

## AGENDA

### ASSEMBLY BUDGET SUBCOMMITTEE NO. 2 ON EDUCATION FINANCE

Assemblymember Susan Bonilla, Chair

TUESDAY, MAY 7, 2013

9:00 AM - STATE CAPITOL ROOM 444

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## ITEMS TO BE HEARD

### 6110 DEPARTMENT OF EDUCATION

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<b>ISSUE 1: ANNUAL UPDATE FROM THE FISCAL CRISIS MANAGEMENT ASSISTANCE TEAM (FCMAT): PRESENTATION ON DISTRICT FINANCIAL HEALTH (<i>INFORMATION ONLY</i>)</b>
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Current law requires the Fiscal Crisis and Management Assistance Team (FCMAT) to provide an annual overview of the overall fiscal health of school districts to the budget Subcommittees. This presentation has been particularly helpful in recent years, providing this Subcommittee with crucial information on the local effects of state reductions in education spending.

<b>PANELISTS</b>
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- Joel Montero, Chief Executive Officer, FCMAT

<b>BACKGROUND:</b>
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In 1991, AB 1200 (Eastin), Chapter 1213 created an early warning system to help avert financial crisis in local education agencies (LEAs), such as bankruptcy and/or the need for an emergency loan from the state. The formal review and oversight process, often referred to as the "AB 1200 process" requires the county superintendent to approve the budget and monitor the financial status of each school district and JPA in its jurisdiction. County Offices of Education (COEs) perform a similar function for charter schools. The California Department of Education (CDE) reviews the finances of COEs.

In 2004, fiscal accountability provisions were strengthened with the passage of AB 2756. The law made immediate changes in the process, county offices use to review district budgets and interim reports. It also called for the state to update the standards and criteria used for the fiscal oversight of LEAs, effective in 2006-07.

**Fiscal Crisis and Management Assistance Team (FCMAT).** When AB 1200 was developed, the state also recognized the need for a statewide resource focusing on fiscal and management guidance to assist monitoring agencies in the performance of their tasks and to assist LEAs that request help in school business management and related areas. Therefore, AB 1200 called for the creation of a FCMAT. The bill specified that one county office of education would be selected to administer the team. Through a competitive process, the office of the Kern County Superintendent of Schools was selected to administer FCMAT in June 1992.

The mission of FCMAT is to help LEAs fulfill their financial and management responsibilities by providing expedient fiscal advice, management assistance, training and other related school business services. This can occur under several different circumstances. For example, if a county office reviews and disapproves a school district's annual budget, that

county office may call upon FCMAT to examine the district's financial records, develop an approvable budget, and/or provide other operational recommendations that will ensure fiscal stability. In addition, FCMAT can respond directly at the request of a school district or county office that may seek advice to improve management practices, business policies and procedures or organizational structure. The state, in its monitoring role, also could ask for FCMAT's assistance.

**Governor's Budget Proposal for FCMAT.** The Governor's 2013-14 budget proposes to provide the same operational support for FCMAT as provided in the current year. Specifically, the budget proposes to provide \$4.8 million Proposition 98 (General Fund) for FCMAT functions and oversight activities related to K-12 schools. This amount reflects a permanent 19.8% reduction (implemented in prior years through Control Section 12.42). The budget also includes \$570,000 Proposition 98 (General Fund) for FCMAT to provide support to community colleges.

**Dedicated funding for county fiscal oversight rolled into LCFF.** Under the Governor's Local Control Funding Formula, COEs would still be required to review, examine and audit district budgets as well as annually notify districts of qualified or negative budget certifications, however, the state would no longer provide a dedicated funding source for this purpose. The Governor's proposal would roll the \$4.4 million dedicated to fiscal oversight into the new LCFF formula for COEs.

**Interim Reports and Certification.** Current law requires districts to file two interim reports during a fiscal year on the status of the district's financial health.

For the first interim report, districts self-certify their budgets to their COE by December 15 (for the period ending October 31). COEs are then required to report the certification for all districts in their county to the Superintendent of Public Instruction (SPI) and the State Controller within 75 days after the close of the reporting period (generally by March 1).

For the second interim report, districts self-certify their budgets to their COE by March 17 (for the period ending January 31). COEs are then required to submit their certification of these results to the SPI and the State Controller within 75 days after the close of the reporting period (generally by June 1).

The interim reports must include a certification of whether or not the LEA is able to meet its financial obligations. The certifications are classified as positive, qualified, or negative.

- A **positive certification** is assigned when the district will meet its financial obligations for the current and two subsequent fiscal years.
- A **qualified certification** is assigned when the district may not meet its financial obligations for the current or two subsequent fiscal years.
- A **negative certification** is assigned when a district will be unable to meet its financial obligations for the remainder of the current year or for the subsequent fiscal year.

**First Interim Status Reports.** The most recent available report is the 2012-13 First Interim report published by CDE in March of 2013. Seven school districts received a negative certification at this reporting period. Inglewood Unified, South Monterey County Joint Union High and Cotati-Rohnert Park were on this list last year as well.

Number	County	Local Educational Agency	Total Budget (\$) in millions
1	Los Angeles	Inglewood Unified	118.3
2	Los Angeles	Walnut Valley Unified	111.3
3	Los Angeles	Wilsona Elementary	12.7
4	Monterey	South Monterey County Joint Union High	17.2
5	San Bernardino	Victor Valley Union High	33.4
6	Sonoma	Cotati-Rohnert Park Unified	48.2
7	Stanislaus	Denair Unified	9.7

The first interim report also assigned a qualified certification to 117 local education agencies (LEAs). This is down from the 188 LEAs reported in the Second Interim Status Report for 2011-12 issued in May 2012.

**Second interim preliminary numbers.** Although the 2013-14 second interim report will not be published by CDE until June, FCMAT will provide preliminary second interim information to the Subcommittee during their presentation.

**Emergency loans.** In most cases the oversight, advice, and assistance provided by county offices of education and FCMAT under the AB 1200 process is sufficient to pull LEAs out of immediate financial trouble. The option of last resort for LEAs that have insufficient funds is to request an emergency loan from the state.

A loan (technically referred to in the Education Code as an emergency appropriation) from the State requires that one of the district's local representatives to the State Legislature sponsor a bill through the legislative process. Accepting a state loan is not without consequence. The SPI assumes all legal rights, duties, and powers of the district governing board and an administrator is appointed to the district. Several conditions must be met before control is returned to the district.

