# AGENDA

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

**ASSEMBLYMEMBER JOE SIMITIAN, CHAIR**

**TUESDAY, APRIL 2, 2002**
**STATE CAPITOL, ROOM 444**
**10:00 AM**

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ISSUE 1: FEDERAL FUNDING CHANGES -- TEACHER PREPARATION

The issue for the subcommittee to consider is the new federal "No Child Left Behind" law and its implications for California’s teachers and paraprofessionals, including funding increases for professional development.

BACKGROUND:

Federal reauthorization of ESEA. Congress recently approved the No Child Left Behind Act, which reauthorizes the federal Elementary and Secondary Education Act, the longstanding federal law that assists schools serving poor children. It contains a number of major policy changes and increased accountability, as well as increases in funding, of which California is expected to receive $800 million in increased funding. (This increase includes all funding, not just funding for professional development.) The Governor was unable to include these funds in his January budget proposal, due to the timing of the federal budget (see comments below). However, the state must submit an implementation plan for the new law and the new funds by May of this year. Many of these issues are scheduled to be discussed at the April 9 hearing.

Federal funds and changes related to professional development. Title II of ESEA contains funding for professional development. Among the changes in federal law is the consolidation of two existing professional development programs, the Class Size Reduction Program (school districts can spend the funding on class size reduction or professional development) and the Eisenhower Professional Development State Grants, into a new program, State Grants for Improving Teacher Quality. The net change in funding is expected to be an increase of approximately $105 million, or 46 percent, as summarized in the table below. In addition, California is expected to receive an increase of about $30 million to encourage the use of education technology in instruction (this program has traditionally been grouped with larger professional development initiatives.)

Federal Title II -- Preparing, Training, and Recruiting High Quality Teachers and Principals: California's share (dollars in millions)

<table>
<thead>
<tr>
<th>Federal programs -- Title II (professional development)</th>
<th>2001 appropriation</th>
<th>2002 appropriation</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class Size Reduction</td>
<td>174.7</td>
<td>0</td>
<td>-174.7</td>
</tr>
<tr>
<td>Eisenhower Professional Development State Grants</td>
<td>53.7</td>
<td>0</td>
<td>-53.7</td>
</tr>
<tr>
<td>State Grants for Improving Teacher Quality</td>
<td>0</td>
<td>333.5</td>
<td>333.5</td>
</tr>
<tr>
<td>Sub-total -- general professional development</td>
<td>228.4</td>
<td>333.5</td>
<td>105.1</td>
</tr>
<tr>
<td>Education technology state grants</td>
<td>55.9</td>
<td>85.5</td>
<td>29.6</td>
</tr>
<tr>
<td>Total -- Title II programs</td>
<td>284.3</td>
<td>419</td>
<td>134.5</td>
</tr>
</tbody>
</table>
In addition, the federal law contains a number of new requirements and other professional development set-asides, including:

- **Highly-qualified teachers in four years.** The new law requires that all teachers in California (not just schools receiving Title I funds) be "highly qualified" by December 31, 2005, in order for California to receive Title I funds. In addition, all Title I teachers hired on or after July 1, 2002 must be "highly qualified". (Charter schools are exempt from this requirement.) The law requires states to establish annual measurable objectives to achieve this goal by the deadline. Districts receiving funding under the new State Grants for Improving Teacher Quality must meet these annual objectives, or face state intervention.

- **Qualified paraprofessionals in four years.** All Title I paraprofessionals hired after the beginning of this calendar year must have either completed two years of higher education study, or have an associates degree, or have completed a formal assessment. Within four years, all existing Title I paraprofessionals will have to have completed one of the above requirements. These requirements apply to all paraprofessionals, except for translators and those hired for parental involvement purposes.

- **Professional development.** School districts receiving Title I funds must spend at least 5 percent of their Title I Part A grant to help teachers become credentialed. This is a new requirement, and will provide approximately $69 million in new funds to districts for this purpose, presumably to help the state meet the requirement to have all teachers be credentialed in four years.

- **Professional development for K-3 reading.** The federal law creates a new Title I program called the Student Reading Skills Improvement Grants, to support success in reading in grades K-3. Total funding for this program is $133 million, and the law allows states to use up to 13 percent ($17.3 million) of this for state-directed professional development related to the program.

Federal requirements and options for spending the new Title II funds. The new funding has various requirements and set-asides, as summarized below.

1. **State Grants for Improving Teacher Quality -- ($334 million total)**

   **Local assistance:**

   - 95 percent must distributed on a formula basis (80 percent based on poverty, 20 percent based on population), and districts can spend the funds on the following purposes: a) recruitment and retention of highly qualified teachers, paraprofessionals, and principals, b) professional development and c) improving the quality of the teaching force. Districts that receive this money must make progress toward the goal of having only highly qualified teachers by the end of 2005. If a district fails to make progress after three years, the state is required to enter into an agreement on the use of its funds.

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1 "Highly qualified" is to be defined by individual states, but could conceivably be defined in California as credentialed, in which case California would be far from compliance with federal law.
2.5 percent of local assistance funds must be distributed through competitive grants to local partnerships (including universities) to provide professional development and technical assistance.

State operations. States can use up to 1 percent of the total ($3.3 million) for state administrative activities.

State-level activities. States must use the remainder (at least 1.5 percent, or $5 million, depending on the amount used for state operations), for any of the following: reforming certification, support for teachers and administrators, technical assistance and program evaluation.

2. Education technology state grants -- ($86 million total)

Local Assistance. (All recipients must use at least 25 percent of their grant for education technology professional development.) At least 95 percent must be distributed as follows:

- 50 percent based on a poverty-related formula.
- 50 percent as competitive grants.

State-Level Activities. Maximum of 5 percent ($4.3 million) for any of the following: technical assistance, supporting public-private partnerships, promoting access to education technology by special education students and English learners, developing performance measures and evaluation and collaboration with other states.

**COMMENTS:**

State must submit implementation plan by May 22, 2002. The administration is required to submit a plan for implementing all of the new federal requirements (including those related to teachers) by May 22 of this year. SDE is developing a plan and plans to present it to the State Board of Education in late April, for its approval. The timeline for development of this plan is very short, given that the new law was only approved a few months ago. In addition, the federal government will not issue regulations related to this new law until June, after the state plan is due. There is no formal mechanism for the Legislature to participate in the development of the plan. However, the Legislature must appropriate the money that corresponds to the new law in the budget.

