDE also argues that LEAs benefit from the economy of scale in the state's competitive bid process that the CDE uses for transcribing the instructional materials, which is the bulk of the cost. For example, one algebra text book could cost a single district up to \$23,000 to transcribe. However, CDE can produce the same text book for \$8,113 and can provide this file for all LEAs. Additionally, embossing can cost an LEA as much as \$8 per page, while the CDE's cost for embossing is \$1.40 per page.

LAO Recommendation

The LAO recommends an alternative approach for providing instructional materials for blind and visually impaired students. Given the economies of scale that can be achieved by purchasing these materials at the state level, the LAO agrees that the state can play an important role in ensuring LEAs have access to affordable instructional materials for these students. However, the LAO believes it is reasonable for LEAs to contribute some amount for accessing these materials. The LAO argues that state-level federal Individuals with Disabilities Education Act (IDEA) funds would be a more appropriate funding source than non-Proposition 98 General Fund. The LAO also believes that CDE's estimate of \$4.5 million may be too high.

The LAO recommends the Legislature:

- Provide \$3 million in state level federal IDEA funds on a one-time basis to cover the cost of producing these materials in 2014-15. (Consider increasing amount if CDE can provide adequate cost justification.)
- Require CDE to develop and submit to the Legislature and DOF by November 2014 a fee schedule for charging LEAs to access instructional materials for the blind, with the intent that the fees contribute to the long-term costs of producing the materials.
- Beginning in 2015-16, fund these materials with a combination of state-level IDEA funds and fee revenue from districts.

STAFF COMMENTS/QUESTIONS:

Staff has the following concerns with the Administrations proposed trailer bill language:

- **Timing.** The Governor's proposed trailer bill language would go into effect in 2014-15. This is not enough time for the CDE to implement a new fee structure.
- **Access.** The proposal would essentially make the centralized clearinghouse for instructional materials optional for LEAs. Without the necessary funding incentives, this proposal could create inequities in access to these instructional materials across the state.
- **Cost.** This proposal would shift the cost of these instructional materials entirely to the LEAs. Although funding from the IMF was rolled into the LCFF, many districts have yet to be restored to their pre-recession funding levels.

Staff agrees with the LAO's recommendation to provide one-time funding for CDE to continue to provide accessible instructional materials for 2014-15 and require the CDE to develop a new fee schedule for LEAs to bear some of the cost beginning in 2015-16.

Suggested Questions:

- Would the Governor's proposed trailer bill language result in some LEAs opting out of participating in CDE's central clearinghouse for instructional materials? How would this impact services to visually impaired students?
- How much time is needed for CDE to implement a new fee schedule for providing these instructional materials to LEAs?
- What is the justification of the CDE's cost estimate of \$4.5 million for maintaining the instructional materials clearinghouse? Why does the LAO believe this estimate is too high?
- What would be the impact on LEAs if federal IDEA funds were used to maintain these instructional materials at the state level?