

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

ASSEMBLYMEMBER SARAH REYES, CHAIR

**TUESDAY, APRIL 20, 1999
STATE CAPITOL, ROOM 447
4:00 P.M.**

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6110 DEPARTMENT OF EDUCATION (K-12)

ISSUE 1: FEDERAL FUNDS – INFORMATION ONLY

The issue for the subcommittee to consider is the availability of federal education funds resulting from new federal initiatives.

BACKGROUND:

Recent federal legislation has made the following programs available for application by states:

Program	Application deadline	Amount available to California
Class Size Reduction * Funds class size reduction for grades 1-3 to 18:1. Allows districts that have met reduction requirements to use funding for professional development or reducing class sizes in other grades. Federal program is intended to last 7 years.	April, 1999 – SDE applied	\$128 million
Reading Excellence Act * States apply for three-year grants and distribute 2-year sub-grants to school districts for 1) professional development in the early grades, 2) out-of-school tutoring, 3) family literacy and 4) school readiness transition programs. Distribution of sub-grants must consider poverty.	May 3, 1999 – SDE applies	At least \$ 30 million
21st Century Community Learning Centers Provides three-year grants to school districts or consortiums of districts for supplemental instruction programs (after-school, weekend, summer)	March 1, 1999 – Districts must apply directly to feds.	Undetermined (\$200 million available nationwide)
Preparing Tomorrow's Teachers to Use Technology* Funds programs to integrate technology effectively into curriculum. Three types of grants available: one-year capacity-building grants, two- and three-year implementation grants and three-year catalyst grants for larger partnerships.	May 24, 1999 -- SDE will apply for statewide grant	Undetermined (\$75 million nationwide)

<p>Safe and Drug-free Schools Provides three-year competitive grants (\$1-3 million) for 1) hiring of law enforcement at schools, 2) early intervention and drug-prevention programs and 3) mental health services and early childhood development programs. Grants also available for middle school coordinators initiative.</p>	<p>August 1, 1999 Districts must apply directly in conjunction with other local partners.</p>	<p>Undetermined (\$125 million nationwide)</p>
<p>Bilingual Education Professional Development Provides competitive grants to school district, higher education institutions, states and nonprofit organizations to 1) foster effective instructional and assessment methodologies, 2) support professional development, 3) upgrade skills of existing personnel, and 4) support research related to teaching English learners.</p>	<p>Late March, 1999 – Districts, higher ed. institutions, states and non-profits apply directly to feds.</p>	<p>Undetermined (\$50 million nationwide)</p>
<p>Gear Up Provides grants to local partnerships and states to do college outreach, preparation and scholarships</p>	<p>April 30, 1999 – Secretary of Education will apply.</p>	<p>Undetermined (\$120 million nationwide)</p>
<p>Teacher Quality Enhancement Grants Provides grants to local education partnerships and states to recruit new teachers, strengthen teacher certification standards and train existing teachers.</p>	<p>April 16, 1999 – Secretary for Education applies</p>	<p>Undetermined (\$75 million nationwide)</p>
<p>Learning Anywhere Anytime Partnership Provides competitive grants to public/private local partnerships to promote technology access for educational purposes</p>	<p>June 18, 1999</p>	<p>Undetermined (\$10 million nationwide)</p>
<p>Community Technology Centers* Funds programs to promote use of technology in educational settings in urban and rural areas and in economically distressed communities.</p>	<p>Mid-June, 1999 – state and districts apply.</p>	<p>Undetermined (\$10 million nationwide)</p>

*denotes a program for which CDE is required or intends to apply for statewide funding.

Federal Class Size Reduction Program. The new federal Class Size Reduction Program is the largest of the new federal programs. It funds class size reduction to a ratio of 18 students per teacher in grades 1-3 and allows schools that have already achieved this ratio to use the funds for professional development or for reducing class sizes in other grades.

California has already applied for the program and recently received a three-year waiver from the federal government from the 18-to-1 requirement. The waiver allows schools that meet the state's class size reduction program ratio requirement of 20-to-1 to meet the federal requirement and thereby allows them flexibility in using the federal funds (for professional development or reducing class sizes in other grades). However, in order to have flexibility over the use of the federal funds school districts must certify that all teachers in the reduced classes in grades 1-3 are certificated. Those districts that do not have certificated teachers in reduced classes (e.g., emergency permits) must develop a plan to ensure that these classes have certificated teachers "in the shortest possible time," and must use the federal funds toward that plan.