Funds not in January budget. The Governor does not include any of the increased federal funds (except for part of the special education funds) in the January budget, due to the fact that the federal appropriations bill containing the increase was passed too late to be included in January. Therefore, DOF intends to include a plan for spending these funds in the May Revise. **Given the limited time that the subcommittee will have to consider May Revise, and the large number of changes it is expected to contain, the subcommittee should consider developing an expenditure plan or policy priorities for the expenditure of the increased federal funds over which California has some discretion, before the May Revise.**
Questions for the subcommittee. Research demonstrates the importance that quality teachers have for student achievement and the state’s efforts to improve schools. The subcommittee may consider the following questions in considering how to implement the new federal requirements and funding:

- How can the state and locals best leverage these new funds to meet the new federal requirement that all teachers and paraprofessionals be highly qualified within four years? (Can locals spend Title II funds on alternative credentialing programs for their uncredentialed teachers?)

- How much discretion does the state have in defining "highly qualified teacher?" In defining "qualified paraprofessional?" Does the administration plan to include these definitions in the plan it will submit next month?

- What are the consequences for the state if it does not meet the 4-year goal of having a "highly qualified teacher" and in every classroom?

- Can and should the state align the federal funds with its existing professional development programs, to limit the confusion and administrative burden at the local level?

- Can the state earmark the education technology local assistance funds for elementary schools, to complement the long-standing state programs that exist for high schools?

- What is the state currently doing to evaluate professional development programs and will the federal changes require a greater effort?
ISSUE 2: PROPOSED INCREASE TO THE MATH AND READING PROFESSIONAL DEVELOPMENT PROGRAM

The issue for the subcommittee to consider is the Governor's proposal to increase funding for the Math and Reading Professional Development Program.

BACKGROUND:

The Governor's budget proposes a total funding level of $110 million for the second year of funding for the Math and Reading Professional Development program, a new program approved last year through AB 466 (Strom-Martin). The Governor proposes that $87.1 million of this total be from the Proposition 98 reversion account, and the remainder be from ongoing Proposition 98 revenues. (Even though reversion account funds are one-time, the administration states its intent that these expenditures be ongoing.) Last year's budget originally contained $80 million for the new program, but the total amount was reduced to $31.7 million through the current year adjustments contained in SB 3X 1 (Peace). The Legislature reduced the current year appropriation due to expected delays in implementation in the current year.

The Math and Reading Professional Development Program was created last year to train every teacher and instructional aide in California, over several years, in the math and reading state standards. The program provides school districts with $2,500 per teacher trained and $1000 per instructional aide trained. The program also provides a supplemental stipend of $500 to teachers that have attended or plan to attend a UC professional development institute (UC PDI). (The legislation creating the UC PDI's originally provided teachers with $1000 stipends; the supplemental stipends equalizes stipends between the new program and the PDI's.) School districts may obtain the training from a list of providers that meet certain criteria and have been approved by the state.

The administration now expects that the program will take five years to train a total of 170,000 teachers and 22,000 instructional aides. The proposed funding level in the budget year would allow for 32,800 teachers and 6,500 instructional aides to be trained, as well as provide supplemental stipends of $500 to teachers that have attended or plan to attend a UC professional development institute. The administration will provide information at the hearing regarding the five-year plan for implementing the new program.

COMMENTS:

Subcommittee request. At a March 12 overview hearing, Subcommittee members expressed interest in the regulations recently approved by the State Board of Education to implement this legislation. Some members were concerned that the regulations might be so prescriptive as to discourage some good programs from applying to participate. SDE notes that they will provide copies of the regulations for this and the Principal Training Program at the hearing.
Lao Recommendation. The LAO recommends rolling the money for this program and other professional development programs into a professional development block grant (see below).

Amount the state owes for $500 supplemental stipends. During the subcommittee's deliberations on the current year reductions, the administration indicated that the state has outstanding obligations to former PDI participants to pay for the $500 supplemental stipend. The subcommittee may wish to ask for an update on the extent of these outstanding obligations for past participants, how much has been paid to date, and the timeline for paying these obligations.

SDE state operations. Last year's budget did not provide any funding for positions for SDE to administer the new program. SDE has submitted a Section 28 letter to allow it to use one-time federal funds to support the program in the current year.
ISSUE 3: PRINCIPAL AND ADMINISTRATOR TRAINING PROGRAM

The issue for the subcommittee to consider is the Governor's proposed funding level for the Principal and Administrator Training Program.

BACKGROUND:

The Governor's budget proposes $7.5 million in reversion account (one-time) funds for the Principal Training Program, a new program established last year through AB 75 (Steinberg) to train school administrators in management skills, the state standards, the use of assessments and leadership strategies. Last year's budget contained $15 million in reversion account funds for the same purpose. The proposed funding level for the budget year is the second year funding as part of a three-year plan to train 15,000 administrators, for a total program cost of $45 million.

COMMENTS:

Subcommittee request. At a March 12 overview hearing, Subcommittee members expressed interest in the regulations recently approved by the State Board of Education to implement this legislation. SDE notes that they will provide copies of the regulations for this program at the hearing.
The issue for the subcommittee to consider is the Governor's proposed reductions to existing professional development programs, as well as control language he proposes to continue to allow the state to shift funding between various programs, in the event they are underfunded.

**BACKGROUND:**

I. Continuation of current year cuts. The Governor proposes to continue reductions to five professional development programs that received reductions in the current year in SB 3X 1 (Peace), as displayed in the following table, provided by the LAO:

<table>
<thead>
<tr>
<th>Continuing Current-Year Reductions</th>
<th>2001-02 Budget Act</th>
<th>Revised Budget</th>
<th>2002-03 Revised Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peer Assistance and Review</td>
<td>$134.2</td>
<td>$84.2</td>
<td>$86.9</td>
</tr>
<tr>
<td>California Professional Development Institutes</td>
<td>110.9</td>
<td>98.9</td>
<td>98.9</td>
</tr>
<tr>
<td>Beginning Teacher Support and Assessment</td>
<td>104.6</td>
<td>84.6</td>
<td>88.3</td>
</tr>
<tr>
<td>National Board for Professional Teaching Standards Certification Incentive Program</td>
<td>15.0</td>
<td>10.0</td>
<td>10.0</td>
</tr>
<tr>
<td>High School Coaching Education and Training Program</td>
<td>1.0</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Totals</td>
<td>$365.7</td>
<td>$277.7</td>
<td>$284.1</td>
</tr>
</tbody>
</table>

The reductions and programs are described below:

- **Peer Assistance and Review.** The Governor proposes to continue the $50 million cut that he proposed and that the Legislature adopted in SB 3X 1 (Peace). The $2.7 million increase over the current year level is from growth and COLA. This program was created in 1999 by Governor-sponsored AB 1x (Villaraigosa), to provide mentoring services to veteran teachers to help them improve their performance. School districts must collectively bargain implementation of this program, and can use funding for this program for other teacher-training programs, such as the mentor teacher program. The LAO notes that the funding adjustments will result in a substantial decrease in the funding rate for the mentor teacher program.

