AGENDA
ASSEMBLY BUDGET SUBCOMMITTEE NO. 2
ON EDUCATION FINANCE

ASSEMBLYMEMBER JOE SIMITIAN, CHAIR

TUESDAY, APRIL 23, 2002
STATE CAPITOL, ROOM 444
10:00 A.M.

ITEMS TO BE HEARD

<table>
<thead>
<tr>
<th>ITEM</th>
<th>DESCRIPTION</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>6110</td>
<td>STATE DEPARTMENT OF EDUCATION</td>
<td>2</td>
</tr>
<tr>
<td>ISSUE 1</td>
<td>OVERSIGHT -- CTC RESPONSE TO SUPPLEMENTAL REPORT</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>LANGUAGE</td>
<td></td>
</tr>
<tr>
<td>6110</td>
<td>STATE DEPARTMENT OF EDUCATION</td>
<td>4</td>
</tr>
<tr>
<td>ISSUE 1</td>
<td>PROPOSITION 98 -- LAO RECOMMENDATIONS AND OPTIONS</td>
<td>4</td>
</tr>
<tr>
<td>ISSUE 2</td>
<td>HEALTHY START</td>
<td>6</td>
</tr>
<tr>
<td>ISSUE 3</td>
<td>CATEGORICAL PROGRAMS</td>
<td>8</td>
</tr>
<tr>
<td>ISSUE 4</td>
<td>MANDATES</td>
<td>9</td>
</tr>
<tr>
<td>ISSUE 5</td>
<td>SPECIAL EDUCATION</td>
<td>11</td>
</tr>
<tr>
<td>ISSUE 6</td>
<td>CALIFORNIA SCHOOL INFORMATION SERVICES</td>
<td>13</td>
</tr>
<tr>
<td>ISSUE 7</td>
<td>ADULT AND VOCATIONAL EDUCATION</td>
<td>16</td>
</tr>
<tr>
<td>ISSUE 8</td>
<td>ADULT EDUCATION CITIZENSHIP FUNDING</td>
<td>18</td>
</tr>
<tr>
<td>ISSUE 9</td>
<td>CHARTER SCHOOLS</td>
<td>19</td>
</tr>
<tr>
<td>ISSUE 10</td>
<td>DOF LETTERS</td>
<td>21</td>
</tr>
<tr>
<td>ISSUE 11</td>
<td>TRAILER BILL LANGUAGE</td>
<td>24</td>
</tr>
<tr>
<td>ISSUE 12</td>
<td>ADA AUDITS</td>
<td>26</td>
</tr>
</tbody>
</table>
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. The subcommittee heard this issue at last week's hearing, and requested information from CTC regarding the difference in processing time between credential applications that contain all the requisite paperwork and applications that have missing information.

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 later provided supplemental responses.)

- 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.
ITEM # 6110  STATE DEPARTMENT OF EDUCATION

ISSUE 1: PROPOSITION 98 -- LAO RECOMMENDATIONS AND OPTIONS

The issue for the subcommittee to consider is the LAO's estimate of the Proposition 98 minimum funding level and various recommendations and options it has to help the Legislature meet this increased funding level.

BACKGROUND:

The Governor's proposed budget estimates that the minimum Proposition 98 expenditure level is $46 billion, including property tax, and it provides exactly this funding level to meet the minimum guarantee. In its Analysis of the 2002 Budget Bill, the LAO estimates that the Proposition 98 required expenditure level is approximately $715 million higher than the level assumed in the Governor's budget. It also estimates that property tax revenue will be $110 million less than that assumed by the Governor in his January budget. These two factors lead the LAO to estimate that the Legislature will need to increase General Fund expenditures by $825 million above the funding level provided by the Governor in his January budget, in order to meet the minimum funding requirements of Proposition 98.

