

AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 2 ON EDUCATION FINANCE

Assemblymember Susan Bonilla, Chair

THURSDAY, MAY 23, 2013

UPON CALL OF THE CHAIR - STATE CAPITOL ROOM 444

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Items for Vote Only

6110 DEPARTMENT OF EDUCATION

VOTE ONLY ISSUE 1: JANUARY AND MAY LETTER PROPOSAL – PROPOSITION 98 CHILD NUTRITION PROGRAM – MEAL RATES

BACKGROUND

Current law specifies a meal reimbursement rate of \$0.21 for free and reduced price meals sold or served to pupils in elementary, middle or high schools. Per statute, this rate is adjusted annually to reflect cost of living adjustments when funding is provided in the Budget Act.

The Governor's January trailer bill language proposes to remove this rate from statute and instead update the rates annually in the Budget Bill Language. The May Revision includes the following conforming Budget Bill Language:

“2. Funds designated for child nutrition programs in this item shall be allocated ~~in accordance with Section 49536 of the Education Code; however, the~~ using the following rates: \$0.2229 per meal for meals served in schools and \$0.1660 per meal for meals served in child care centers and homes. The allocation shall be based not on all meals served, but on the number of meals that are served and that qualify as free or reduced-price meals in accordance with Sections 49501, 49550, and 49552 of the Education Code.”

STAFF COMMENTS/QUESTIONS

This rate was carefully negotiated through legislation. Including this in the budget act could make the rate more susceptible to rate reductions or line-item veto.

Staff Recommendation: Reject Governor's January proposed TBL to repeal the meal reimbursement rate from statute.

VOTE ONLY ISSUE 2: CHILD NUTRITION PROGRAM**BACKGROUND**

Item 6110-203-0001, Local Assistance, Proposition 98 Child Nutrition Program (Issue 680)—The Governor's May Revise requests this item be decreased by \$105,000 Proposition 98 General Fund to reflect the revised cost-of-living adjustment applied to the per-meal reimbursement rates for the state child nutrition program at public school districts and Proposition 98-eligible child care centers and homes.

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

"5. Of the funds appropriated in this item, ~~\$2,543,000~~ \$2,438,000 is to reflect a cost-of-living adjustment."

Item 6110-203-0001, Local Assistance, Proposition 98 Child Nutrition Program (Issue 681)—It is requested that this item be increased by \$1,163,000 Proposition 98 General Fund to reflect the revised estimate of meals served through the state child nutrition program at public school districts and Proposition 98-eligible child care centers and homes. The resulting appropriation would fully fund, at the specified rates, all meals projected to be served in 2013-14.

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

"6. The funds appropriated in this item reflect a growth adjustment of ~~-\$2,494,000~~ -\$1,331,000 due to a decrease in the projected number of meals served."

STAFF COMMENTS/QUESTIONS

These adjustments are technical and conforming changes.

Staff Recommendation: Adopt May Revise Requests

VOTE ONLY ISSUE 3: PROPOSITION 39**BACKGROUND**

Proposition 39, passed by the voters in November 2012, provides a new source of revenue from shifting how corporate taxes are calculated for multistate businesses. Beginning in 2013-14 and ending in 2017-18, the measure requires half of the revenues generated from the corporate tax change be dedicated to energy efficiency related programs and projects. The Governor's Budget estimated revenues of \$900 million in 2013-14, \$450 million of which must be dedicated to energy efficiency. The Governor's Budget proposed to dedicate \$400.5 million Proposition 98 General Fund to K-12 schools with the other \$49.5 million going to community colleges. The May Revision estimates revenues of \$928 million in 2013-14, \$464 million of which must be dedicated to energy efficiency.

The May Revision proposes to dedicate \$413 million Proposition 98 General Fund to K-12 schools with the other \$51 million going to community colleges:

Items 6110-139-8080, 6110-639-0001, and 6110-698-8080, Local Assistance,

Proposition 39 (Issue 521)—It is requested that Item 6110-139-8080 be increased by \$12.5 million Clean Energy Job Creation Fund to reflect increased projected revenues in 2013-14 tied to the corporate tax changes enacted by Proposition 39. It is further requested that non-Budget Act Items 6110-639-0001 and 6110-698-8080 be amended to conform to this action.