- **California Professional Development Institutes (PDI's).** The Governor proposes to continue the $12 million reduction approved in the current year: $6 million from stipends for participating teachers and $6 million from UC's operating
costs. The PDI's were established two years ago by AB 2881 (Wright), and provide specific subject-matter training to beginning and veteran teachers in various subject areas and grade levels. UC indicates that it had formal agreements to serve 30,000 teachers, as of December 1 of last year, yet the current and budget year funding levels would allow the PDI's to serve approximately 48,000 teachers. UC indicates that it is on track to spend all of its allocated funding.

- **Beginning Teacher Support and Assessment (BTSA).** The Governor proposes to continue the $20 million reduction adopted for the current year. The proposed $3.6 million increase is for growth and COLA. This program provides training and mentoring to first- and second-year teachers. Currently, the program is voluntary for new teachers, but newly-adopted teacher preparation standards would make participation mandatory. The LAO estimates that if all eligible teachers are required to participate, the proposed funding level could be approximately $16.8 million short. However, the administration indicates that there will be no firm deadline for teacher preparation programs to incorporate the mandatory-BTSA requirement, and that they believe the budgeted amount is sufficient. Moreover, the budget contains control language to allow the state to shift funding among several programs (including BTSA), if participation is lower than expected.

- **National Board for Professional Teaching Standards Certification Incentive Program.** The Governor proposes to continue the $5 million current-year reduction to this program. This program provides teachers who earn certification by this organization with fee subsidies and $10,000 bonuses ($20,000 for teachers that work in low-performing schools for four years). The LAO notes that the proposed $10 million for this program will not be enough to provide bonuses to all recently-certified teachers. It estimates that $15 million will be needed. (If the state stops funding fee assistance for new entrants into the program, the required funding level would still be $12 million.) However, this program is included in the flexibility control section.

- **High School Coaching Education and Training Program.** The Governor continues to eliminate funding for this program, which provides reimbursements to school districts that provide health and safety training to high school sports coaches.

Of the professional development programs that received reductions in the current year through SB 3X 1 (Peace), the Governor proposes to restore those reductions for the following two programs:
Current-Year Reductions Proposed to be restored by the Governor
(In Millions)

<table>
<thead>
<tr>
<th></th>
<th>2001-02 Budget</th>
<th>2002-03 Revised Budget</th>
<th>2002-03 Proposal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Teaching as a Priority Block Grant</td>
<td>$118.5</td>
<td>$0 *</td>
<td>$118.7</td>
</tr>
<tr>
<td>Math and Reading Professional</td>
<td>$80.0</td>
<td>$31.7</td>
<td>$110.0</td>
</tr>
</tbody>
</table>

*The Legislature adopted this reduction on a one-time basis, due to the fact that administration of the program was about one year behind the budgeted appropriations.

II. Additional Budget Year Reductions, Program Eliminations. In addition, the Governor proposes new reductions to various professional development programs, as well as eliminating several programs. However, the totality of these reductions is still less than the proposed increase for the Math and Reading Professional Development program. Therefore the Governor’s proposed total funding level for professional development programs in the budget year is more than the current year. These proposed reductions and eliminations are summarized in the following table.

<table>
<thead>
<tr>
<th>Governor’s Proposed Budget-Year Reductions</th>
<th>2001-02 Proposed Budget</th>
<th>2002-03 Proposed Budget</th>
<th>Change from 2001-02</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internship and Pre-Internship Teaching Program (CTC)</td>
<td>$43.6</td>
<td>$37.4</td>
<td>-$6.2</td>
</tr>
<tr>
<td>California Subject Matter Projects (UC)</td>
<td>35.3</td>
<td>31.3</td>
<td>-4.0</td>
</tr>
<tr>
<td>Education Technology Professional Development Program (CSU)</td>
<td>12.5</td>
<td>6.0</td>
<td>-6.5</td>
</tr>
<tr>
<td>Paraprofessional Teacher Training Program (CTC)</td>
<td>11.5</td>
<td>7.5</td>
<td>-4.0</td>
</tr>
<tr>
<td>California Mathematics Initiative For Teaching (CTC)</td>
<td>1.6</td>
<td>1.0</td>
<td>-0.6</td>
</tr>
<tr>
<td>School Personnel Staff Development Plans</td>
<td>17.3</td>
<td>0</td>
<td>-17.3</td>
</tr>
<tr>
<td>Regional Professional Development Consortia</td>
<td>4.3</td>
<td>0</td>
<td>-4.3</td>
</tr>
<tr>
<td>Demonstration Programs in Intensive Instruction</td>
<td>6.1</td>
<td>0</td>
<td>-6.1</td>
</tr>
<tr>
<td>Totals</td>
<td>$132.2</td>
<td>$83.2</td>
<td>-$49</td>
</tr>
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</table>

Some of these items are contained in CTC’s budget, and are discussed under that budget item in this agenda (see below). The remaining reductions are described below:
California Subject Matter Projects. This program is administered by UC and predates the PDI's. It provides subject-matter professional development to teachers so that they may become leaders in their school community and provide training to other teachers. The proposed reduction would reduce the number of teachers served by 1,800 from the current-year number of 16,700.

Education Technology Professional Development Program. This program is administered by CSU and is similar in structure to the PDI's. It provides professional development in the use of education technology to beginning and veteran teachers. The proposed cut would reduce the number of teachers served by 3,600 from the current-year number of 6,600. CSU indicates that it has a substantial waiting list of teachers that would like to participate. (The state is also expected to receive an increase in federal funds for education technology professional development.)

School Development Plans. The Governor proposes to eliminate this program, claiming that it is duplicative of new programs, such as the Math and Reading Professional Development Program. The program was created in 1988 and targets high schools. It requires comprehensive school-site professional development plans designed to improve overall student performance. The Assembly Education Committee adopted the proposed trailer bill language to eliminate the program in AB 3005 (Budget Committee).

Regional Professional Development Consortia. The Governor proposes to eliminate this program because it is duplicative of new programs. This program also targets high schools and provides funding to 11 consortia throughout the state, which offer professional development, coordinate with the Subject Matter Projects and dissemination information on best practices. The Assembly Education Committee adopted the proposed trailer bill language to eliminate the program in AB 3005 (Budget Committee).