According to SDE, all districts in California (regardless of whether they have grades 1-3) are eligible to receive funding under this program. State must distribute funding to school districts based on a formula that gives 80 percent weight to poverty and 20 percent to school enrollment.

COMMENTS:

In its Analysis of the Budget, the Legislative Analyst raised questions about whether the state was planning on applying for any of the new federal programs, given that none of the new funding was reflected in the January 10 budget. The LAO recommended that the Legislature require SDE, the University of California, the California State University and the California Student Aid Commission to report at budget hearings on their efforts to apply for the new federal funding.

SDE has provided staff with information regarding which agencies are responsible for leading application efforts and the corresponding deadlines. At today's hearing SDE will provide an update regarding the status of applications it is responsible for submitting.

ISSUE 2: STATE OPERATIONS

The issues for the subcommittee to consider are (1) the Governor's proposed augmentations for SDE, 2) a May DOF letter proposing changes to the January SDE budget, 3) SDE's augmentation letter, 4) restoration of an amount cut from SDE's state operations by last year's Budget Act and 5) augmentations that may be necessary to implement proposed legislation.

BACKGROUND:

Proposed budget: The Governor's budget proposes the following augmentations to support the following new initiatives, new legislation and ongoing activities. In addition, the budget sets aside \$3 million for the current year to partially restore an \$8 million cut made to SDE's budget by the 1998 Budget Act.

- **Math staff development:** One position for SDE and one position for the State Board of Education (\$150,000 General Fund) to implement two math staff development bills approved last year: AB 2442 (Mazzoni) Chapter 316, Statutes of 1998, which created a program to reimburse school districts for the cost of sending teachers to take math courses at higher education institutions and AB 1331 (Alquist) Chapter 315, Statutes of 1998, which provided grants to school districts to provide staff math staff development. (The Governor's proposed budget earmarks \$28.5 million in federal Goals 2000 funding for the second year of funding for these programs.)
- **Charter schools:** One half-year position for the Charter Schools Unit (\$44,000 federal funds) in the current year and three positions (\$253,000 federal funds) in the budget year. This unit provides technical assistance to existing charter schools, administers the federal charter school grant program, responds to public inquiries related to the development of new charters and manages the Charter Schools Revolving Loan Funds. SDE argues that the passage of AB 544 (Lempert) last year and the subsequent increase in the number of possible charter schools have lead to an increase in public inquiries regarding charter schools.
- **School Community Policing Partnership Act:** One position to administer the School Community Policing Partnership Act (\$183,000 General Fund), a three-year grant program for school districts to implement community policing programs to address juvenile crime and safety issues on school campuses. This program was established by AB 1756 (Havice) Chapter 317, Statutes of 1998. The Governor's budget also proposes to fund a position in the Attorney General's office for this program, which is jointly administered by SDE and the AG.

- **American Indian Early Childhood Education Program:** The budget proposes \$100,000 for an evaluation of the American Indian Early Childhood Education Program. This program allows school districts that have schools with at least ten percent American Indian students to apply to the SPI for funding for early education programs. AB 3228 (Campbell) Chapter 783, Statutes of 1996 extended the life of this program through December 31, 2001 and required SDE to prepare a request for proposals to contract for an independent evaluation of this program to be performed by December 31, 2000.
- **Updating California Reading List:** The budget proposes \$96,000 in one-time funding for state operations to upgrade, revise and publish the State's Recommended Literature List for kindergarten and grades 1-12. The state's Language Arts Content Standards refer to an existing recommended reading lists for grades K-12 and state that these lists are meant to illustrate the quality and complexity of reading materials that students that meet state standards should be expected to be able to read and comprehend. However, the reading lists have not been updated for almost ten years. The proposed expense is expected to result in updated reading lists and a link on SDE's website where each list can be viewed and downloaded by teachers and the public.
- **Instructional materials:** \$201,000 in General Fund and continuation of five positions for interim adoption of instructional materials aligned with recently adopted standards.
- **9th Grade Class Size Reduction:** \$78,000 in federal funds and one position to administer the new 9th Grade Class Size Reduction program initiated through last year's legislation.
- **Adult Education:** \$87,000 in federal funds for one position to provide audit support to the adult basic education unit.
- **College preparation:** \$160,000 in General Fund and two positions for college preparation programs.
- **Categorical Complaints Management Unit:** \$239,000 in federal funds and three positions to support a unit to investigate and resolve program violation complaints in specific state and federal categorical programs, in compliance with federal law that requires complaints to be resolved within 60 days.
- **After School Programs:** \$500,000 (General Fund) for six new positions to support the new After School Learning and Safe Neighborhoods Partnership Program, created by last year's AB 1428 (Ortiz), AB 2284 (Torlakson) and SB 1756 (Lockyer).