Staff Recommendation: Adopt May Revise Request to increase Proposition 39 funding adjustments to K-12 and CCC. Conform to action taken in Subcommittee 3 on May 22.

VOTE ONLY ISSUE 4: STANDARDIZED ACCOUNT CODE STRUCTURE SYSTEM**BACKGROUND**

Standardized Account Code Structure System (May Revise Issue 601). The Department of Finance requests that provisional budget bill language be amended to authorize DOF to augment this item to fund first-year Standardized Account Code Structure system replacement project costs, should necessary project replacement costs materialize in 2013-14. According to DOF, the California Technology Agency (CTA) estimates system replacement will begin in April of 2014, subject to the selection of a vendor, the finalization of estimated project costs, the approval of a special project report by the CTA, and the approval of funding for the project by Finance.

"2. The Department of Finance shall work with the State Department of Education to evaluate options for maintaining and enhancing the current Standardized Account Code Structure system utilizing existing resources. Notwithstanding any other provision of law, the Department of Finance may augment this item to fund potential first-year Standardized Account Code Structure system replacement project costs, subject to approval of a special project report by the California Technology Agency and approval of funding for the project by the Department of Finance. Any augmentation shall be authorized no sooner than 30 days after notification in writing to the chairpersons of the committees in each house of the Legislature that consider appropriations, the chairpersons of the committees and appropriate subcommittees that consider the State Budget, and the Chairperson of the Joint Legislative Budget committee, or not sooner than whatever lesser time the chairperson of the joint committee, or his or her designee, may determine."

STAFF COMMENT

Committee staff has concerns with not defining minimum costs related to work on costs associated with the SACS system replacement project. Staff recommends adopting the May Revision proposal for purposes of sending this issue to Conference Committee to allow for a more detailed proposal to be considered.

Staff Recommendation: Adopt May Revise proposal for purposes of sending to Conference Committee

VOTE ONLY ISSUE 5: SPECIAL EDUCATION

The following special education issues as proposed in the May Revision are technical and conforming.

Item 6110-161-0890, Local Assistance, Special Education (Issue 794)—It is requested that this item be decreased by \$4,747,000 in federal special education funds to align to the anticipated federal Individuals with Disabilities Education Act Part B grant award.

Item 6110-161-0890, Local Assistance, Special Education (Issue 793)—It is also requested that this item be increased by \$4,708,000 to reflect one-time federal Individuals with Disabilities Education Act (IDEA) carryover funds. The Administration proposes to use the carryover funds for the following purposes: \$840,000 for the IDEA Part B 611 grant; \$1.8 million to restore the non-Proposition 98 reduction to the State Special Schools (see related Issue 774, Item 6110-005-0001); \$1,374,000 for other state-level activities; \$374,000 for the IDEA Part B 619 grant; and \$320,000 for the State Personnel Development Grant.

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

X. Of the funds appropriated in Schedule (1), \$840,000 in one-time federal Individuals with Disabilities Education Act (IDEA) carryover funds shall be available to support the existing program and to mitigate the impact of the sequester reduction to grants for local educational agencies.

X. Of the funds appropriated in Schedule (4), \$1,800,000 in federal Individuals with Disabilities Education Act (IDEA) carryover funds shall be available for transfer to backfill a General Fund reduction to State Special Schools on a one-time basis.

X. Of the funds appropriated in Schedule (4), \$1,374,000 in one-time federal Individuals with Disabilities Education Act (IDEA) carryover funds shall be available to support the existing program and to mitigate the impact of the sequester reduction to grants used for other state-level activities.

X. Of the funds appropriated in Schedule (5), \$374,000 in one-time federal Individuals with Disabilities Education Act (IDEA) carryover funds shall be available to support the existing program and to mitigate the impact of the sequester reduction to the Preschool Grant Program.

X. Of the funds appropriated in Schedule (6), \$320,000 in one-time federal Individuals with Disabilities Education Act (IDEA) carryover funds shall be available to support the State Personnel Development Grant. This grant shall not be subject to the sequester reduction.

Item 6110-005-0001, Support, Special Education (Issue 774)—It is requested that this item be amended by increasing reimbursements by \$1.8 million to restore a reduction to State Special Schools with one-time federal Individuals with Disabilities Education Act carryover funds. (See related Issue 793, Item 6110-161-0890.)