Demonstration Programs in Intensive Instruction. This grant program has existed since 1969, and sunset in 1995. 126 middle schools currently receive grants to develop model programs in language arts, math, history/social science and science for grades 6-8. The program was created to help struggling middle school students. The Governor proposed trailer bill language to eliminate this program, which the Assembly Education Committee adopted in AB 3005 (Budget Committee).

III. Control Section. The Governor proposes to continue a control section (section 12.6) initiated last year to allow the Controller to transfer any unobligated funds between the following programs to the extent needed to fully fund eligible participation: Supplemental instruction, Instructional Time and Staff Development Reform Program, English Language Learners Program, Adults in Correctional Facilities, Beginning Teacher Support and Assessment Program, various professional development programs, National Board for Professional Teaching Standards Certification Incentive Program, CalSAFE, 7th and 8th Grade Math Academies, Elementary School Intensive Reading Program, 9th Grade Class Size Reduction and Supplemental Grants.
COMMENTS:

Cross-cutting issues. The subcommittee may also consider the funding levels for the PDI's and the Education Technology Professional Development Program when it considers the UC and CSU budgets, respectively.

LAO recommendations. The LAO recommends that the subcommittee include all of the above programs in a new professional development block grant (see issue below). Apart from this recommendation, the LAO’s findings specific to the Governor’s proposed cuts are summarized above, by program.
The issue for the subcommittee to consider is the LAO's proposal to create two new block grants for teacher support and development.

**BACKGROUND:**

The LAO recommends consolidating 18 existing professional development programs to create a new formula-based block grant to increase local flexibility and effectiveness. The total funding level in its recommended block grant would total $722 million. Funding would be distributed on a per-teacher basis, with different rates based on the level of experience and type of credential (including emergency permit teachers, which are generally excluded from existing state professional development programs). The LAO also recommends the creation of a competitively based block grant, to include six existing programs for a total of $20 million. The LAO proposes to hold districts accountable for their improvements in student achievement, in exchange for the increased flexibility provided in the block grants.

The LAO cites the following advantages to block granting existing programs: increases flexibility to locals, simplifies existing complex administrative processes, supports emergency permit teachers and therefore benefits low-performing schools, provides incentives to hire qualified teachers (due to proposed higher funding rates) and leverages federal funds.

The LAO will present their proposal before the subcommittee at today's hearing.

**COMMENTS:**

Pending legislation to block grant professional development programs. The Assembly is currently considering two bills to block grant professional development programs: AB 2021 (Simitian) and AB 2433 (Steinberg).

Consideration of LAO's proposal light of new federal requirements. The subcommittee may wish to consider the how the LAO's proposal may help the state meet the federally imposed goal of having all teachers be "highly qualified" in four years. Specifically, the federal goal may require districts to aggressively enroll emergency permit teachers in alternative credentialing programs. The flexibility provided by the block grant might allow school districts to increase enrollment in these programs.
ISSUE 6: LAO-RECOMMENDED REDUCTIONS: ADVANCED PLACEMENT TEACHER TRAINING

The issue for the subcommittee to consider is an LAO proposal to capture Proposition 98 General Fund savings.

BACKGROUND:

The Governor's budget proposes $16.5 million for the Advanced Placement Challenge Grant program. This program was created in 2000 by Governor-sponsored SB 1689 (Escutia), and provides four-year competitive grants to 550 high schools to increase the number of Advanced Placement Courses offered and attended. The proposed funding level of $16.5 million was the original cost of the program in its first year of implementation. However, because the annual grant amounts in this program decrease each year of the four-year period, the total cost also decreases with time. Last year's budget originally contained $16.5 million, but because SDE renewed the original grants and did not issue new ones, the total cost of the program decreased by $4 million. The current year adjustments contained in SB 3X1 (Peace) captured the $4 million in savings. If the SDE continues to fund the original grants for their third year of implementation, and does not fund new ones, the total cost of the program in the budget year will be $8.25 million. Therefore, the program is over-budgeted in the budget year by approximately $8.3 million, if the state only funds the third year of implementation for the original grants.

The LAO notes that the program was originally established to give priority to high schools providing three or more AP courses. A survey administered by the Office of the Secretary for Education found that in 2000-01, only 56 high schools had three or fewer AP courses or other rigorous courses. Of those, 48 are receiving grants through this program, and the remainder are very small or specialized schools. The LAO therefore concludes that the program is already serving the intended recipients, and that the state should continue to fund original grants but not fund new ones. This would result in $8.3 million in savings.

COMMENTS:

The LAO recommends shifting the $8.3 million in savings to their proposed competitively based teacher support and development block grant.
ISSUE 7: LAO-RECOMMENDED REDUCTIONS: SECONDARY SCHOOLS READING PROGRAM.

The issue for the subcommittee to consider is an LAO proposal to capture Proposition 98 General Fund savings.

BACKGROUND:

The Governor's budget proposes $8 million for the Support for Secondary Schools Reading program, which distributes grants on a competitive basis to county offices. Recipients then provide professional development to high school teachers instructing students who are below grade level in reading. This program was originally funded several years ago at $8 million with federal Goals 2000 funding. When that funding expired last year, the Legislature back-filled the loss with Proposition 98 funds.

COMMENTS:

The LAO recommends deleting the funding for this program, because it is duplicative of other professional development programs targeting secondary school teachers (such as the PDI's and the Math and Reading Professional Development Program). The LAO also notes that the program has never been authorized through statute.
The issue for the subcommittee to consider is various Section 28 letters recently submitted by DOF, which the Joint Legislative Budget Committee has asked the budget subcommittees to consider as part of the budget process.

BACKGROUND:

During the past two months, the Department of Finance submitted various Section 28 letters, which are authorized by control Section 28 in the budget to adjust the current year budget as a result of unanticipated federal funds. The Joint Legislative Budget Committee (JLBC) typically considers these letters, and if they do not reject them within 30 days of receipt, the proposed changes go into effect.

In a March 14 letter to DOF, the JLBC raised concerns about five specific Section 28 letters proposing to expend unanticipated federal funds on new purposes. One of the section 28 letters applies to CTC, and is discussed as part of that item. The other four letters are described below. Upon the recommendation of the LAO, the JLBC raises questions about whether the letters meet the criteria for section 28 letters, namely: 1) the funds are unanticipated, and therefore could not be included in the traditional budget process, 2) the funds are available only for a specified purpose, and 3) the funds must be spent in 2001-02, and therefore cannot be included in the budget for 2002-03.