State loans are typically set up for repayment over 20 years and state control remains over the school district until the loan is fully repaid. The State loan is sized to accommodate the anticipated shortfall in cash that the district will need during the life of the loan in order to meet its obligations. In addition, all of the costs of ensuring a fiscal recovery are the responsibility of the district and are added to the amount of the state loan. Therefore, a state loan will be much larger than what the district would otherwise need to borrow locally if it had been able to solve its own fiscal crisis. A district that receives a state loan needs to make more expenditure cuts and/or take longer to pay the loan back.

Emergency Loans to School Districts Since 1991						
<i>(Dollars in Millions)</i>						
School District	Year of Legislation	Current State Involvement	Total Loan Amount	Interest Rate on Loan <sup>a</sup>	Pay-Off Date of Loan	
Inglewood	2012	Administrator	\$55	TBD	TBD	
King City Joint Union High <sup>b</sup>	2009	Administrator	\$13.0	5.44%	October 2028	
Vallejo City Unified	2004	Trustee	60.0	1.50	January 2024	
Oakland Unified	2003	Trustee	100.0	1.78	January 2023	
West Fresno Elementary	2003	None	1.3	1.93	December 2010	
Emery Unified	2001	None	1.3	4.19	June 2011	
Compton Unified	1993	None	20.0	4.39	June 2001	
Coachella Valley Unified	1992	None	7.3	5.34	December 2001	
West Contra Costa Unified	1991	None	29.0	1.53	January 2018	
<sup>a</sup> For districts with multiple loans and multiple interest rates, reflects interest rate on largest loan.						
<sup>b</sup> Has since changed its name to South Monterey County Joint Union High.						

Inglewood Unified School District. SB 533 (Wright), Chapter 325, Statutes of 2012 authorized \$29 million (General Fund) for an emergency loan to the Inglewood Unified School District (IUSD). The bill also authorized the school district to augment the emergency apportionment with an additional \$26 million through the California Infrastructure and Economic Development Bank (I-Bank). The bill further required the Superintendent of Public Instruction (SPI) to assume all the rights, duties, and powers of the governing board of IUSD and, in consultation with the Los Angeles County Superintendent of Schools, appoint an administrator to serve in the district.

So far, Inglewood has been advanced \$23 million (General Fund) at an interest rate of .349%. The I-Bank has yet to sell the bonds that would raise the cash for the emergency apportionment for the district. When the bonds are eventually sold, the state's general fund will be reimbursed, with interest, as the first draw against the I-Bank funds. The I-Bank bonds are sold for a 20 year term and the I-Bank estimates the interest rate charged to the district would range from 5 to 5.5%. The I-Bank estimates this rather high interest rate will be applied per their risk assessment of the loan.

**SUGGESTED QUESTIONS:**

- 1) How has the passage of Proposition 30 improved the fiscal outlook for schools? What challenges remain?
- 2) Concerns have been raised over a district's ability to make multi-year budget projections under the Governor's proposed Local Control Funding Formula, specifically due to the application of growth and COLA. Does FCMAT share these concerns?
- 3) Would the Governor's Local Control Funding Formula proposal affect FCMAT operations?
- 4) Although the fiscal climate has improved, seven districts received a negative certification. Can you explain why these districts are in a precarious fiscal situation? What is FCMAT doing to assist these districts?
- 5) Are there any districts that are of particular concern? Any that may need emergency funding from the state and if so, what is the potential impact on the state General Fund?
- 6) What trends are you seeing in enrollment? Is declining enrollment affecting district budgeting? Any other issues affecting enrollment?

**ISSUE 2: GOVERNOR'S 2013-14 PROPOSAL: SPECIAL EDUCATION: AB 602  
FORMULA MODIFICATIONS**

The issues for the Subcommittee to consider are various changes to the state's funding formula for allocating special education funds (also known as AB 602).

**PANELISTS**

- Legislative Analyst's Office
- Department of Finance
- California Department of Education

**BACKGROUND**

**General Program Background.** According to the LAO report, *Overview of Special Education in California (January 2013)*, since 1975, federal law has required public schools to make special efforts to educate disabled students. Revised and reauthorized as the Individuals with Disabilities Education Act (IDEA) in 2004, federal special education law requires local educational agencies (LEAs) to provide “specially defined instruction, and related services, at no cost to parents, to meet the unique needs of a child with a disability.” The law requires schools to provide disabled students with these special supports from age 3 until age 22, or until they graduate from high school, whichever happens first. These services are in addition to what a nondisabled student receives.

- Who receives services? According to the LAO, about one in ten students receives special education services, or roughly 686,000 students. Specific learning disabilities—including dyslexia—are the most common diagnoses requiring special education services (affecting about 4 percent of all K-12 students), followed by speech and language impairments. While the overall prevalence of students with autism and chronic health problems is still relatively rare (each affecting 1 percent or less of all public school students), the number of students diagnosed with these disabilities has increased notably over the past decade.
- What services are provided and how are they determined? Federal law only requires schools to provide special education services to students with diagnosed disabilities that *interfere* with their educational attainment. To determine a student's need and eligibility for special education, schools must conduct a formal evaluation process. If schools determine that general education programs cannot adequately meet a disabled student's needs, they develop Individualized Education Programs (IEPs) to define the additional services the school will provide. Each student's IEP differs based on his or her particular disability and needs. Specialized academic instruction is the most common service that schools provide. This category includes any kind of specific practice that adapts the content, methodology, or delivery of instruction to help students with disabilities (SWDs) access the general curriculum. Other commonly provided services include speech and language assistance and various types of therapies for physical and psychological needs that may be impeding a SWD's educational attainment. Although federal law encourages schools to educate disabled students in mainstream settings, most (about three-quarters) of special education services are delivered in settings other than regular classrooms.

- How are services administered? Because economies of scale often improve both programmatic outcomes and cost-effectiveness, special education funding and some services are administered regionally by 127 Special Education Local Plan Areas (SELPAs) rather than by the approximately 1,000 school districts in the state. Most SELPAs are collaborative consortia of nearby districts, county offices of education (COEs), and charter schools, although some large districts have formed their own independent SELPAs, and three SELPAs consist of only charter schools.
- Costs. Schools receive billions of dollars to provide a basic educational program—including teachers, instructional materials, academic support, and enrichment activities—for *all* students, including SWDs. The average annual costs of educating a SWD, however, are more than double those of a mainstream student—approximately \$22,300 compared to \$9,600. Costs vary among SWDs with most requiring less severe, less costly services, and some students requiring intensive interventions that cost notably more than \$22,300 per year. Schools receive categorical funds to cover a portion of these additional, or “excess costs,” associated with addressing students’ disabilities. Because federal and state special education funds typically are not sufficient to cover the costs of all IEP-required services, however, schools spend from their local unrestricted general funds to make up the difference.
- Funding. In 2012-13, special education expenditures totaled \$8.6 billion. State special education categorical funds covered the largest share of these costs (43 percent), combined with spending from local general purpose funds (39 percent) and federal special education funds (18 percent). Over the past several years, a combination of increasing special education costs and relatively flat state and federal special education funding has resulted in local budgets covering an increasing share of these costs.