Item 6110-161-0001, Local Assistance, Provisional Language to Consolidate the Regional Occupational Centers and Programs into a Low Incidence Block Grant (Issue 790)—It is requested that Provision 2 of this item be amended and Provision 4 of this item be deleted as follows to reflect the consolidation of regional occupational centers and programs into the funding for low incidence disabilities.

~~“2. Of the funds appropriated in Schedule (1), up to \$15,126,000~~ \$17,226,000, shall be available for the purchase, repair, and inventory maintenance of specialized books, materials, and equipment, and to provide specialized services to pupils with low-incidence disabilities, as defined in Section 56026.5 of the Education Code to provide special education and related services to students with low incidence disabilities pursuant to their individualized education program. The Superintendent of Public Instruction shall allocate these funds to special education local plan areas on an equal per pupil rate using the methodology specified in Section 56836.22 of the Education Code.”

Item 6110-161-0001, Local Assistance, Provisional Language to Consolidate Extraordinary Cost Pools (Issue 791)—It is requested that Provisions 5 and 17 of this item be deleted and provisional language be added as follows to combine extraordinary cost pools associated with nonpublic, nonsectarian schools and educationally related mental health services.

X. Of the funds appropriated in Schedule (1), up to \$6,000,000 shall be made available to the Superintendent of Public Instruction for extraordinary costs associated with single placements in nonpublic, nonsectarian schools, pursuant to Section 56836.21 of the Education Code; for costs associated with pupils residing in licensed children’s institutes; and for costs associated with educationally related mental health services for necessary small special education local plan areas as defined in Section 56212 of the Education Code. This consolidated extraordinary cost pool shall be established in collaboration with the Superintendent of Public Instruction, the Legislative Analyst, and the Department of Finance that assures coverage for educationally related mental health services during the transition related to Chapter 43, Statutes of 2011 (AB 114).

Item 6110-161-0001, Local Assistance, Update Statewide Target Rate for Special Education Funding Formula (Issue 792)—It is requested that this item be increased by \$1,333,000 to update the statewide target rate. It is also requested that trailer bill language be adopted to implement this change.

Staff Recommendation: Adopt Special Education adjustments and conforming placeholder BBL/TBL

VOTE ONLY ISSUE 6: TITLE II - IMPROVING TEACHER QUALITY**BACKGROUND**

The federal government provides states with Title II funding that can be used for a variety of services for teachers and principals. Of a state's total Title II allotment (less administration), 2.5 percent must be set aside for state-level activities. Title II state-level activity dollars can be used for a wide range of activities, including reforming teacher and principal certification, carrying out professional development programs, and recruiting teachers. In each of the last few years, the set aside for Title II state-level activities has been \$6.8 million. Of this amount, the state has designated \$3.6 million for the California Subject Matter Projects (CSMP), \$1.3 million for the Administrator Training Program (ATP), \$995,000 for the California Longitudinal Pupil Achievement Data System, and \$945,000 for the Compliance, Monitoring, Interventions, and Sanctions program. The ATP program has since expired.

The Governor's January proposal would shift \$1.3 million in Title II funds from the ATP to CSMP. As a result of the shift, ATP would be defunded whereas total CSMP state and federal funding would increase from \$8.6 million to \$9.8 million.

The California Department of Education propose to instead use these funds to assist school site administrators in the implementation of Common Core State Standards school-wide by creating a set of modules aimed specifically for site administrator. Topics will include:

1. Strategies to assist site administrators in the implementation of Common Core State Standards and English Language development standards in California's public schools including but limited to shared leadership, maximizing school funds, and use of student data.
2. Strategies to assist site administrators to ensure that Instructional strategies promote creativity, innovation, critical thinking, problem solving while implementing the Common Core State Standards and the English Language Development Standards in California's public schools,
3. Strategies to infuse Professional Learning Communities as a vehicle for collaboration among teachers and change in the school curriculum and culture based upon the Common Core State Standards and English Language Development Standards in California public schools.
4. Strategies to assist site administrators to ensure Identification of and implementation of differentiated instructional strategies are utilized to meet the needs of all students including English Learners, Special Needs Students, Gifted and Talented Students.
5. Understand and promote best practices and strategies including clinical and diagnostic approaches to improve instructional practices school-wide.