Proposition 98, known as "The Classroom Instructional Improvement and Accountability Act," was passed by the voters in November, 1988. The initiative amended the state constitution to provide for an annual minimum guaranteed level of funding for school and community college districts. This minimum annual funding guarantee is based on changes in statewide average daily attendance, changes in per capita General Fund revenues, and changes in per capita income from one year to the next. In recent years, the Legislature has appropriated more to school districts and community colleges than the minimum amount required by Proposition 98.

The LAO estimates (with a great degree of certainty) that the Proposition 98 funding level will be calculated based on a "Test 2" funding level, which requires the use of an index that measures change in per-capita personal income as the primary factor in the calculation of the minimum guarantee. This index is published by the federal government in April, and will largely determine the minimum Proposition 98 guarantee level. For this year, LAO and DOF expect the index to be published on April 23, and that a rough estimate of the guarantee will be available soon after. The Governor's budget assumes that the change in per-capita personal income will be a negative 3%, but the LAO estimates that it will be a negative 1.5%, leading to its estimate of the guarantee that is $715 million higher than DOF's.

COMMENTS:

LAO options. In its "Analysis of the 2002-03 Budget Bill," and its "Options for Addressing the State's Fiscal Problem," the LAO notes the overall shortfall of General Fund revenues to pay for the increased K-14 expenditures that the LAO believes may be required if its estimate of the Proposition 98 guarantee is correct. (The LAO estimates that revenues will be $3.9 billion lower than what the Governor estimates in January, increasing the pressure on the General Fund.) The general shortfall of General Fund revenues would normally require the Legislature to reduce expenditures in other non-education areas in order to provide the increase in required
Proposition 98 expenditures that the LAO estimates. As an alternative, the LAO presents the following options:

1) **Additional current-year savings.** The LAO notes that the Legislature could still reduce expenditures in the current year in a number of areas, because the Legislature appropriated significantly more than the Proposition 98 minimum funding level in the current year. The Legislature would have to enact these reductions before the end of the current fiscal year, in order for them to take effect. These reductions could free up General Fund revenues that the Legislature could use to fund the minimum Prop. 98 guarantee in the budget year.

2) **Reversion account switch.** The LAO notes that the Legislature could also reduce K-12 Prop. 98 appropriations in the current year, and use $535 million in available reversion account funds to backfill those reductions (leaving the total expenditure level in the current year unaffected). Reversion account funds are one-time unspent balances from prior-year Proposition 98 appropriations. The Legislature could then use the General Fund freed up by the current-year reductions to pay for the increase in the Prop. 98 guarantee in the budget year. This option would leave the funding level for K-14 unaffected, but would require the Legislature to carry out the current year reductions before the end of the current fiscal year.

3) **Move education-related expenditures into the guarantee.** The LAO notes that there are a variety of education-related programs not currently paid for with Proposition 98 funds. It notes that the Legislature can count these existing expenditures as Proposition 98 expenditures. For example, the LAO recommends moving existing expenditure for the UC Professional Development Institutes (which are currently non-Proposition 98 expenditures) into a professional development block grant, which would provide funds directly to school districts for professional development purposes. Since the funds would be provided directly to school districts, the funds would be counted toward the Prop. 98 guarantee.

4) **Replace TANF spending on CalWORKs childcare with Proposition 98 funds.** The LAO notes that the Governor's budget includes almost $870 million in federal TANF funds on CalWORKs-related childcare. It states that the Legislature could use Proposition 98 funds in place of up to $770 million, thereby freeing up $770 million in TANF funds, which can be used to replace General Fund spending on CalWORKS. The General Fund freed up from CalWORKs expenditures could then be used to pay for the $770 million increase in Proposition 98 expenditure to pay for CalWORKs-related childcare. The LAO notes that if this option were restricted to Stage 2, approximately $430 million could be saved. This distinction is important because the state currently uses Proposition 98 funds to pay for CalWORKs Stage 2 childcare, but does not do so for CalWORKs Stage 1 childcare.

The LAO will be available at today's hearing to provide more information on its options.
ISSUE 2: HEALTHY START

The issue for the subcommittee to consider is the proposed funding level for this program.