- **Cal-SAFE pregnancy and parenting support program:** \$308,000 (General Fund) for three limited-term positions to support implementation of the new Cal-SAFE program and \$100,000 for a contract to develop evaluation criteria for this program. SB 1064 (Johnston) Chapter 1078, Statutes of 1998 established the Cal-SAFE program (California School Age Families Education Program), which consolidates existing pregnancy and parenting support programs to create a more comprehensive, school-based program.
- **Child nutrition audits:** \$344,000 in federal funds for five permanent positions to support SDE's audit and investigation activities for child nutrition programs, in response to federal recommendations that SDE improve its auditing and oversight activities of specified nutrition programs.
- **Assistance for nutrition programs:** \$186,000 in federal funds to support three positions for field monitoring and technical assistance to child nutrition programs, \$81,000 in federal funds for 1.5 positions to support federal school breakfast, lunch and after school meals programs, \$52,000 in federal funds for one position to support the adult day care food programs, \$52,000 in federal funds for one limited-term position to eliminate the menu planning backlog in child nutrition programs and four additional positions to support the distribution of USDA donated food commodities for children (to be supported from the Donated Food Revolving Fund).
- **Child care related state operations:**
 - \$22,000 (General Fund) for half a permanent position, to support start-up costs for the Child Care Facilities Revolving Loan Program.
 - Approximately \$100,000 in federal funds for a new project to develop child care capacity in underserved areas.
 - \$81,000 in federal funds for one permanent position to support the chief of the Child Development Division

In addition, SB 1x (Alpert) appropriates \$900,000 in General Fund to SDE to administer the new statewide accountability program proposed by the bill. AB 1x (Villaraigosa) appropriates \$82,000 to SDE to provide support services to districts in implementing peer review and assistance programs. SB 2x (O'Connell) provides \$250,000 to SDE to provide support services related to the new high school graduation exit exam.

DOF letter: The Assembly Budget Committee received a letter from DOF, dated March 30 of this year, proposing the following amendments to the January 10 budget:

- **Nutrition education:** A \$100,000 increase in Reimbursements to SDE state operations to reflect an augmentation in the California Endowment Grant for a nutrition education program targeting low income children. The increase would fund the developmental phase of the program and in 2000-01 the funds would be shifted to local assistance to support increased grants to school districts.

- **Support for Emergency Immigrant Education:** Increase federal funds by \$150,000 to SDE state operations to annualize the cost of a current year budget revision for the Emergency Immigrant Education Program. The letter proposes to use the funds to permanent establish two positions which were initiated in the current year.
- **Migrant Education Student Information System:** Increase federal funds by \$150,000 from the federal Title I – Migrant Education program to develop a state-wide Student Information System to track migrant students, as required by the federal government. SDE and DOF state that the intent is that this system eventually be integrated into CSIS.
- **Support for Child Care Center-Based CalWORKs pilot project** – Increase federal funds by \$151,000 to support two three-year limited-term positions to develop a pilot project proposed by this year's budget to establish center-based child care for CalWORKs recipients in underserved areas with high CalWORKs populations. (The Governor's budget proposes to set aside \$100 million in federal local assistance money to fund child care slots in the new child care centers that are developed as a result of this pilot project.)