6. Using Common Core State Standards and English Language Development Standards as tools for coaching instructional staff in need of improvement.

STAFF COMMENTS/QUESTIONS

Staff recommends the Subcommittee reject the Governor's January Proposal to provide \$1.3 million for California Subject Matter Projects and instead provide these funds to California Department of Education for development of statewide professional development modules aligned to Common Core standards in English language arts and mathematics for use by teachers and administrators.

Staff further recommends the Subcommittee approve the following changes to the May Revision proposal to provide funding for professional development modules.

Item 6110-195-0890, Local Assistance, Improving Teacher Quality (Issues 273 and 274)—It is requested that Schedule (1) of this item be increased by \$1,010,000 federal Title II funds to reflect \$369,000 in one-time carryover funds and an increase of \$641,000 to align to the federal grant award. The Improving Teacher Quality Grant Program provides funds to LEAs on a formula basis for professional development activities focused on preparing, training, and recruiting highly-qualified teachers.

It is also requested that Schedule (2) of this item be increased by \$235,000 federal Title II funds to reflect one-time carryover funds. The Improving Teacher Quality State Level Activities provides funds for the University of California Subject Matter Projects to provide statewide teacher professional development.

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

X. Of the funds appropriated in Schedule (1), \$369,000 is provided in one-time carryover for Improving Teacher Quality Local Grants. None of these funds shall be used for additional indirect administrative costs.

X. Of the funds appropriated in Schedule (2), \$235,000 is provided in one-time carryover **to the department for the development of statewide professional development modules for teachers and administrators as required pursuant to Section 60208.** ~~for transfer to the University of California and shall be used for Subject Matter Projects. None of these funds shall be used for additional indirect administrative costs.~~

Staff Recommendation: Reject Governor's January Proposal to provide \$1.3 million for California Subject Matter Projects. Allocate \$1.3 million to California Department of Education for development of statewide professional development modules aligned to Common Core standards in English language arts and mathematics for use by teachers and administrators. Approve May Revise proposal as amended per staff recommendation

VOTE ONLY ISSUE 7: STUDENT ASSESSMENTS

Item 6110-113-0001, Local Assistance, Proposition 98 Student Assessment Program (Issues 244 and 246)—It is requested that Schedule (2) of this item be increased by \$18,000 Proposition 98 General Fund to conform to the reduction in federal Title VI funds for student assessments. Because the student assessment program is funded by both Proposition 98 General Fund and federal Title VI funds, any reduction of federal funds results in the need for a comparable increase in Proposition 98 General Fund to maintain existing program levels.

It is also requested that provisional language be added as follows to require expenditure of the funds in Schedule (2) for the Standardized Testing and Reporting program be contingent upon passage of legislation related to statewide assessments in 2014-15. These actions would ensure that the future of statewide assessments is fully vetted by the Legislature and Governor through the policy process. (See related Issue 246, Item 6110-113-0890.)

~~X. The funds appropriated in Schedule (2) shall not be expended until legislation is enacted in the 2013-14 legislative session to address the future of statewide assessments for 2014-15 and thereafter and shall be programmed in accordance with this legislation.~~

X. The funds appropriated in Schedule (2) of this item **are available for the necessary scoring and reporting of assessments administered in the 2012-13 school year and for the administration of any ESEA required assessments in the 2013-14 school year. Any remaining funds related to the development of statewide assessments to be administered subsequent to 2013-14 school year** shall not be expended until legislation is enacted in the 2013-14 legislative session to address the future of statewide assessments for 2014-15 and later years and shall be programmed in accordance with this legislation.

Item 6110-113-0890, Local Assistance, Federal Title VI Student Assessment Program (Issues 203, 246, and 247)—It is requested that Schedule (2) of this item be decreased by \$18,000 to reflect a decrease of \$2,036,000 in the available federal grant award and the availability of \$2,018,000 in one-time carryover funds. Federal funds for state assessments are provided for costs associated with the development and administration of the Standardized Testing and Reporting program, the English Language Development Test, and the California High School Exit Exam.