**Allocation of funding (AB 602 formula).** California relies primarily on a “census-based” funding methodology that allocates special education funds to SELPAs based on the total number of students attending, regardless of students’ disability status. This funding model implicitly assumes that SWDs—and associated special education costs—are relatively equally distributed among the general student population and across the state. The formula is often referred to as the “AB 602” formula and incorporates (1) state categorical monies, (2) a relatively small amount of local property tax (LPT) revenues that flow through the state’s categorical program, and (3) federal IDEA funds.

In 2012–13, the state allocated about \$2.9 billion in state and LPT funds and \$1 billion in IDEA monies through the AB 602 formula. The amount of AB 602 funding each SELPA receives from each source varies based on four key factors: (1) historical AB 602 per-pupil rates, (2) total ADA, (3) federal allocation formulas, and (4) historical LPT revenue allocations.

**Statewide Target Rate (STR).** To address funding disparities in per-pupil rates across Special Education Local Plan Areas (SELPAs), the state also designed the AB 602 formula with a component that would slowly equalize rates to the STR. The STR was designed to reflect the statewide average rate in 1997, adjusted for cost-of-living adjustments (COLAs), if provided. Each time a SELPA grew in average daily attendance (ADA), the new



ADA was funded at the STR, not the SELPA's unique per-pupil rate. For SELPAs with unique rates below the STR, this had the effect of gradually increasing their overall per-pupil rates towards the STR. (For example, if a SELPA had 100 students funded at an AB 602 rate of \$575 per ADA and grew by 10 students funded at an STR of \$600, the next year its unique AB 602 base rate would be \$577 per ADA.) For SELPAs with unique rates above the STR, this had the effect of gradually decreasing their overall per-pupil rates towards the STR. (For example, if a SELPA had 100 students funded at an AB 602 rate of \$625 per ADA and grew by 10 students funded at an STR of \$600, the next year its unique AB 602 rate would be \$622 per ADA.)

**Problems with the AB 602 Formula.** According to the Legislative Analyst's Office, there are two major problems with the AB 602 formula:

- Modification to State Allocation Formula Has Led to Complications. The state's AB 602 formula originally was designed to be relatively straightforward—blending federal, LPT, and state funds interchangeably to fund a total SELPA amount. The funding calculation grew more complicated in 2005–06 when the state modified how the formula operates in some situations. Specifically, federal law now prohibits a state from using federal funds to pay for COLAs or growth adjustments that are required by state law.

Consequently, the state now goes through a complex annual calculation for SELPAs that grow or decline in ADA from one year to the next. As previously discussed, the state provides a Statewide Target Rate (STR) of \$465 per ADA to fund new SELPA ADA and to compute COLAs.

The state also uses a SELPA's unique blended rate (state plus federal funds, averaging roughly \$660 per ADA) to fund existing ADA and apply reductions when a SELPA declines in ADA. This discrepancy has led to a gradual "ratcheting down" of funding rates in some SELPAs.

- Funding Rates Vary Across SELPAs. When the state first transitioned to the AB 602 formula in 1998–99, each SELPA's per-pupil rate was derived based on how much it had received under the old cost-based special education funding model. Because SELPAs had structured services in varying ways there was some discrepancy amongst these rates.

While the state made some investments in equalizing AB 602 rates over the ensuing years, large discrepancies remain. Individual SELPA per-ADA rates range from about \$570 to about \$1,090, with a statewide weighted average rate of about \$660.

**Governor's Proposal.** The Governor's budget proposes to delink the federal and state special education allocation formulas. Under this approach, a SELPA's federal IDEA funds no longer would serve as an offset to its state allocation. Instead, each SELPA's state AB 602 allocation would be calculated independently based on a state-only per-ADA rate. (Under the Governor's proposal, a SELPA's LPT revenues would continue to count as a contributing revenue to make up this state allotment.) Because the new per-ADA rates would be derived by subtracting federal funds from SELPAs' blended AB 602 rates—which differ based on historical factors—the new rates also would vary across SELPAs. Separately, each SELPA would continue to receive federal allocation pursuant to the IDEA

formulas. This approach would treat all SELPAs similarly to how charter-only SELPAs are funded under current law.

#### LAO Comments/Recommendations:

- Adopt Governor's proposal to delink state and federal funds from AB 602 formula. The LAO recommends adoption of the Governor's proposal to fully remove federal funds from the state's special education allocation formula. According to the LAO, modifying the state's allocation formula in this way would create a consistent, rational funding policy for growing and declining ADA, as well as avoid complications in years when federal funds increase. Moreover, simplifying the current formulas would help policy makers and the public better understand special education funding policies.
- Update State Target Rates. The LAO recommends updating the State Target Rate (STR) from \$465 (which reflects an outdated statewide average rate) to \$535 (which represents the rate for the 90th percentile of ADA). Under this approach, all new SELPA ADA would be funded at \$535. The Department of Education estimates additional Proposition 98 costs of \$1.2 million associated with this proposal. Due to other offsetting budget adjustments, additional funding may not be required beyond currently proposed levels in 2013-14.
- Provide Additional Funds to Equalize AB 602 Funding Rates in Tandem With LCFF Rates. According to the LAO, the Governor proposes to gradually equalize general purpose and other categorical funding rates across school districts through his Local Control Funding Formula (LCFF). In contrast, the Governor has no proposal to address existing differences in special education funding rates. While the proposal to remove federal funds from the AB 602 calculation would clarify each SELPA's state funding rate, it would not make significant progress towards eliminating the disparities among those rates. The LAO recommends the state adopt a plan for equalizing special education funding rates that is aligned with whatever approach it adopts for equalizing general education rates. The state could adopt a target AB 602 rate at the level where 90 percent of ADA in the state receives the same rate (\$535 per ADA). (The state has used the 90th percentile target to equalize revenue limits in the past.) The LAO estimates equalizing to this target rate would cost approximately \$300 million. The state could move towards this target in a manner consistent with moving districts towards their LCFF target, for example.
- Add Mental Health Funding to AB 602 Base Grant. According to the LAO, all SELPAs are required to provide IEP-related mental health services, and the associated funding already is allocated on a per-ADA basis. As such, the LAO recommends this grant be consolidated into the SELPA's base funding. According to the LAO, this change would provide SELPAs with greater discretion to target special education funds for the needs of their local SWDs (whose mental health needs may change from year-to-year).