COMMENTS:

Restoration of prior-year cuts: SB 55 (O'Connell) appropriates \$8 million to SDE in the current year to fully restore cuts made to its operating budget by last year's budget. It also appropriates specific amounts to pay for prior-year court-ordered and voluntary desegregation claims from various districts.

SPI's augmentation letter: The Subcommittee received a letter from the SPI dated April 8, 1999 which requested the following additional state operations augmentations:

- **Restoration of cuts made by last year's budget:** A restoration of the \$8 million cut made to SDE's operations by last year's budget. The Governor's budget proposes to restore \$3 million of the cut in the current year; the SPI requests that the Legislature provide another \$5 million to fully restore cuts made to SDE.
- **Special session bills:** \$1.2 million in federal IASA funds and \$735,000 in General Fund to implement SB 1x (Alpert). \$90,000 in General Fund to implement SB 2x. \$211,000 and 2.5 staff to implement AB 2x and provide technical assistance for all supplemental instruction programs and \$580,000 to initiate the evaluation required by AB 2x. \$225,000 and 1.5 staff to implement AB 1x.
- **CSIS:** \$1.1 million to support ten staff and equipment to support CSIS.

- **Technology:** A total of \$570,000 in federal funds to support two limited-term staff and a technology inventory system. \$321,000 in General Fund to fund four staff to support the Digital High School program.
- **Universal preschool commission:** \$300,000 to support the first year of the universal preschool commission proposed by SB 277 (Ortiz).
- **English language learners:** \$1 million in General Fund and 4.5 staff to support the needs of districts that must implement Proposition 227, (including \$350,000 for program evaluation).
- **Cal-SAFE** – \$551,000 and five staff to implement Cal-SAFE.
- **Principal Apportionment re-write** -- \$572,000 to support five staff to support the Principal Apportionment System Rewrite Project, which will re-design the system for collecting and validating apportionment data from districts which is used to calculate district apportionments.

Other augmentation letters: 1) The subcommittee has received letters from Assemblymembers requesting an augmentation to SDE's budget to fund increased gender equity compliance and technical assistance in K-12 schools. The letters argue that a) gender discrimination continues to be a serious problem in California's schools and that the number of gender equity complaints has been increasing in California and b) an augmentation of \$305,000 to SDE's state operations would increase technical assistance and state review to prevent gender equity lawsuits. 2) AB 1645 (Committee on Agriculture) would require the SDE to develop an agriculture-related curriculum for voluntary use by school districts. The bill would also require SDE to provide professional development regarding agricultural education and coordinate related activities in school districts. This bill would affect SDE's workload.

ISSUE 3: CALIFORNIA SCHOOL INFORMATION SERVICES

The issues for the subcommittee to consider are 1) the proposed amount for this project, 2) whether there is a need for greater oversight of this project and 3) whether there is a need for greater state operations support within SDE for this project.

BACKGROUND:

The Governor's budget proposes \$6 million in one-time local assistance funding for the California School Information Services (CSIS) project. CSIS is a multi-year, statewide project intended to develop and manage a statewide student data base and information transfer network. It was originally created to allow for easier transfer of student records between school districts and to allow for more accurate reporting of student information from school districts to the state.

CSIS is administered by the Fiscal Crisis and Management Assistance Team (FCMAT), which is housed in the Kern County Office of Education. CSIS provides incentive grants to school districts to develop data systems that can eventually be integrated into a statewide network that is intended to be developed in phases. The \$6 million provided in the Governor's budget would be used for additional incentive grants. (CSIS has \$11 million in prior-year funds that it is expected to use for incentive grants in the current year as part of the first phase of the project.)

COMMENTS:

Major undertaking: The LAO notes that CSIS is a major technological undertaking, given the size of the state, the number of districts and their variation in size and complexity. It notes that the state's previous efforts to implement large data systems (e.g., the child support collection system) have failed or been plagued with serious problems. It also notes that the fact that CSIS is administered by FCMAT means that it is not subject to review by the Department of Information Technology, as are projects initiated by state agencies. SBE has some oversight of CSIS but does not have technical expertise. When DOIT reviews projects it requires managing agencies to conduct a risk assessment and develop a risk mitigation plan.