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

~~“8. Of the funds appropriated in Schedule (2), \$2,060,000~~ **\$2,018,000** is provided in one-time federal carryover **funds to support the existing program.**”

It is also requested that provisional language be added as follows to require expenditure of the funds in Schedule (2) for the Standardized Testing and Reporting program be contingent upon passage of legislation related to statewide assessments in fiscal year 2014-15. This language would ensure that future statewide assessments are fully vetted by the Legislature and Governor through the policy process. (See related Issue 246, Item 6110-113-0001.)

~~X. The funds appropriated in Schedule (2) shall not be expended until legislation is enacted in the 2013-14 legislative session to address the future of statewide assessments for 2014-15 and later years and shall be programmed in accordance with this legislation.~~

X. The funds appropriated in Schedule (2) of this item **are available for the necessary scoring and reporting of assessments administered in the 2012–13 school year and for the administration of any ESEA required assessments in the 2013–14 school year. Any remaining funds related to the development of statewide assessments to be administered subsequent to 2013–14 school year** shall not be expended until legislation is enacted in the 2013–14 legislative session to address the future of statewide assessments for 2014–15 and later years and shall be programmed in accordance with this legislation.

It is also requested that provisional language be added as follows to allow the SDE to use any savings identified within Schedule (3) of this item to continue developing a new English language proficiency assessment contingent upon approval of the State Board of Education (Board).

X. The State Department of Education, with approval of the State Board of Education, shall use any savings identified from the funds appropriated in Schedule (3) for activities related to the development of statewide English language proficiency initial screener and summative assessments aligned to the English language development standards adopted by the State Board of Education **pursuant to legislation enacted in the 2013-14 legislative session.**

~~It is further requested that related trailer bill language be adopted, as proposed in the trailer bill language section of this letter.~~

STAFF COMMENT

Legislation is currently pending in the Assembly and Senate appropriations committees that propose major changes to existing assessments. The Department of Finance is proposing to put existing funding on hold pending further legislative action in the 2013-14 session.

Staff Recommendation: Approve May Revise request as amended

VOTE-ONLY ISSUE 8: EARLY CHILDHOOD EDUCATION AND CHILD DEVELOPMENT

The Subcommittee will consider action on early education and child development programs

BACKGROUND

On March 20, 2013, the Subcommittee discussed early education, child development, and preschool programs. The Subcommittee took action to repeal family fees for preschool and also to require CDE to adopt a Subcommittee plan.

Since that hearing, the Governor's May Revision was released. The proposal made caseload-based changes to the program. However, for CalWORKs Stage 3, the May Revision caseload estimates assume that caseload for funding provided by the Assembly in 2013 would not be continued and that reductions to federal sequestration funding would be applied to the Stage 3 program. Thus, there is a \$57 million gap between full funding for projected caseload for the budget year.

In addition, the Department of Education has provided the Subcommittee with a proposal for resources they believe necessary to implement the Subcommittee action on the preschool plan.

STAFF COMMENT

Based upon discussion at the March 20, 2013 hearing, staff has developed an early childhood education action for the Subcommittee to consider.

Early Childhood Education, Preschool, and Child Development Action

1. Restore Child Development programs back into Proposition 98, with all child care programs that were part of Proposition 98 prior to 2011 back into the calculation. This will cause a rebenching of the Proposition 98 guarantee in 2013-14.
2. Appropriate a net \$250 million for child development programs
 - o \$100 million for additional Preschool slots.
 - o \$100 million for additional Child Development Slots in capped programs—like General Child Care, Alternative Payment
 - o \$57 million to fully fund CalWORKs Stage 3 Child Care, offsetting the Sequestration reduction attributed by DOF and also clarifying that caseload supported by one-time funding will continue as part of Stage 3 in the future.
 - o \$4 million to preschool to backfill the loss of family fee revenue. The Subcommittee previously took action to eliminate this fee.

- Reduce CalWORKs Stage 2 funding by \$11 million to reflect lower than expected caseloads, per LAO.
 - Adopt Budget Bill Language to allow for adjustment of caseload budgeted amounts to reflect actual caseload experience.
3. Adopt Placeholder Trailer Bill to allow for the simplification of the family fee schedule.
 4. Adopt \$341,000 General Fund and Budget Bill Language proposed by CDE to implement the California Preschool plan previously approved by the Subcommittee at its March 20th hearing.