1. **Alternative accountability/assessment.** A letter dated February 13 proposes to use $1.2 million in one-time federal money for the following: $690,000 to develop an alternative assessment system for special education students that cannot currently participate in the existing assessment system, even with accommodations; $288,000 to continue the development of an Alternative Schools Accountability Model for alternative schools, which serve students who are at high risk for behavioral or educational failure, expelled, or wards of the court and $250,000 to ensure that special education children and students in the Alternative Schools Accountability Model are included in the statewide accountability system. SDE states that the funding is specifically for improving assessment and accountability systems.

2. **Various state operations.** A letter dated February 13 proposes to use $900,000 in leftover Goals 2000 funds for SDE state operations to administer the Public School Accountability Act evaluation, the English Language Literacy Intensive Program and the Math and Reading Professional Development Program. SDE proposes to use the federal funds to replace a like amount of General Fund appropriated in the 2001-02 budget act for the same purposes.

3. **Program evaluation.** A letter dated February 15 proposes to use $650,000 in federal IASA carryover to support evaluation of the High Risk First-Time Offenders Program. The proposal would replace General Funds that SDE had to delete as part of its compliance with a statewide order to reduce operating expenses.
4. **High School Reform Grant Program.** A letter dated March 5 proposes $998,000 in new funding for a new competitive grant program to improve five high schools. SDE states that the funding can be used over a three-year period, with the required match increasing each year. SDE states that it hopes to receive expenditure authority for the entire amount in the current year, in order to minimize the match requirements. (The LAO claims that there is no match requirement.)

**COMMENTS:**

**Questions for DOF regarding the Section 28 letters.** In order to address the concerns of the JLBC and promote the integrity of the Section 28 process, the subcommittee may wish to ask the administration and SDE the following questions:

- Were the funds truly unanticipated, or are they unexpended funds that could have been anticipated and incorporated into the budget?

- Does the funding have to be spent in the current year? What are the consequences of not spending it in the current year? If the funding does not need to be spent in the current year, can the expenditure wait until the beginning of the next fiscal year?

- If the proposal is not one-time in nature, does the January proposed budget contain funds for the budget-year costs of the initiative? If not, why not?

- Are the funds for a specific purpose or are they discretionary?

- Does the proposal involve a major initiative or policy decision that should be considered in a public hearing as part of the budget and legislative process anyway?

Staff notes that Section 28 letters are considered as part of a legislative process that is separate from the process for consideration of the budget. Members of the public that wish to participate in the budget process may not be aware of proposed Section 28 amendments to the current year budget, and may not be able to provide input. Moreover, when significant policy issues are introduced as Section 28 letters, the Legislature may not be able to consider those issues in relation to other budget and policy proposals.

**LAO recommendation.** The LAO initiated the concerns with the above Section 28 letters, noting that they are being used as "an alternative budget process," which is specifically prohibited in Section 28. It argues that only one of the letters justifies the use of the Section 28 letter: the February 13 letter proposing $900,000 in carry-over Goals 2000 funding for various state operations functions. The LAO opines that in that case the money must be spent before October 1, 2002, and therefore merits appropriation in the current year. It also notes that the Legislature appropriated the same amounts for the same purposes in the 2001-02 budget act, using General Fund monies. It recommends that the subcommittee consider the other three letters as part
of the budget process, as well as considering any other letters SDE plans on submitting in the current year.
ISSUE 9: INSTRUCTIONAL MATERIALS

The issue for the subcommittee to consider is the Governor's proposal to reform the state's instructional materials programs.

BACKGROUND:

The Governor proposes to consolidate five different ongoing textbook and library materials programs into one ongoing block grant and three one-time amounts, for a total funding level of $625 million, a 3 percent increase over the funding level in last year's budget of $606 million. The details of the proposal will be contained in AB 1781 (Hertzberg), which will be considered by the Assembly Education Committee.

The corresponding funding for this proposal is contained in the budget bill for the budget year (2002-03). Specifically, the funding for the new Instructional materials Block Grant is from ongoing Proposition 98 funding that counts towards the 2002-03 Proposition 98 guarantee. Funding for three new and one-time instructional materials and equipment set-asides is from the Proposition 98 reversion account, which is made up of unused prior-year Proposition 98 appropriations. The Governor proposes in AB 1781 to include annual appropriations for the new Instructional Materials Block Grant for the fiscal years 2003-04 through 2006-07.

Existing programs proposed for consolidation. The Governor proposes to consolidate the following existing programs into the new block grant:

1. Existing textbook programs, including:
   - The Schiff-Bustamante Instructional Materials fund, which provides funding to purchase standards-aligned instructional materials for grades K-12. This program was created in 1998, and provided four annual installments of $250 million each for standards-aligned instructional materials. The program sunsets in the current year.
   - The Instructional Materials Fund for grades K-8 and the Instructional Materials Fund for grades 9-12, which districts can use to purchase both state-adopted materials and non-adopted materials.

2. Existing library materials programs, including:
   - The California Public School Library Act of 1998, which provides per-pupil block grants to school districts to pay for school library books, equipment and library automation. Districts must submit library plans to obtain funds.
   - The K-4 Classroom Library program, which provides funding to purchase non-textbook fiction and nonfiction books and periodicals for classroom libraries in grades K-4.
New Programs. The Governor proposes a total of $625 million for four different pots related to instructional materials and equipment. These include

- $250 million for a new ongoing Instructional Materials Block Grant, as specified in AB 1781. The proposed language for this new block grant would require districts to first use this funding to ensure that each pupil has a standards-aligned textbook in each core curriculum area, after which districts would use the funding for a list of other instructional materials uses, including school and classroom library materials. The Governor proposes to gradually increase the funding level for this block grant over the next four years up to the current total funding level for textbooks and library materials.

- $200 million for Reading/Language Arts textbooks -- The language corresponding to this appropriation would allow districts to spend this funding on any instructional materials, but districts must certify that they will purchase a standards-aligned Reading/Language Arts textbook for each pupil by the beginning of the 2002 school year, in order to receive this funding. Last year's budget contained no appropriation for this specific purpose, although it contained a similar funding level for districts to purchase any type of standards-aligned materials.

- $100 million for school libraries in grades K-12 or for classroom libraries in grades K-4 -- Funding would be distributed on an equal amount per pupil in grades K-12. This funding level is approximately $75 million less than provided in last year's budget for these purposes.

- $75 million for science laboratory equipment to provide standards-based instruction in science -- Funding would be distributed on an equal amount per pupil in grades 7-12. Last year's budget contained no appropriation for this purpose.