#### STAFF COMMENTS/QUESTIONS

Several mental health advocacy groups are opposed to the LAO proposal to roll mental health funding into the AB 602 base grant. Responsibility for administering the provision of educationally-related mental health services and residential care (previously referred to as AB 3632) was transferred from the county Mental Health Plans to Local Education Agencies

by AB 114 (Chapter 43, Statutes of 2011). The 2012-13 Budget Act allocated \$423,189,000 from Proposition 98 and federal IDEA funds for the sole purpose of providing educationally related mental health services, including out-of-home residential placements. Staff agrees with the Governor's approach to set-aside a dedicated funding source for mental health services until transition is fully complete.

Suggested Questions:

1. What are the benefits of delinking state and federal special education funding within AB 602 per the Governor's formula? Are there any negative consequences to delinking?
2. What are the costs of recalculating the AB 602 State Target Rate to reflect the updated statewide average rate after removing federal funds from the formula? What are the Administration's thoughts about this LAO proposal?

**ISSUE 3: GOVERNOR'S 2013-14 PROPOSAL: SPECIAL EDUCATION: PROGRAM CONSOLIDATIONS**

The issue for the Subcommittee to consider is the Governor's proposal to consolidate a number of separate special education programs.

**PANELISTS**

- Legislative Analyst's Office
- Department of Finance
- California Department of Education

**BACKGROUND**

In addition to their AB 602 formula allocations, SELPAs received a total of \$926.4 million in funding for separate special education programs and calculations in 2012-13. Of this amount, \$740.8 million is currently derived from state funding and \$185.7 million from federal funding.

**Governor's Proposal.** The Governor's budget proposes to roll two grants into the AB 602 base and consolidate six special education grants into three larger grants.

- Roll Two Special Education Grants Into the AB 602 Formula. The Governor proposes to consolidate two grants—Program Specialists and Regionalized Services (PSRS) and staff development—into the AB 602 base. Currently, roughly \$90 million in PSRS funds are set aside for regional SELPA activities. Small SELPAs located in less populous areas of the state receive \$2.7 million in supplemental PSRS funding. Additionally, SELPAs currently receive \$2.5 million specifically to conduct staff and parent training activities. The Governor's proposal would change current law by allowing all associated funds to be used for any special education purpose, at the discretion of the SELPAs' LEA members. The SELPAs could choose to continue dedicating the same amount for regional and staff development activities or allocate a share of these funds to member LEAs to help cover the costs of IEP-required student services. Currently, PSRS funds are allocated on a per-ADA basis, but at historical and slightly different per-pupil rates—similar to AB 602. The staff development grant currently is allocated on a per-SWD basis, so adding it to the AB 602 ADA-based formula would represent a change in how future funds are distributed.
- Combine Two WorkAbility Grants. The proposal would consolidate two discrete grants supporting WorkAbility, a vocational education program that serves SWDs in middle

and high schools. The two current programs include the WorkAbility I LEA Project currently funded at \$29.5 million and the WorkAbility I Vocational Education Project funded at \$10.3 million annually. The proposal would not alter the allowable uses or current recipients of the funds, as the two grants already are administered as one program.

- Combine Two Low-Incidence Disabilities Grants. The proposal would combine two separate grants directed exclusively for students with low-incidence disabilities -- equipment and materials currently funded at \$13.4 million and specialized services currently funded at \$1.7 million annually. Low incidence disabilities are defined as hearing impairments, vision impairments, and severe orthopedic impairments. The proposed change would allow SELPAs to use the combined funds on any mix of services or equipment costs, provided the funds still were targeted for students with these low incidence disabilities.
- Merge Assessment Research Grant Into Technical Assistance Grant. The proposal would eliminate the \$200,000 annual grant currently dedicated to researching how best to assess students from different cultural backgrounds, and shift the funding to increase a \$1.1 million state grant that the California Department of Education (CDE) currently uses for California Services for Technical Assistance and Training (CaSTAT) statewide technical assistance activities. The proposal would leave it to CDE's discretion whether to require CaSTAT to dedicate a share of the funding for activities related to cross-cultural assessments, or to allow the funds to be repurposed for other activities.

**LAO recommendation.** Per the chart below, the LAO recommends the Legislature adopt a more expansive approach to streamlining special education funding than that proposed by the Governor.

<b>LAO Alternative for Consolidating Special Education Grants</b> <i>2013-14 Proposed Amounts</i>		
Affected Grants	Governor's Proposal	LAO Recommendation
<b>Changes to Base Funding</b>		
<ul style="list-style-type: none"> <li>▪ Program specialists and regionalized services (PSRS) (\$90.3 million) and supplement for small SELPAs (\$2.7 million)</li> <li>▪ Staff development (\$2.5 million)</li> <li>▪ Mental health funding (\$426 million)</li> </ul>	<p>Adds PSRS and staff development to AB 602 base funding. No proposed change for mental health funding.</p>	<p>Adopt Governor's proposal, but also add mental health funding to AB 602 base. Continue providing some supplemental AB 602 funding for small SELPAs.</p>
<b>Transition Services</b>		
<ul style="list-style-type: none"> <li>▪ WorkAbility I LEA Project (\$29.5 million)</li> <li>▪ WorkAbility I Vocational Education Project (\$10.3 million)</li> </ul>	<p>Combines, does not change allocation or program requirements.</p>	<p>Combine into new "Transition Services" funding supplement, remove specific program requirements, change distribution to allocate equal amount per ADA in grades 9-12.</p>
<b>LID Programs</b>		
<ul style="list-style-type: none"> <li>▪ LID materials (\$13.4 million)</li> <li>▪ LID services (\$1.7 million)</li> <li>▪ LID ROCP (\$5.3 million)</li> </ul>	<p>Combines LID materials and services. No proposed change for LID ROCP.</p>	<p>Adopt Governor's proposal, but also combine LID ROCP funding into new "LID Block Grant," remove ROCP-related requirements.</p>
<b>Statewide Activities</b>		
<ul style="list-style-type: none"> <li>▪ Statewide training and technical assistance (\$1.1 million)</li> <li>▪ Cross-cultural assessments (\$200,000)</li> </ul>	<p>Combines.</p>	<p>Adopt Governor's proposal.</p>
<b>Extraordinary Cost Pools</b>		
<ul style="list-style-type: none"> <li>▪ For NPS placements (\$3 million)</li> <li>▪ For NPS placements (mental health) (\$3 million)</li> </ul>	<p>None.</p>	<p>Combine, adopt uniform set of eligibility criteria for subsidizing high-cost student placements.</p>
<small>SELPAs = Special Education Local Plan Area; LEA = local educational agency; LID = low-incidence disability; ROCP = Regional Occupational Center or Program; and NPS = nonpublic school.</small>		