BACKGROUND:

The Governor's budget proposes to delete $39 million for new implementation grants under this program, continuing a current-year reduction of $38 million proposed by the Governor and approved by the Legislature in SB 1xxx (Peace). The proposed cut would not affect current grantees (who are in their second, third, fourth or fifth year of implementation), since funding for their implementation grants was provided in prior budgets. However, the cut would affect a number of schools that received planning grants in 1999-2000 and 2000-01, who were expecting to receive implementation grants in the current year or budget year.

Healthy Start is a competitive grant program that provides $400,000 implementation grants to schools to provide comprehensive school-integrated services and activities, including tutoring, adult and parent education, family support, information regarding available health and social services and employment services. Healthy Start is modeled after successful programs that link children and families to needed support and services; grantees model their programs based on the unique needs of the community. The program was initiated in 1991 and has provided funding for new grants on a regular basis since that time. Schools receive $200,000 for the first year of implementation, and $100,000 each year for two years thereafter. Grantees are expected to obtain their own funding (public or private) after their implementation grants expire. Schools may use the funding over 3-5 years.

There are approximately 74 grantees (representing one or more schools) that received planning grants in 2000-01, some of whom were expecting to receive implementation grants in the current year, but did not receive such funding due to the current-year reductions. Schools that received planning grants in 2000-01 and that were expecting to receive implementation funding in the current year, but did not receive such funding due to the current-year reductions.

COMMENTS:

Advocates argue that the state investment in Healthy Start programs leverages private funding, so that each state dollar invested brings from $4 to $9 in private or federal funding. They argue that the program has been successful at improving test scores and health outcomes for students and their families, and is very cost-effective in this respect. Healthy Start has been evaluated via an independent, long-term evaluation.

Under Healthy Start, funding for the total amount of implementation grants that districts receive over 3-5 years is provided all at once in the budget, in the first year that districts receive implementation grants. This is different than the way that the state currently funds other grants, where the amount provided in any budget year is equal to the amount of the implementation grant funding grant recipients are to receive in that year. For example, Healthy Start recipients currently receive $200,000 grants in their first year of implementation, and $100,000 a year for the next two years (they can take up to five years to spend the funding), yet the budget traditionally contains the total $400,000 in the first year that the funding is distributed. If the state were to fund Healthy Start as it does other grant programs, it could provide funding for the
$200,000 implementation grants in the budget year, and plan to provide funding for the second year of implementation in next year's budget.
ISSUE 3: CATEGORICAL PROGRAMS

The issues for the subcommittee to consider are a) a proposal by the LAO to consolidate various categorical programs into a few block grants, and b) a proposal to increase the amounts that school districts that transfer between categorical programs.

BACKGROUND:

LAO categorical reform proposal: The LAO recommends consolidating many existing categorical programs into five separate categorical block grants: an academic improvement block grant, a compensatory education block grant, the alternative education block grant, a school safety block grant and the teacher support and development block grant. (The subcommittee heard the LAO's presentation regarding the latter at an earlier hearing.) The LAO also recommends adoption of control language that would allow small school districts to move funds between block grants. The LAO recommends block grants in order to increase local flexibility and efficiency. It will present its proposal at today's hearing.

COMMENTS:

Mega-item flexibility. The Governor's budget proposes to continue to allow school districts to transfer funds between categorical programs that were in the former mega-item. The proposed transfer amounts are up to 20% out of any one program and up to 25% into another, and these amounts are up. In light of the mid year budget cuts, education groups are calling for increased flexibility to “transfer out” up to 25% of the amount allocated to any one mega-item program and increase the “transfer in” up to 50% of the amount into any one mega-item program.
ISSUE 4: MANDATES

The issues for the subcommittee to consider are 1) the results of an audit report on the claims for the School Bus Safety II mandate, 2) the LAO’s identification of other mandates that might be eliminated, as requested by the subcommittee at a former hearing 3) actions taken by the Assembly Education Committee on a DOF trailer bill proposing to delete existing mandates and 4) the status of a current test claim before the Commission on State Mandates, related to state law requiring local social promotion policies.