The Department of Education shall develop a plan to provide a system of voluntary preschool for all children one year before kindergarten. The plan shall include a program that is age and developmentally appropriate, based on the California Preschool Learning Foundations and Frameworks, guidelines and appropriate instructional practices adopted by the Superintendent of Public Instruction, and aligned with statewide academic standards for elementary schools. The plan shall be submitted to the Joint Legislative Budget Committee and the Department of Finance by April 1, 2014.

5. Adopt the LAO recommendations on open April and May Revision Fiscal Letter issues:

LAO Recommends Adopting:

Technical adjustment to RTT-ELC grant authority (April Issues 921 and 922).

Recognize CCDF carryover for quality funds (April Issue 923).

Technical adjustment to federal CCDF grant authority (May Issues 938, 939, 940 and 941).

Change to RTT-ELC reporting date (May Issue 934).

Technical adjustment to federal 21st Century grant authority (May Issues 943 and 944).

LAO Recommends Rejecting:

Require CDE to submit preschool contract to DOF for review (April Issue 924).
Contract language already has been submitted to DOF for review, and CDE must issue contracts before the budget deadline.

6. Reject the following language:

Require CDE to report data on part-day preschool fees (April TBL request). (If Legislature adopts Assembly Budget Subcommittee 2's action to repeal part-day preschool fee, this language would not be pertinent.)

7. Adopt placeholder Trailer Bill Language to eliminate existing statutory provisions that prohibit a COLA adjustments to child development programs.

Staff Recommendation: Adopt Early Childhood Education Action. Action conforms to Proposition 98 package.

6870 CALIFORNIA COMMUNITY COLLEGES

VOTE-ONLY ISSUE 9: REVENUE ADJUSTMENTS

The May Revise includes several revenue adjustments. Based on these adjustments, the Administration proposes that:

1. For the budget year, Item 6870-101-0001 be decreased by \$70.8 million Proposition 98 General Fund to reflect an increase in local property tax revenues, which offset General Fund costs. Item 6870-601-0986 will be increased by a similar amount to reflect this change.
2. For the budget year, Schedule (1) of Item 6870-101-0001 be decreased by \$38.9 million Proposition 98 General Fund to reflect an increase in estimated student fee revenue. The adjustment reflects a decrease in the number of students eligible for the fee waiver program. Item 6870-601-0992 be increased to by a similar amount to reflect this change.
3. For the budget year, Schedule (6) of Item 6870-101-0001 be decreased by \$598,000 General Fund to reflect a decrease in the rate of students qualifying for the fee waiver program.
4. For the budget year, Schedule (1) of Item 6870-101-0001 be decreased by \$20.5 million Proposition 98 General Fund to reflect increased Education Protection Account (Proposition 30) revenue estimates. Item 6870-601-3207 should be increased by a similar amount to reflect this change. For the same reason, Item 6870-610-0001 will be increased and Item 6870-698-3207 decreased by the same amount.
5. For the current year, Schedule (1) of Item 6870-101-0001 be increased by \$23.4 million Proposition 98 General Fund to reflect decreased Education Protection Account (Proposition 30) revenue estimates. Item 6870-601-3207 should be decreased by a similar amount to reflect this change. For the same reason, Item 6870-610-0001 will be decreased and Item 6870-698-3207 increased by the same amount.
6. For the current year, Item 6870-616-0001 be decreased by \$41.2 million Proposition 98 General Fund based on revised increased redevelopment agency revenue estimates.

7. For the current year, Item 6870-681-0001 be increased by \$17.9 million Proposition 98 General Fund to eliminate this item and reflect an increased Proposition 98 Guarantee. This resolves an over-appropriation in the January Budget related to settlement payments by the California Teachers Association v Schwarzenegger lawsuit, codified by the Quality Education Investment Act.

STAFF COMMENTS/QUESTIONS

Staff has no concerns with this proposal.

Staff Recommendation: Approve the May Revise revenue adjustments

VOTE-ONLY ISSUE 10: TECHNOLOGY FUNDING

The Subcommittee may consider amending the proposed budget bill language regarding the Governor's Budget proposal to allocate \$16.9 Proposition 98 General Fund to expand the delivery of courses through technology.