Funding for existing and proposed new programs is summarized in the following table:
Governor’s proposed textbook consolidation and proposed funding levels ($ in millions)

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</thead>
<tbody>
<tr>
<td>Schiff-Bustamante Instructional Materials Fund</td>
<td>$250.00</td>
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<td>K-8 Instructional Materials Fund</td>
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<td>137.00</td>
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<tr>
<td>9-12 Instructional Materials Fund</td>
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<tr>
<td>K-12 Library Materials</td>
<td></td>
<td>158.50</td>
<td></td>
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<td></td>
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<tr>
<td>K-4 Classroom Materials</td>
<td></td>
<td>25.00</td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>K-12 Instructional Materials Block Grant</td>
<td></td>
<td>$250</td>
<td>$350</td>
<td>$450</td>
<td>$550</td>
<td>$600</td>
</tr>
<tr>
<td>One-Time Supplement for Reading/Language Arts</td>
<td></td>
<td>200*</td>
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<tr>
<td>One-Time Supplement for K-12 Library and K-4</td>
<td></td>
<td>100*</td>
<td></td>
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<tr>
<td>Classroom Library Materials</td>
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<td>One-Time Program for Science Lab Equipment</td>
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<tr>
<td>Total funding for instructional and library</td>
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<td>$625</td>
<td>$350</td>
<td>$450</td>
<td>$550</td>
<td>$600</td>
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<td></td>
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</tbody>
</table>

* The Governor proposes to use reversion account funds for these purposes.

Proposed funding levels in out years. Although the Governor proposes to continue the existing funding level in the budget year, he proposes total funding to decrease the following year and gradually build back up to the current funding level, via the appropriations in AB 1781. The Governor proposes total funding for instructional materials at $350 million in 2003-04, increasing this amount by roughly $100 million each year for a total of $600 million by 2006-07. The graph below demonstrates total state funding levels for instructional and library materials over the next five years, as proposed by the Governor.
According to the Governor's office, the proposed funding levels in out years are timed to coincide with state textbook adoption cycles. (For grades K-8, school districts are only allowed to use their state funding to purchase instructional materials that have been approved by the State Board.) For example, the State Board of Education recently approved new textbooks that are aligned to the state English and Language Arts standards. The Governor anticipates that districts will need funding to purchase these new textbooks, and provides this funding on a one-time basis. However, in January of 2003, the State Board is expected to adopt foreign language and other textbooks, for which the Governor is anticipating less demand and therefore lower local costs, and he correspondingly reduces state funding levels. The schedule for the Board's major approvals of different instructional materials is listed below:

- **January, 2001** -- Mathematics (standards-aligned)
- **January, 2002** -- Reading/Language Arts/English Language Development (standards-aligned)
- **January, 2003** -- Foreign language
- **January, 2004** -- Health
- **January, 2005** -- History - Social Science (standards-aligned)
- **January, 2006** -- Science (standards-aligned)
- **January, 2007** -- Mathematics (standards-aligned)
- **January, 2008** -- Reading/Language Arts (standards-aligned)
Should budget year set-asides be part of the block grant? The subcommittee heard this issue at its last hearing, and took action to re-establish the line-item for school libraries, at $158 million. It held open the other pots of funding proposed by the Governor. The subcommittee may wish to consider whether the specific pots for Reading/Language Arts and science lab equipment are necessary, or whether they can be rolled into the general instructional materials block grant, with language in the accompanying bill that allows funding to be used for these purposes.

Requirements for reading/language arts instructional materials funding are restrictive. The budget contains control language regarding the $200 million set-aside for Reading/Language Arts instructional materials. This language allows school districts to spend the funding on instructional materials in general, but only if they certify that they will purchase a standards-based Reading/Language Arts textbook by the beginning of the 2002 school year (e.g., by July, 2002 in the case of year-round schools). There are several problems with this language, among them:

- The date for purchasing Reading/Language Arts textbooks may not allow school districts to pilot textbooks before they purchase them, because the State Board of Education approved new instructional materials aligned to the Reading/Language Arts standards in January of this year. Under normal circumstances, school districts pilot instructional materials from different publishers for up to a year before purchasing them. Piloting is very important because it allows school districts to try materials from different publishers to determine which materials best fits its needs.

- The timeline conflicts with legislation passed last year that requires school districts to use state instructional materials funding (Schiff-Bustamante) to purchase standards-aligned materials within two years of the State Board of Education's approval of such materials (SB 786 (Scott)). In the case of Reading/Language Arts materials, since the Board only approved these materials in January, the law would give school districts until 2004 to purchase the materials, and the Governor's proposed language significantly shortens that timeline.

Less flexibility for districts in the budget year, but more in out years. In the budget year, while total funding level for textbooks is the same, the composition of the money provided is different, with ongoing money being replaced with one-time money, and the one-time money being earmarked for specific things. The proposed set-asides would reduce the flexibility that districts currently have under the existing programs. In out years, district flexibility will be greater but total funding will be less, up until the 2006-07 fiscal year, when total funding will finally reach the current-year level.

Money specifically earmarked for library materials will disappear. The Governor proposes to eliminate the current programs that provide ongoing funding specifically for school and classroom libraries. Although his proposed block grant could be used to purchase library materials, the corresponding language requires that districts give first priority to purchase standards-aligned instructional materials for every student in all core
curriculum areas. Given that the cost of purchasing these materials may be more than that provided in the block grant, it is conceivable that districts would be required to use all the block grant money for instructional materials, leaving none available for library materials.

**LAO Recommendation.** The LAO supports the Governor's idea of block granting existing programs into a larger pot of money that provides more flexibility to school districts. However, it argues that the proposed set-asides for the budget year are not consistent with the overall idea of block granting, because they are for specific purposes that may not be aligned to school districts' needs. Therefore, it recommends that the subcommittee redirect the entire $625 million proposed for materials into a larger Academic Improvement Block Grant totaling $1.5 billion. It also recommends against advance appropriations in upcoming years, arguing that it is too difficult to predict districts' future funding needs for instructional materials so far in advance.

**Are out-year appropriations appropriate?** The LAO raises questions about the wisdom of appropriating money four years in advance, without any assurances regarding state revenues or school districts needs.
ISSUE 10: INDEPENDENT STUDY

The issue for the subcommittee to consider is the Governor's proposal to reduce funding for independent study programs in non-charter schools by 10 percent, including community schools operated by county offices of education.