BACKGROUND:

I. School Bus Safety II. The Governor’s budget contains no funding for the budget-year estimated claims for this mandate (estimated at $66.7 million annually), deferring payment until the results of an audit are released. This is consistent with the Legislature’s actions last year, when it deleted $290 million in proposed funding for the cost of current and prior-year claims for the School Bus Safety II mandate, after hearing testimony from the LAO that raised questions about the legitimacy of the claims as well as questions about the clarity of the guidelines for submitting claims. The subcommittee also submitted a request to the Joint Legislative Audit Committee to look into the LAO’s allegations.

Audit findings: The State Auditor released its report in March of this year, and will be present at today's hearing to present its findings and recommendations. Findings include:

- The costs for the mandate (annually estimated at $67 million) were significantly higher than the $1 million the Legislature expected the mandate to cost.
- The costs claimed by districts varied based upon the approach taken by the consultant each used to file claims.
- The different approaches taken by the consultants appear to result from a lack of clarity in the guidelines adopted by the Commission on State Mandates.
- Most of the school districts reviewed lacked sufficient support for the amounts they claimed.

The State Auditor recommends that the Legislature amend the guidelines for claims for this mandate through legislation to more clearly define activities that are reimbursable and to ensure that those activities reflect what the Legislature intended.

II. LAO follow-up to last discussion. At a prior hearing, the LAO presented its recommendation to pay for some mandate claims as a “first call” from categorical block grant funds. The subcommittee asked the LAO to explore legal issues related to its proposals, as well as examine existing mandates to see if there are others the Legislature may wish to suspend in the budget year. LAO will present this information, as well as alternatives to the way districts currently claim for mandates, at today’s hearing.

III. Policy committee action regarding Governor’s proposed mandate suspension. Last month the Assembly Education Committee heard the Governor’s proposed trailer bill, which contained language necessary to implement some of the cuts he proposed, including the elimination of some mandates. The committee approved suspension of the mandates proposed by the Governor, with the exception of two mandates, which the Governor had proposed to suspend for a savings of $6.4 million: a) a requirement that districts hold parent conferences before deeming a student a habitual truant and b) a requirement that districts include school counselors in parent conferences when a student is suspended from school.
In addition, the Governor proposes to alter a proposal he introduced in January to suspend the Open Meetings Act mandate. DOF accordingly proposes to restore the corresponding funding related to the mandate, in a March letter, as follows:

6110-295-0001, Restore Funding for Open Meetings Act Mandate (Issue 202)

It is requested that Item 6110-295-0001 be increased by $3,412,000 to restore funding for the Open Meetings Act mandate. These mandated activities are necessary to the effective operation of school districts.

IV. Social promotion mandate. There is currently a test claim before the Commission on State Mandates that would allow district to claim mandates for complying with state anti-social promotion legislation. The Commission will make a decision Thursday, April 24, as to whether the legislation constitutes a state mandate. If approved, the mandate could result in significant costs, because it might include the costs of retaining students in their current grade and costs of supplemental instruction.

COMMENTS:

Options to address School Bus Safety II audit findings. The Legislature has the following options in addressing the unanticipated high claims for this mandate: 1) Suspend or eliminate the mandate. 2) Pass legislation to require the Commission on State Mandates to modify the parameters and guidelines (which specify the scope of claimable activities). (Staff notes that the Legislature has passed such legislation in the past, including legislation regarding a high school graduation requirements mandate.) 3) Include a budget provision specifying that if legislation is not enacted in 2002-03 directing the commission to modify the parameters and guidelines, the School Bus Safety mandate is suspended in the budget year.

The LAO also recommends adoption of an alternative mandate claiming process, which it will be available to discuss at today’s hearing.
ISSUE 5: SPECIAL EDUCATION

The issue for the subcommittee to consider is the availability of new federal special education funding, and the Governor’s proposal for its use.