BACKGROUND

This issue was first discussed at the Subcommittee's April 10, 2013 hearing. The Governor's Budget provides \$16.9 million to be allocated to the Chancellor's Office and used to increase the number of courses available to matriculated undergraduates through the use of technology. Budget bill language states that, "Prior to the expenditure of these funds, the Chancellor of the California Community Colleges shall submit a proposed expenditure plan and the rationale therefor, to the Department of Finance by July 1, 2013 for approval. These funds shall be used for those courses that have the highest demand, fill quickly, and are prerequisites for many different degrees."

STAFF COMMENTS

The Governor also has proposed requiring the University of California and California State University to fund a technology program intended to help increase online courses. At its May 22, 2013 hearing, the Subcommittee took action to approve the funding for UC and CSU but modify the budget bill language to increase transparency and legislative oversight of the funding, and also to ensure that the systems considered how new courses could serve the K-12 system to allow seniors in high school to take courses that would count toward a degree. The Subcommittee could consider similar modifications to the community college language. Proposed changes are in bold or crossed out:

"The amount appropriated in Schedule (26) for Expanding the Delivery of Courses through Technology shall be allocated to the Chancellor of the California Community Colleges and used to increase the number of courses available to matriculated undergraduates, **and high school students seeking college credits, if possible**, through the use of technology. Prior to the expenditure of these funds, ~~the Director of Finance shall provide notification in writing of any approval granted under this section, not less than 30 days prior to the effective date of that approval, to the chairperson of the Joint Legislative Budget Committee, or not later than whatever lesser amount of time prior to that effective date the Chairperson of the Joint Legislative Budget Committee, or his or her designee, may in each instance determine. By March 1, 2014, the Chancellor's Office shall submit a report detailing the use of these funds and any outcomes that may be attributed to their use. The report shall include the university's proposal for use of these funds in 2014-15.~~

~~the Chancellor of the California Community Colleges shall submit a proposed expenditure plan and the rationale therefor, to the Department of Finance by July 1, 2013 for approval. These funds shall be used for those courses that have the highest demand, fill quickly, and are prerequisites for many different degrees."~~

Staff Recommendation: Approve the expenditure of \$16.9 million in technology funding and modified budget bill language

6980 CALIFORNIA STUDENT AID COMMISSION

VOTE-ONLY ISSUE 11: DREAM ACT FUND

At its May 22, 2013 hearing, the Subcommittee heard testimony from the California Student Aid Commission regarding other states' interest in using CSAC materials to implement their version of the Dream Act. The Subcommittee can consider adding budget bill language that would create a new fund to allow revenue from other states seeking to purchase Dream Act materials to use in their state. The funding would be used to enhance Dream Act services for California students.

BACKGROUND

CSAC has proposed the following language:

Proposal to amend Education Code Section 69433 to assist other states with the implementation of Dream Act

(e) The commission may enter into contracts with a public agency or a private entity to improve the processing and distribution of grants, fellowships, and loans through the use of electronic networks and unified data bases. The Commission may receive payment, reimbursement and/or resources for contracts entered into pursuant to this subdivision.

(f) Any moneys received pursuant to subdivision (e) shall be deposited into the California Student Aid Commission Financial Processor Fund, which is hereby created in the State Treasury. Only moneys received for the purposes of this article may be deposited into the fund. The fund shall be credited with all investment income earned by moneys in the fund. The moneys received for the purposes of this article are not part of the General Fund as defined in Section 16300 of the Government Code.

(1) Notwithstanding Section 13340 of the Government Code, moneys in the fund are hereby continuously appropriated to the commission without regard to fiscal year for the purposes enumerated in this article, including changes to the commission's processing system.

(2) The funds in the California Student Aid Commission Financial Processor Fund shall be paid out by the State Treasurer on warrants drawn by the Controller, or through a transfer between the California Student Aid Commission Financial Processor Fund and the General Fund, and requisitioned by the commission in carrying out the purposes of this article.

STAFF COMMENTS

California was the first state in the nation to enact the Dream Act. The state's experience is now valuable to other states who are following California's lead. This language would allow the commission to receive funds which can be used to improve its implementation of the Dream Act for California students

Staff Recommendation: Approve the budget bill language

VOTE-ONLY ISSUE 12: COLLEGE ACCESS CHALLENGE GRANT

At its May 22, 2013 hearing, the Subcommittee heard testimony from the California Student Aid Commission noting that the state is at risk of losing federal funding for the College Access Challenge Grant. The Subcommittee could consider adding provisional budget bill language that would allow the use of General Funds to cover up to \$7.8 million in General Fund costs if the federal funding is lost.