BACKGROUND:

Governor’s proposal. The Governor's budget proposes a 10 percent reduction in funding for independent study programs offered by non-charter schools. The Governor achieves this cut by proposing to count a full day of independent study as nine-tenths of an average daily attendance for purposes of calculating district apportionments. The Governor also proposes the elimination of the higher Type C funding to county offices of education's independent study programs. The Governor's proposed cuts were contained in AB 3005, which was considered by the Assembly Education Committee. The Committee took action to reject these proposals as part of the trailer bill.

Independent study is an instructional approach that allows students to receive attendance credit for work completed outside of a traditional classroom setting. It is sometimes used on a short term basis (for example, for students on travel leave, or that need to leave school temporarily due to illness), and sometimes used as a strategy to supplement a traditional schedule, for students that need an individualized approach. Districts also run alternative schools that use independent study as their primary instructional strategy. According to SDE, in 2000-01, enrollment in independent study in traditional schools was 31,684, while enrollment in alternative schools (where 95 percent of students enrolled take their classes through independent study) was 23,772.

Total savings. DOF assumes that the proposal would result in $45 million in savings: $25 million from school district apportionments from the 10 percent cut, and approximately $10 million from county office apportionments from the elimination of Type C funding for independent study.

Amended proposal affects community school type C funding. The Governor amended his original proposal by extending the cut to Type C funding for independent study programs at community schools. Under current law, county office-run community schools receive a significantly higher funding level than school districts for serving high-risk students that have been expelled or are probation-referred (referred to as "type C" funding). The Governor proposes to eliminate this higher funding level for independent study instruction offered by community schools, as well as reducing the district-level funding rate by 10 percent for these programs. The Governor also proposes to prohibit county offices from seeking waivers from the State Board for this reduction. Savings from this proposal could range from under $10 million to $14 million. (An estimate of the population of Type C county office students enrolled in independent study programs was unavailable at the time of this analysis.)

Proposal modeled after recent charter school legislation. In defense of his proposal, the Governor's budget summary cites a law passed last year to reduce funding for independent study programs operated by charter schools. That legislation,
Chapter 892, Statutes of 2001 (SB 740, O'Connell), require all charter schools that provide more than 80 percent of their instruction via independent study-type programs, to go before the State Board of Education (SBE) to receive approval for continued funding. The bill also authorizes SBE to cut charters' funding rates for independent study programs up to 10 percent in the first year, but SBE may also elect to leave funding rates in tact. The Governor's proposal for non-charter school independent study programs differs from last year's charter school legislation in that it is an across-the-board cut for which schools cannot go before SBE to ask for a waiver.

**COMMENTS:**

**LAO recommendation:** The LAO withholds recommendation on the Governor's proposal, due to a lack of data regarding the actual cost of running quality independent study programs. The LAO also notes that a reduction in funding levels for these programs may cause districts to stop using the method and use traditional methods instead, which would result in a reduction in the expected savings from the proposed cut.

Several years ago, the Legislature passed legislation to try to stem abuses of independent study, by requiring the same teacher-student ratios in independent study programs as in traditional programs, as well as other requirements.
ISSUE 11: ADULT EDUCATION FOR CALWORKS PARTICIPANTS

The issue for the subcommittee to consider is the Governor's proposed elimination of a set-aside designed to help adult education programs and regional occupational centers and programs serve CalWORKs recipients.

BACKGROUND:

The Governor's budget proposes to eliminate $36 million in Proposition 98 funding for adult education and regional occupational centers and programs (ROC/P's) to serve CalWORKs recipients, leaving $9.9 million in federal funds for services related to these clients. This funding dates back to the inception of the CalWORKs program, and has two components:

- $26 million to allow adult education programs and ROC/P's to serve CalWORKs participants without having to displace regular clients served within their enrollment caps. Only adult education programs and ROC/P's that meet or exceed their enrollment caps receive this funding.

- $10 million for instructional and training supportive services for CalWORKs participants attending adult education programs and ROC/P's. These services are provided through an inter-agency agreement between the Department of Social Services and SDE. The Governor proposes to maintain $9.9 million in federal funds for remedial education and job training services for CalWORKs participants attending adult education programs and ROC/P's ($8.7 million in the adult education item and $1.2 million in the ROC/P item).

The administration proposes to delete this funding because it is no longer needed to meet the state's CalWORKs maintenance of effort requirement under federal law. The administration argues that the above set-asides were originally created, in part, to help the state meet this requirement, and that other increases in CalWORKs mean that the adult education and ROC/P set-asides are no longer needed for this purpose. It also argues that CalWORKs recipients can still receive services from adult education programs and ROC/P's, as long as these programs serve them within their existing enrollment caps. The administration also argues that CalWORKs recipients can access education programs provided by the counties. In addition, DOF argues that there is between $10 and $15 million in unused funding from these set-asides, and therefore their elimination will not result in a huge loss in services.

COMMENTS:

Under the Governor's proposal, CalWORKs recipients could still access programs offered by adult education programs and ROC/P's, but programs would have to serve them within their existing caps. For those programs currently using all of their set-aside to serve CalWORKs participants, the Governor's proposal will mean a reduction in available resources to serve the public, meaning a reduction in service levels to either CalWORKs participants or non-CalWORKs participants, or both. However, it is unclear as to whether programs fully utilize the existing CalWORKs set-asides, or whether the funding goes unused.
ISSUE 1: SECTION 28 LETTERS TO AMEND CURRENT YEAR BUDGET

The issue for the subcommittee to consider are two proposed Section 28 letters to appropriate federal funds in the current year.

BACKGROUND:

In the past couple of months, DOF submitted two Section 28 letters, which are authorized by control Section 28 in the budget to adjust the current year budget as a result of unanticipated federal funds. The Joint Legislative Budget Committee (JLBC) typically considers these letters, and if they do not reject them within 30 days of receipt, the proposed changes go into effect. The two letters are described below:

1) A February 13 letter proposes to use $2.7 million in federal Title II funds (mostly carryover) to:

   (a) Contract for the development of a teaching performance assessment ($1.3 million)
   (b) Provide planning grants to higher education institutions that do early implementation of the new state teaching preparation standards, and
   (c) Other activities related to implementation of the new state teaching preparation standards.

2) A March 26 letter proposes to use $229,000 in federal Transition to Teaching funds for the first-year cost of a three-year program to allow 400 emergency-permit teachers in Oakland and San Diego to participate in the Intern or the Pre-Intern Program.

In a March 14 letter to DOF, the JLBC raised concerns about the February 13 letter and four others relating to SDE (see above). The JLBC questioned whether the letter meets the criteria of the Section 28 process, namely:

1) The funds are unanticipated, and therefore could not be included in the traditional budget process,
2) The funds are available only for a specified purpose, and
3) The funds must be spent in 2001-02, and therefore cannot be included in the budget for 2002-03.