Specifically, the LAO recommends the following changes:

- Roll Two Stand Alone Programs into AB 602, But Continue Providing Additional Funding for Small SELPAs. The LAO believes the Governor's proposal to roll the Program Specialists and Regionalized Services (PSRS) funds (\$90 million) and Staff Development Grant funds (\$2.5 million) into the AB 602 formula is a good first step towards increasing SELPAs' flexibility. However, the LAO recommends one modification to continue \$2.7 million in PSRS funding for exceptionally small, geographically isolated SELPAs that cannot take advantage of economies of scale.

Per the LAO, PSRS and Staff Development grants currently fund activities that all SELPAs must perform. As such, allocating the funds on an equal per-ADA basis and allowing SELPAs to determine how much to spend on these activities, weighed against other special education priorities, makes sense. According to the LAO, this particular component of the proposal is consistent with the Governor's overall K-12 funding approach that removes most spending requirements, including those related to staff development.

- Combine WorkAbility Grants into "Transition Services" Funding Supplement, Allocate to All SELPAs. According to the LAO, the Governor's proposed consolidation of the two WorkAbility grants would have virtually no effect on the existing program. Maintaining this categorical program, with its specific requirements and uneven statewide participation rates, seems counter to the restructuring approach the Governor is applying to K-12 education. The LAO recommends adopting a more consistent approach, which would increase local flexibility and equalize funding across all SELPAs serving high school SWDs. Under this approach, the funds would be allocated based on a SELPA's ADA in grades 9-12 and could be used to provide any transition service for SWDs in those grades. Because reallocating these funds across all SELPAs would decrease per-pupil rates compared to the existing grants, the Legislature could consider increasing funding for this new grant in the future should it wish to enable SELPAs to continue offering WorkAbility-like services.
- Add LID ROCP Funding to LID Block Grant. The state currently provides funding for students with LIDs to participate in ROCPs. The per-pupil rates are quite high (\$6,199 per visually impaired ADA, \$3,549 per deaf ADA, and \$1,964 per orthopedically impaired ADA) because these students require more intensive assistance. Given all other state funding for ROCP has been subject to categorical flexibility since 2009 and the Governor is proposing to permanently eliminate ROCP programmatic requirements and funding, continuing to earmark funds for SWDs to participate in this specific program seems illogical. Instead, the LAO recommends combining the funds with the other two LID grants and distributing the funds on an equal rate for each student with a LID. Under this approach, educators can dedicate the funds to the most appropriate educational program for the student—be it an ROCP-like program, other CTE program, or other activity.
- Combine Two Extraordinary Cost Pools (ECPs). The state currently maintains two ECPs with similar but distinct eligibility criteria. Individual SELPAs can apply for a share of these funds if they experience exceptionally high costs associated with placing students in specialized schools. The Governor did not propose changes to this structure; however, the LAO believes streamlining the application and approval process would maximize

effective use of these funds. Specifically, the LAO recommends combining the two pools and applying one uniform set of eligibility criteria.

<b>STAFF COMMENTS/QUESTIONS</b>
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Given the complexity of special education funding, staff agrees with the LAO assessment that the consolidation of some of these special education funding streams can help make this dedicated funding easier to understand and further allow for increased engagement for students and parents, educators, and state policymakers.

The Coalition for Adequate Funding for Special Education, an organization which represents roughly 90 percent of the state SELPAs, is opposed to the Governor's proposal to roll the PSRS funds (\$90 million) and Staff Development Grant funds (\$2.5 million) into the AB 602 formula. According to the organization, SELPAs are concerned about their ability to provide services based on economies of scale. Further, Program Specialists funds are used to carry out duties described in the education code regarding ensuring appropriate programs and services for each child. Some SELPAs hire staff to provide these services directly to their districts and some send these funds to their districts to hire their own staff to carry out Program Specialist duties. SELPAs are concerned that if these funds are rolled into the base, each SELPA will need to develop new allocation plans and funding processes to ensure all of the services and required regionalized duties are completed. It appears the current system is working for the districts and SELPAs, it is not clear what problem this proposal will solve.



**ISSUE 4: GOVERNOR'S 2013-14 PROPOSALS: K-14 EDUCATION MANDATES**

The issues for the Subcommittee to consider are the Governor's proposals to:

- 1) Increase funding for the K-14 mandate block grant by \$100 million;
- 2) Add the Behavioral Intervention Plans (BIP) and Graduation Requirements mandates to the block grant;
- 3) Suspend six additional mandates; and
- 4) Include funding for claims for the new K-12 Pupil Suspension/Expulsion Mandate.

**PANELISTS**

- Department of Finance
- Legislative Analyst's Office
- California Department of Education

**BACKGROUND**

The concept of state reimbursement to local agencies and school districts for state mandated activities originated with the Property Tax Relief Act of 1972 (Senate Bill 90, Chapter 1406, Statutes of 1972), known as SB 90. The primary purpose of the Act was to limit the ability of local agencies and school districts to levy taxes. To offset these limitations, the Legislature declared its intent to reimburse local agencies and school districts for the costs of new programs or increased levels of service mandated by state government. The Legislature authorized the State Board of Control to hear and decide upon claims requesting reimbursement for costs mandated by the state. This duty is now assumed by the Commission on State Mandates (CSM), a quasi-judicial body created in 1984.

Proposition 1A, approved by the state's voters in 2004, required the Legislature to appropriate funds in the annual budget to pay a mandate's outstanding claims, "suspend" the mandate (render it inoperative for one year), or "repeal" the mandate (permanently eliminate it or make it optional). The provisions in Proposition 1A, however, did not apply to K-14 education.