BACKGROUND

The College Access Challenge Grant supports three programs; only two are at risk. The two programs are:

- The Cash for College program provides hands-on, multi-lingual assistance to students and their families by helping them complete the universally required federal financial aid form – the FASFA.
- The California Student Opportunity and Access Program (Cal-SOAP) was established to improve the flow of information to students about postsecondary education and financial aid while simultaneously working at raising the achievement levels of low-income, elementary and secondary school students. Today, the 15 Cal-SOAP consortia operate in seventeen outreach service areas throughout the state.

The Challenge Grant has maintenance of effort requirement and allows for a waiver of those requirements under certain circumstances. California did not meet the maintenance of effort requirement for the Challenge Grant in 2011-12 and a waiver was submitted last week. The waiver must be granted in order to receive the federal funds in 2013-14.

If the state does not receive the waiver, CSAC has proposed the following language:

"If by September 30, federal authority to award College Access Challenge Grant funds is not received, effective October 1, an augmentation is authorized from the Special Funds for Economic Uncertainties established pursuant to Section 16418 of the Government Code for the California Student Opportunity and Access Program (Cal-SOAP), and the Cash for College Program. Funding cannot exceed \$259,000 for Schedule (1) of Item 6980-001-0001 and \$7,549,000 for Schedule (1) of Item 6980-101-0001 by \$7,549,000."

STAFF COMMENTS

This language would allow the state to continue to run these vital financial aid outreach programs if federal funding is lost.

Staff Recommendation: Approve the budget bill language

Items To Be Heard

6110 DEPARTMENT OF EDUCATION 6870 CALIFORNIA COMMUNITY COLLEGES

ISSUE 1: PROPOSITION 98 PACKAGE

The issue for the Subcommittee to consider is the total Proposition 98 funding level provided to K-14 schools in the 2013-14 Budget Act.

PANELISTS

- Legislative Analyst's Office
- Department of Finance

BACKGROUND:

Overall Proposition 98 Adjustments. The attached spreadsheet provides detail of the proposed Proposition 98 alternative funding plan. The proposed alternative to the Governor's Budget makes the following adjustments:

- Assumes LAO revenue projections which provide a revised funding level of \$57.4 billion for the current year and \$57.6 billion for the budget year.
- Adjusts deferral payments to pay \$400 million more in the current year and \$400 million less in the budget year. Overall deferral payments are the same as the Governor's May Revision \$4.9 billion.
- Provides a total of \$1.5 billion for Common Core State Standards implementation pursuant to legislation.
- Increases funding for the Governor's Local Control Funding formula by over \$1 billion.
- Provides \$630 million for Adult Education. Provides that for 2013-14, all LEAs receiving adult education funding shall continue to receive the same level of funding. Those districts operating adult education programs shall maintain the same 2012-13 spending level for those programs. Beginning in 2014-15 adult education program and funding requirements are restored.
- Restores several programs including the Early Mental Health Initiative, Foster Youth Services, Adults in Correctional Facilities and Apprenticeship programs.
- Increases funding to key categorical programs that provide direct services to students, by restoring the programs to 2007-08 funding levels and providing a cost-of-living-

adjustment. These programs include Disabled Student Program and Services, Extended Opportunity Programs and Services, and CalWORKS.

- Increases access to community colleges by funding enrollment growth of 2.2 percent, which is 6,600 Full Time Equivalent Students more than the May Revise.
- Funds the common assessment system, called for in AB 743 (Chapter 615, Statutes of 2011), which will improve outcomes for students and save millions of dollars by ensuring colleges can leverage purchasing power to purchase testing instruments centrally.
- Increases funding to other important categorical programs by providing a cost-of-living adjustment to the May Revise funding levels.
- Amends Education Code Section 84043 to remove the matriculation and apprenticeship programs from the list of categorical items that have been "flexed."
- Provides \$7.2 million for adult education planning grants.

• **Staff Recommendation: Approve Proposition 98 Package**