LAO recommendation: The LAO argues for greater oversight of CSIS and recommends that SDE report on a) the results of a formal risk assessment of CSIS and b) a plan to contract for a technical evaluation of CSIS and a risk mitigation plan. The LAO withheld recommendation on the proposed \$6 million for this project, pending SDE's response. Staff notes that SBE has approved the data elements for CSIS, and FCMAT has contracted for a risk assessment of CSIS.

State operations related to CSIS: The LAO also questions whether SDE has adequate staff resources to conform to the coordination requirements of CSIS. It notes that in the long-term CSIS will serve as a way for school districts to submit data electronically to SDE, and that SDE must therefore be involved in the development of CSIS to ensure that it is consistent with state reporting requirements. It recommends that SDE report to the subcommittee on the staff resources it is dedicating to CSIS. The SPI's augmentation letter requests \$1.1 million to support 10 staff and equipment for CSIS.

ISSUE 4: NUTRITION/FOOD PROGRAMS

The issues for the subcommittee to consider are 1) the proposed expenditure level for federal and state nutrition and food programs and 2) a federal audit of SDE and its oversight of the Child and Adult Care Food Program.

BACKGROUND:

Overview. SDE administers nine federal and two state food and nutrition programs, such as the National School Lunch Program, the federal School Breakfast Program, the After School Meals Program, the Child Care Food Program, the Adult Day Care Food Program and the Summer Food Service Program. The Governor's budget assumes that California will receive approximately \$1.2 billion in federal local assistance dollars for federal food and nutrition programs. California also has a state-run program to provide start-up grants to schools that want to begin School Breakfast Programs or Summer Food Service Programs, which are federally funded. The Governor's budget proposes an increase of \$1 million (General Fund) for start-up and expansion grants for these programs in 1999-2000.

State administration of the Child and Adult Care Food Program. The Child and Adult Care Food Program is a federal program that funds meals to adults and children at adult care homes and child care centers. SDE administers the federal programs and provides contracts to public and non-profit agencies that provide meals at adult day care centers, child day care centers and after school care programs. As part of its administrative responsibilities under the federal program, SDE is expected to oversee the contracts with providers, to ensure overall financial integrity in the program and to ensure that providers conform to federal requirements. SDE currently has an auditing unit responsible for reviewing contractors' budgets and audit reports. The Governor's budget proposes to augment this unit with five additional positions (paid for out of federal funds).

A March, 1999 report by the Office of Inspector General of the U.S. Department of Agriculture, which administers the federal program, found a number of cases of fraud and abuse by contractors selected by SDE. The report faults SDE as being partially responsible for these abuses in two aspects: 1) its auditing unit and the CPA firms it contracted with failed to detect the abuses, and 2) SDE failed to take follow-up action when it did detect questionable activities during audits.

The report made a number of recommendations, including better coordination and communication between units in SDE that are responsible for overseeing the program and the development of a profile of high-risk providers that SDE could use to more quickly and uniformly identify abuses.

ISSUE 5: PROPOSED TRAILER BILL LANGUAGE RE. INDEPENDENT STUDY

The issue for the subcommittee to consider is proposed trailer bill language to limit the ability of districts' to claim funding for serving children through independent study.

BACKGROUND:

The Governor's budget proposes the following trailer bill language:

46300 (e) In computing the average daily attendance of a school districts, there shall also be included the attendance of pupils participating in independent study conducted pursuant to Article 5.5 (commencing with Section 51745) of Chapter 5 of Part 28 for ten or more consecutive school days.

This language effectively limits independent study funding for districts to cases in which independent study is conducted for at least ten school days in a row.

Under current law districts and county offices may receive apportionments for serving children through independent study, only if 1) they have written policies regarding the use of independent study, 2) the program is under the supervision of a certificated (or emergency-credentialed) teacher and 3) the ratio of ADA to certificated employees for independent study programs is no higher than the district (or county office) ratio of ADA to certificated employees. Current law does not specify a minimum number of consecutive days of independent study that a district must provide in order to claim funding.

School districts and county offices utilize independent study for a variety of scenarios – to ensure that children do not fall behind if they are ill or travelling or to serve children that are not succeeding in traditional classroom settings.