Over the years, as the cost and number of education mandates grew, the state began to defer the full cost of education mandates. Prior to the 2010-11 Budget Act, the state had deferred the cost of roughly 50 education mandates but still required local education agencies (LEAs) to perform the mandated activity by providing a nominal amount of money (\$1,000) for each activity. An exception was in 2006 when the state faced some good times and was able to provide more than \$900 million in one-time funds for state mandates. This funding retired almost all district and college claims (plus interest) through 2004-05. The practice of deferring mandate costs was challenged in court in 2009 and is no longer allowed.

The state currently owes just over \$4 billion for prior year mandate costs that accumulated due to the state deferring costs. The Governor proposes to pay \$1.67 billion towards this debt in 2016-17.

**New mandate block grant.** The process for claiming mandate reimbursement has been problematic. According to the Legislative Analyst's Office, mandated costs are often higher than expected, reimbursement rates vary greatly by district, the reimbursement process rewards inefficiency, and the reimbursement process ignores program effectiveness.

The 2012 Budget Act included a block grant as an alternative method of reimbursing school and community college districts for mandated costs. Instead of submitting detailed claims listing how much time and money was spent on mandated activities, districts now can choose to receive funding through the block grant. The state included 43 mandates (and \$167 million) in the block grant for schools and 17 mandates (and \$33 million) for community colleges. Block grant funding is allocated to participating local educational agencies (LEAs) on a per-student basis that varies by type of LEA, as different mandates apply to each type.

- County offices of education (COEs) receive \$28 for each student they serve directly, plus an additional \$1 for each student within the county. (The \$1 add-on for COEs is intended to cover mandated costs largely associated with oversight activities, such as reviewing district budgets.)
- Charter schools receive \$14 per student, while school and community college districts receive \$28 per student. Charter schools are prohibited from claiming reimbursement for mandated costs due to a ruling from the Commission on State Mandates (CSM) in 2006 so the block grant is the only mechanism for charter schools to receive funding for mandated activities.

**Block grant participation.** Due to concerns regarding the state's constitutional obligation to reimburse districts for mandated costs, the state also retained the existing mandates claiming process for districts not opting into the block grant. However, the LAO notes that most school districts and COEs and virtually all charter schools and community college districts opted to participate in the block grant. These LEAs represent 86 percent of K-12 students and 96 percent of community college students. According to the LAO, charter schools likely opted in at such high rates because they have been deemed ineligible for mandate reimbursements through the claims process. The lower participation rate for school districts and COEs could be due to various reasons. Some might have continued claiming for reimbursements because they calculated that they could receive more money that way (because of very high claiming costs compared to others due to differences in salaries and staffing). Other districts and COEs might not have participated due to transitional issues, such as terminating contracts with companies that had been providing reimbursement services for them.

2012-13 Block Grant Participation				
	Number in Block Grant	Total	Percent in Block Grant	Corresponding ADA <sup>a</sup>
Community colleges	67	72	93%	96%
Charter schools	877	946	93	91
School districts	634	943	67	86
County offices	35	58	60	87
<sup>a</sup> Reflects average daily attendance (ADA) for K-12 LEAs. For community colleges, reflects full-time equivalent students. Source: LAO				

**Behavior Intervention Plan (BIP) Mandate not currently included in block grant.**

Federal law entitles children with disabilities to a “free and appropriate education” (FAPE) tailored to their unique needs. In order to achieve these goals, districts are responsible for providing special education and related services pursuant to an Individualized Education Program (IEP), which is developed by an IEP team -- including parents -- with special education expertise and knowledge of a child’s particular needs.

AB 2586 (Hughes), Chapter 959, Statutes of 1990, sought to regulate the use of behavioral interventions and encourage the use of positive behavioral strategies with special education students, as a part of the IEP process. In so doing, Chapter 959 required the State Board of Education (SBE) to adopt regulations that (1) specified the types of behavioral interventions districts could and could not use; (2) required IEPs to include, if appropriate, a description of positive interventions; and, (3) established guidelines for emergency interventions.

The SBE adopted regulations that require districts to conduct a “functional assessment analysis” and develop a Behavioral Intervention Plan (BIP) for students with disabilities exhibiting serious behavior issues. SBE regulations also require districts to train staff to implement BIPs.

In 1994, three school districts filed a claim arguing that BIP-related requirements constituted a reimbursable mandate. In reviewing the claim, the Commission on State Mandates staff found that state statute, “on its face, does not impose any reimbursable state mandated activities,” however, regulations adopted pursuant to state law were found to constitute a state mandate.

At the time BIP-related regulations were implemented, federal law was silent on the use of behavioral interventions. In 1997, however, federal law was amended to include behavioral interventions in the IEP process. Per the LAO, under state law, if a student with a disability exhibits behavior that impedes his or her education, school districts are required to perform three primary activities: (1) assess the student’s behavior using a “functional analysis assessment,” (2) implement a plan for addressing the behavior (the BIP), and, (3) ensure teachers are properly trained to perform BIPs. Per the LAO, after state laws and regulations were adopted, the federal government essentially chose to require the same primary activities.

The BIP mandate was not included in the block grant last year nor was any money provided for reimbursement claims since districts are not yet filing for reimbursement. Though the mandate dates back over two decades, various legal challenges and settlement negotiations delayed CSM's adoption of reimbursement guidelines until this January. At this time, it is still unclear how much districts will claim for the mandate. Based on the reimbursement guidelines adopted by CSM, statewide claims could total \$65 million annually. The reimbursement guidelines require that these claims be offset, however, by special education funding specifically designated in state law for the BIP mandate. Enough special education funding is available to offset virtually all claims. Uncertainty regarding the offset exists, however, because the state is currently being sued over offset language.

**High School Science Graduation Requirement Mandate also not currently included in the block grant.** As part of major education reform legislation in the early 1980s, the Legislature increased the state's high school graduation requirements. Among other changes, the law required that all students complete two high school science classes prior to receiving a diploma (the previous requirement was one science class). This change raised the total number of state-required courses from 12 to 13.

Mandate claims were submitted to CSM for the costs associated with providing an additional science class. In 1987, CSM determined that providing an additional science class imposes a higher level of service on districts and, therefore, constituted a reimbursable mandate.