COMMENTS:

LAO recommendation: The LAO recommends that the above letters be considered as part of the budget deliberations, to ensure that the Section 28 process does not become "an alternative budget process." CTC believes that without a current year appropriation of funds for the teacher performance assessment system, the development of the system will fall behind.
Staff notes that the January proposed budget contains no funding for the ongoing costs of the teacher performance assessment and the other activities listed in the February 13 letter. If the subcommittee approves this letter, staff recommends that the ongoing costs be included in the budget bill for the 2002-03 year, in lieu of another Section 28 letter next year.
ISSUE 2: PROPOSED REDUCTIONS TO ALTERNATIVE CREDENTIALING PROGRAMS

The issue for the subcommittee to consider is the Governor's proposed reductions to several local assistance programs administered by CTC.

BACKGROUND:

The Governor's budget proposes the following reductions to local assistance programs administered by CTC.

<table>
<thead>
<tr>
<th>Proposed Reductions to CTC-administered programs</th>
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<tbody>
<tr>
<td>(Dollars in Millions)</td>
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<tr>
<td></td>
</tr>
<tr>
<td>Internship Program</td>
</tr>
<tr>
<td>$31.8</td>
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<tr>
<td>$25.6</td>
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<tr>
<td>$6.2</td>
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<tr>
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<tr>
<td>Pre-Intern Teaching Program</td>
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<td>11.8</td>
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<tr>
<td>Paraprofessional Teacher Training Program</td>
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<td>California Mathematics Initiative For Teaching</td>
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<tr>
<td>-10.8</td>
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<td>-19%</td>
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Two of the above programs are alternative credentialing programs and provide an alternative to traditional credentialing programs at higher education institutions. They help teachers who would otherwise be teaching on emergency permits receive the training they need to help obtain a credential:

1) The Internship Program allows participants to receive on-site training as a part of their credential curriculum. The proposed reduction reflects past participation levels.
2) The pre-intern program provides subject-matter test preparation as well as basic training for uncredentialed teachers who have not demonstrated subject matter competency. The Governor proposes to maintain the current funding level for this program, but the program has traditionally been oversubscribed.

Current law allows CTC to transfer funds from the Internship Program to the Pre-intern program, which CTC has done in past years, due to lower-than-expected participation in the Internship Program and higher-than-expected participation in the Pre-intern program. The proposed reduction to the Internship Program will therefore reduce the amount of funds available for the pre-intern program, by approximately $8.8 million less than the estimated expenditure level in 2001-02.

The Governor also proposes a $4 million reduction (35 percent) to the paraprofessional program, which provides scholarships and other support to instructional aides, to help them complete college coursework and eventually obtain a credential. Program participants who become teachers have a high retention rate. With the proposed
reduction, CTC estimates that it could continue supporting the existing 2,400 participants, but could not afford to support new participants.

The Governor also proposes to reduce the California Mathematics Initiative by $600,000, or 37 percent. This program provides financial assistance to help participants obtain a single-subject credential in mathematics. The program has been underutilized.

**COMMENTS:**

**LAO recommendation.** The LAO recommends that these programs be rolled into their proposed professional development block grant. It notes that under its block grant proposal, the number of participants in alternative credentialing programs would not be limited by the appropriation levels in the budget, because districts could choose to use their professional development allotment for alternative credentialing.

**Alternative credentialing programs important for meeting federal goal.** If California is to meet the four-year goal of having only highly qualified teachers, it will need to expand the number of uncredentialed teachers participating in alternative credentialing programs. The proposed cuts in these programs may work against that effort. However, districts can use the new federal State Grants for Improving Teacher Quality to support alternative credential programs, which can help alleviate the proposed cuts to existing programs.
ISSUE 3: OVERSIGHT -- CTC RESPONSE TO SUPPLEMENTAL REPORT LANGUAGE

The issue for the subcommittee to consider is CTC's response to supplemental report language requesting information on its efforts to improve customer service, including credential processing time.

BACKGROUND:

Three years ago, the Legislature provided funding for a management study to examine CTC's credential processing systems, in an attempt to identify efficiencies and help it improve its processing time. The CTC has worked to implement the study's recommendations. Specifically, the budget has provided millions of dollars in funding in recent year to support the Teacher Credentialing Service Improvement Project.

Last year, the subcommittee adopted supplemental report language requesting information on its efforts to do the following: (CTC’s provided an initial response by the December deadline, and provided supplemental responses to staff, as indicated)

- Reduce its average credential processing time.
- Implement the Teacher Credentialing Service Improvement Project
- Identify higher education institutions that continue to submit a large number of credential applications with errors.
- Align its information system with DOF and streamline its fingerprinting process.
- Reduce the frequency of customers' complaints and applicants' efforts in submitting credentialing applications.
- Develop performance measures and track performance outcomes.
- Develop, conduct and release the results of a meaningful survey of out-of-state applicants, first-time applicants, and renewal applicants that would assess their attitudes regarding:
  - The requirements for obtaining a preliminary teaching credential, professional clear credential, and renewal credential.
  - The quality of preparation they received from their teacher education program (recent credential applicants only).
  - The level of customer service CTC provided throughout the credentialing process.
COMMENTS:

CTC will present their response to the above requests at the hearing.
ISSUE 4: LAO PROPOSAL TO ELIMINATE THE FEE WAIVER FOR FIRST-TIME CREDENTIAL APPLICANTS.

The issue for the subcommittee to consider is the LAO's proposal to eliminate the fee waiver for first-time credential applicants, for savings of $1.6 million.

BACKGROUND:

The Governor's budget includes $1.6 million to backfill lost revenue due to a policy of waiving the $55 application fee for first-time teacher credential applicants. The Governor initiated this policy during the 1999-2000 fiscal year and the budget has continued funding to pay it since that time. Funding to pay for this initiative is non-Proposition 98 General Fund.

When initiating this policy, the Governor stated his intent to attempt to address the teacher shortage by making it easier to become a teacher.

COMMENTS:

The LAO recommends eliminating this program, due to a lack of evidence that this program helps address the teacher shortage. It notes that there is no evidence that the $55 fee is a barrier to becoming a teacher, especially given the substantial expenses that a person incurs before applying for a credential. It also notes that the budget contains funding for several teacher recruitment and retention programs, as well as financial assistance programs for aspiring teachers.

If the subcommittee wishes to continue a fee waiver program, it recommends that it adopt a program for financially needy students.