COMMENTS:

Increased use of independent study as a result of SB 727? DOF has raised questions about whether the new attendance accounting rules created by SB 727 have resulted in an increase in the use of short-term independent study. SB 727 (Rosenthal) eliminated the practice of funding excused absences (e.g., absences due to illness) and instead establishes a new method that funds apportionments based on actual attendance. The new law creates an incentive for school districts to get children to come to school. As noted in the April 6 hearing, recent estimates of current year ADA are significantly higher than earlier estimates, possibly as a result of the incentives created by SB 727. There is speculation that some school districts increased their use of short-term independent study to maximize their revenues under the new system (e.g., by putting a sick child on independent study rather than lose funding while the child is out of school). There is further speculation regarding whether part of this "ADA increase" is due to the increase in districts' use of short-term independent study. Staff notes that the "ADA increase" cited by SDE and DOF is at least 60,000 and that an increase in the use of independent study could only result in a portion of this projected increase.

ISSUE 6: OPEN ISSUES

Golden State Exam – the issue for the subcommittee to consider is the proposed funding level for this test and technical issues surrounding the validity and reliability of the tests.

BACKGROUND:

The Governor's budget proposes a funding level of \$14.2 million for the administration of the Golden State Exam. This is a \$3.3 million increase over the level provided in the current year. The Governor proposes to increase funding to pay for an increase in participation in the test. The budget also proposes to spend \$450,000 in federal Goals 2000 funding to align the Golden State Exams to the new state standards.

The Golden State Exam (GSE) Program was established in 1983 to recognize students that demonstrate outstanding achievement on rigorous examinations in certain academic subjects. Students receiving one of the three highest designations on a GSE -- "high honors," "honors," or "recognition" receive an academic excellence award from the state and have their achievement recorded on their high school transcripts. Students receiving exemplary scores on six Golden State Exams are eligible for the Golden State Diploma.

The State has funded the administration of Golden State Exams in a variety of different academic subjects: algebra, geometry, math, history, economics, government/civics, biology, chemistry, coordinated science, reading/literature, and written composition. In the Spring of 1999, exams in physics and Spanish language will be given for the first time.

More than 1,350 students earned Golden State Diplomas based on their performance on the exams in 1997. In 1998, over 2,530 students were awarded a Golden State Diploma.

COMMENTS:

Exams are generally expected to provide reliable and valid results. "Reliability" refers to the consistency of test scores when the same test or an alternate form is re-administered to individuals or groups. It also refers to the degree to which test scores are free from measurement error. "Validity" refers to the degree in which a test measures what it is intended to measure. A test is valid to the extent that it provides an acceptable confidence in making accurate inferences based on the test scores, such as a student's knowledge and mastery of academic subjects.

ISSUE 7: PROPOSED CONSENT ITEMS

The following budget items and sections of the proposed trailer bill are proposed for consent. No issues have been raised regarding these items.

Budget items:

0558 Office of the Secretary for Education

6110-181-140 Environmental education money from license plate fund -- \$800,000

6110-103-890 Robert C. Byrd Honors Scholarship Program -- \$4,680,000

6110-129-001 Community Education- Intergenerational programs -- \$171,000

6110-280-001 Angel Gate Academy -- \$600,000

6110-192-001 High School Coach Training \$1,000,000

6110-004-001 school crime report – \$1,216,000

6110-001-178 School bus driver training -- \$980,000

Trailer bill (4/08/99 RN 9910182)

Section 2 (pre-K learning guidelines; eliminate "upon their adoption by the State Board of Education"),

Section 4 (suspension of Prop. 98 split)

Section 15 (mandate boilerplate language)

Section 16 (urgency clause)

0558 OFFICE OF THE SECRETARY FOR EDUCATION

BACKGROUND:

The Governor's budget proposes the following increase to this office:

- For the current year, an increase in \$596,000 in federal funds for state operations to administer the California Commission on Improving Life Through Service, which is a program that assists community-based organizations in provided federally-funded services through the Americorps program.

COMMENTS:

For the current year, the costs of the Secretary are funded through the Governor's Office of Planning and Research. The Governor's budget proposes to fund the costs of the office through item 0558, pending approval of legislation (SB 839 (Alpert)), which would establish the Office of the Secretary for Education in statute.