According to the LAO, after districts began claiming reimbursements, the state became involved in several lawsuits over many years regarding the mandate. In one case, the courts limited the state's ability to apply offsetting savings from reductions in non-science courses by essentially requiring the state to find direct evidence that the additional science course led to a reduction in other courses. Two additional lawsuits still remain unresolved. In the first case, the state is suing CSM over the specific reimbursement methodology it adopted to calculate the costs of the mandate. The state believes the methodology adopted by CSM does not meet statutory requirements. The methodology also significantly increases state costs—both prospectively and retrospectively. In the second case, school districts are suing the state regarding whether revenue limits are an allowable offset for covering science teacher salary costs. The Legislature amended state law to require this offset a few years ago. (School districts recently amended this second lawsuit to include a charge that the schools mandate block grant itself was illegal. Given the amendment, the suit essentially restarts a process that can take several years to complete.)

Currently, districts are claiming \$265 million annually for the Graduation Requirements mandate (more than what they claim for all other mandates combined). These costs, however, are based on the reimbursement methodology that the state believes to be flawed. The costs also have not been offset with revenue limits as required under state law. (The CSM has not yet included the revenue limits offset in its reimbursement guidelines due to the pending litigation.) If the state succeeds in having the reimbursement methodology changed and the revenue limits offset applied, reimbursable claims would be significantly less than what districts are now claiming. Due to this uncertainty, the state neither included the mandate in the block grant last year nor provided any funding for reimbursement claims.

**Issues to address moving forward.** According to the LAO, moving forward, the state left unanswered how to include new mandates in the block grant. Specifically, the state did not address at what point in the mandate determination process a new mandate would be

included in the block grant. The state also did not address how much funding to provide for new mandates. (Though the block grant in 2012–13 provided levels of funding that were roughly similar to how much schools and community colleges had been claiming for the included mandates, the amounts were not directly tied to claims costs.) Additionally, the state did not address whether adjustments would be made to the block grant in the future to account for any changes in costs (such as for inflation).

**Governor's 2013-14 Proposal.** The Governor proposes the following changes related K-14 mandates:

- 1) **Increases Mandate Block Grant Funding and adds two mandates.** The Governor provides an additional \$100 million for the K-12 Mandate Block Grant, which will increase Proposition 98 funding for the block grant from \$167 million in 2012-13 to \$267 million in 2013-14. The Governor proposes to include two mandate programs that were not included last year – Behavioral Intervention Plans (BIP) and Graduation Requirements. The cost estimate recently adopted by the Commission on State Mandates places the costs of the BIP mandate at about \$65 million per year. As a result of statutory modifications proposed by the Governor, the Administration estimates that BIP mandate costs would drop to about \$7 million annually. With regard to the Graduation Requirement mandate, according to the LAO, districts are claiming about \$265 million annually for this mandate. Prior year claims are estimated at \$2.5 billion for this mandate.
- 2) **Modifies BIP mandate.** The Governor proposes to modify several of the state's BIP requirements to make them less prescriptive. For example, districts no longer would be required to use specific assessments and specific behavioral interventions. This goal is to make state BIP requirements conform with current federal BIP requirements, thereby eliminating associated state reimbursable mandate costs. The Governor's proposal, however, retains a few state requirements in excess of federal requirements. For example, state requirements would continue to prohibit certain types of interventions as well as prescribe certain activities related to emergency interventions. As a result of these changes, the Governor estimates BIP mandate costs would drop to \$7 million annually.
- 3) **Suspends six mandates.** The Governor's budget continues to suspend the same education mandates in 2013-14 that were suspended in 2012-13. The Governor proposes to suspend six additional education mandates to conform with the approach taken on these mandates for local governments. The Governor also proposes to remove these mandates from the K-12 block grant. School districts submitted approximately \$20 million in claims for these mandates in 2010-11, the latest year for which complete data is available.

<b>Mandates Proposed for Suspension</b>				
<b>Mandate</b>	<b>Included in Block Grant</b>		<b>Suspended for Local Governments</b>	
	<b>12-13 Budget</b>	<b>Governor's Proposal</b>	<b>12-13 Budget</b>	<b>Governor's Proposal</b>
<b>Absentee Ballots.</b> Requires that absentee ballots be provided to any eligible voter upon request.	Yes	No	Yes	Yes
<b>Brendon Maguire Act.</b> Requires a special election (or the reopening of nomination filings) when a candidate for office dies within a specified time prior to an election.	No <sup>a</sup>	No	Yes	Yes
<b>California Public Records Act.</b> Requires the disclosure of agency records to the public upon request. Also requires agencies to assist the public with their requests.	No <sup>b</sup>	No	No	Yes
<b>Mandate Reimbursement Process I and II:</b> Requires reimbursement for the costs of (1) filing initial mandate test claims, if found to be a mandate, and (2) filing annual mandate reimbursement claims.	Yes	No	Yes	Yes
<b>Open Meetings/Brown Act Reform.</b> Requires local governing boards to post meeting agendas and perform other activities related to board meetings.	Yes	No	Yes	Yes
<b>Sex Offenders: Disclosure by Law Enforcement Officers.</b> Requires law enforcement to obtain, maintain, and verify certain specific information about sex offenders.	Yes	No	Yes	Yes
<sup>a</sup> Excluded because no claims have ever been filed by LEAs. <sup>b</sup> Excluded because it had not yet finished the mandate determination process.				

4) **Includes Funding for Claims for New K-12 Pupil Suspension/Expulsion Mandate.**

The Governor recognizes a new K-12 mandate related to pupil suspensions and expulsions in the 2013-13 budget. The Governor adds this mandate to the budget bill item that lists mandates eligible to receive funding for mandate reimbursement claims however, the Governor does not propose to add this mandate to the block grant related to the mandate. This mandate relates to an existing mandate requiring districts to suspend or expel students for committing certain offenses. The Commission on State Mandates estimates that this mandate will cost a little over \$1 million annually. The reimbursable costs are largely attributable to expulsion and suspension hearings, including appeals. The new mandate pertains largely to offenses not included within the purview of the original mandate. For example, the new mandate includes the requirement that a school board expel a student who brandishes a knife at another person.

**LAO recommendations.** The Legislative Analyst's Office offers the following comments and recommendations related to the Governor's mandate proposals:

- Block Grant Increase.** Given the uncertainty regarding the costs of the Graduation Requirements and BIP mandates, it is difficult to assess whether \$100 million is an appropriate amount to add to the block grant. On the one hand, if the state were to lose all the various lawsuits involving these mandates, then the claims for the two mandates combined could be over \$300 million annually. On the other hand, if the state were to prevail in court, then claims for the two mandates likely would be almost entirely offset with Proposition 98 funding. From a state perspective, this means that the block grant augmentation potentially is too large and the state might be “overpaying.” From a district perspective, this means that the block grant augmentation potentially is too small. In that case, some districts might view this as a disincentive to participate in the block grant.

The LAO recommends the Legislature **reject** the Governor's proposal to increase block grant funding and add the Graduation and BIP mandates into the block grant. The LAO believes there is considerable uncertainty regarding whether the cost of these mandates will be much higher or much lower than the proposed \$100 million augmentation and funding for the second science course mandate largely would be associated with non-high school students, to whom the mandate does not apply.

- **BIP Mandate.** The LAO believes the Governor's proposal to better align state and federal BIP requirements has several positive features. First, the proposal recognizes that since the state enacted its BIP requirements over 20 years ago, many changes have been made to federal law that strengthen protections for all Students with Disabilities. As a result, the requirements in state law provide relatively few additional benefits. Moreover, state law is more prescriptive in terms of the types of assessments and BIPs that districts must develop, whereas federal law allows for a broader spectrum of options. At the same time, the Governor's proposal retains a few key state requirements that offer stronger protections than federal law, such as the prohibition on using emergency interventions that involve physical discomfort. Finally, the Governor's proposal has the advantage that it would significantly reduce the associated mandate costs.

The LAO recommends the Legislature adopt the Governor's proposal to align state BIP requirements more closely with federal requirements. This approach would provide districts with additional flexibility in addressing behavioral problems while at the same time maintain certain stronger student protections not included in federal law. Moreover, though state costs for the BIP mandate are subject to considerable uncertainty due to ongoing litigation, the proposal would reduce state costs for the mandate in the event the state loses in court.

- **Graduation Requirement Mandate.** The LAO recommends the Legislature consider strengthening the offset language for this mandate. Though they think the existing statutory provision offsetting the costs of the science mandate is appropriate for the reasons discussed earlier, the state could strengthen the language going forward. Specifically, the state could designate that first call on the future increases in per-student funding for high school students that would occur under the Governor's proposed K-12 funding formula is for the science mandate.
- **Mandate suspension.** According to the LAO, among the six mandates the Governor proposes to suspend, four (Brendon Maguire Act, Absentee Ballots, California Public Records Act, and Sex Offenders: Disclosure by Law Enforcement Officers) relate closely to the equivalent local government mandates. To the extent applicable, the state generally applies the same policy across local government agencies. The remaining two mandates have certain aspects unique to schools and community colleges. For the Mandate Reimbursement Process mandate, schools and community colleges have the option to participate in the block grant instead of filing claims for reimbursement. Therefore, suspending this mandate for LEAs would provide an even greater incentive for them to participate in the block grant instead of filing claims. For the Open Meetings/Brown Act Reform mandate, Proposition 30 (passed by the voters at the November 2012 election) eliminated the state's obligation to pay for this mandate but did not eliminate the requirement that local agencies perform the activities. This has different implications for LEAs compared to other local governments. This is because the state is

not required to suspend a mandate for LEAs in order to avoid paying down prior-year claims, as it is required to do for local governments.

The LAO recommends conforming to the actions taken for local governments for the Absentee Ballots, Brendon Maguire Act, California Public Records Act mandates, and Sex Offenders: Disclosure by Law Enforcement Officers. They recommend suspending the Mandate Reimbursement Process since it would provide an additional incentive for LEAs to participate in the block grant. For the Open Meetings/Brown Act Reform mandate, the LAO recommends rejecting the proposal to suspend it but adopt the proposal to remove it from the block grant, given the changes made by Proposition 30 that eliminated the state's reimbursement obligation.

- ***Pupil Suspensions/Expulsions Mandate.*** According to the LAO, CSM estimates that this mandate will cost a little over \$1 million annually. On the one hand, it seems likely that districts would perform the mandated activities even if they were not required to do so under state law. For example, a student brandishing a knife at others would most likely be expelled by a school board. On the other hand, the mandate relates to pupil safety, which the LAO believes generally provides a strong justification for retaining a state-mandated activity. Moreover, the mandate is closely related to an existing mandate that has been active for many years and was included in the block grant last year.

The LAO recommends the Legislature place the new mandate in the block grant since the mandate is intended to protect public safety. This action is consistent with last year when the Legislature placed the similar existing mandate in the block grant.

#### STAFF COMMENTS/QUESTIONS

Staff agrees with the LAO assessment that given the uncertainty around the Graduation Requirement costs and pending litigation it is difficult to assess whether \$100 million is an appropriate amount to add to the block grant for this mandate. Furthermore, the K-12 mandate block grant is experiencing strong initial success. Adding the Science Graduation Requirement mandate could undermine this success. Staff recommends against adding additional funding to the block grant at this time for these reasons.

With regard to the BIP mandate, the Coalition for Adequate Funding for Special Education supports the Governor's proposal to repeal state BIP law that exceeds federal law but also supports keeping in place state regulations that prohibit certain types of behavioral interventions to ensure consistency across the state. The Coalition as well as the California School Boards Association agree with many of the proposed changes to state law as they relate to Behavior Intervention Plans, however, they also have some concerns with the language and have offered amendments. Staff recommends the Subcommittee approve ONLY those pieces of law that ALL parties agree should be changed.

Staff has reservations about the Governor's proposal to suspend six mandates. It is not fully known what effect the suspension of these mandates would have on education entities. With regard to the Brendon Maguire Act, no schools have claimed this mandate and it is not clear if it applies to education entities so the need to suspend is not clear. With regard to the California Public Records Act, this mandate has not yet been suspended on the local government side and the Commission on State Mandates has not yet issued a statewide cost estimate for this activity. It appears premature to address this mandate in the budget this



year. For the Open Meetings/Brown Act Reform mandate, Proposition 30 (passed by the voters at the November 2012 election) eliminated the state's obligation to pay for this mandate so there does not appear to be a need to suspend this mandate.

Suggested Questions:

- 1) What guidelines is the Administration using for handling new mandates under the new block grant system?
- 2) How is the Administration deciding which new mandates should be added to the block grant and/or which should be subject to the traditional claims reimbursement process?
- 3) How many new K-14 education mandates are in the Commission of State Mandates pipeline? Is there any preliminary evidence that the new mandate block grant is slowing demand?
- 4) What are the effects of suspending the six mandates under the Governor's proposal?