BACKGROUND:

Federal increases. The Governor’s budget includes an increase of $112.3 million in federal special education funding. However, California is expected to receive a total increase of $131.6 million in the budget year, approximately $19.3 million more than what’s reflected in the January budget. The Governor proposes to apply all of the $112.3 million increase in federal funds to offset current General Fund expenditures on special education (for a General Fund savings of the same amount). While this would be considered supplanting under other federal education programs, this is allowed with federal special education funding. California often used federal funds to offset General Fund spending in prior years, but in recent years it has applied any increased federal funds to special education equalization and other adjustments, pursuant to requirements of state legislation. Now that those statutory obligations have been met, DOF argues that the state is under no statutory obligation to pass on increased federal funds to local education agencies.

The LAO notes that in the original 1975 federal special education legislation that required schools to provide equal access to educational services to special education students, Congress stated its intent to provide 40 percent of the additional cost of meeting the requirements it was imposing. However, the federal government has never contributed more than 17% of this cost. In California, the federal share of cost is close to 10%, and SDE estimates that California would receive more than double the amount it currently receives if the federal government met its 40% commitment.

Overall increases. The Governor’s budget proposes a total of $2.7 billion in Proposition 98 funding for special education in the budget year. This includes a total increase of $117 million, or about 3 percent, including $77.5 million for a 2.15% COLA. In addition, the budget contains the second of ten annual installments of $25 million, in accordance with the terms of a settlement approved last year over the cost of special education mandates.

COMMENTS:

DOF notes that its calculation of the amount of General Fund required for special education, as well as the amount of federal funds available to offset General Fund expenditures will change in May Revise, based on changes in property tax revenues and other factors.

LAO recommendation: The LAO recommends adoption of the Governor’s proposed use of increased federal funds to offset General Fund expenditures, given the state’s fiscal situation. For the remaining $19.3 million in increased federal funding that DOF did not include in the January budget, the LAO recommends:

- $4 million to offset General Fund expenditures, freeing up an equal amount of Proposition 98 funding for other K-12 priorities.
$300,000 to fund a study of special disabilities adjustments. Current law provides additional funding to areas that have a disproportionately large number of high-cost special education students. However, the funding mechanism for calculating these adjustments expires in the budget year, and current law require a new study to calculate the new adjustments to be completed by March, 2003. The Governor’s budget does not contain funding for this study.

Split the remaining $15 million between equalization and per-ADA distribution. This 50-50 split reflects the action the Legislature took last year with increased federal funding.

Legislation. The Legislature is currently considering legislation that would require that any future increases in federal special education funding be passed on to local education agencies as increases, and not be used to offset General Fund spending.
The issue for the subcommittee to consider is the proposed funding level for the California School Information Services, whether it should be allowed to use unused funding for technical assistance, and various oversight issues related to how the program is running and its mission.

**BACKGROUND:**

The Governor's budget proposes roughly the same funding level as last year for the California School Information Services project (CSIS), a multi-year project to develop, implement and manage a statewide K-12 student information database and information-transfer network. CSIS is managed by the Fiscal Management and Assistance Team (FCMAT), which is part of the Kern County Office of Education. Funding related to CSIS is provided to FCMAT as well to SDE, for oversight and related activities, as follows:

**FCMAT**

- $11 million for the implementation grants CSIS provides to school districts to help them become part of the CSIS network. Last year's budget provided $11.6 million for this purpose.
- $4.5 million in one-time Proposition 98 reversion account funds to FCMAT for operations costs, the same level provided in last year's budget.
- $250,000 for project management services to assist FCMAT in administering CSIS, the same level provided in last year's budget.

**SDE**

- $650,000 in state operations funding for SDE workload in support of CSIS.
- $175,000 for SDE to transition state data collection to CSIS, contingent upon the findings of a DOF study of SDE's data management systems.
- $150,000 for SDE to contract with an independent entity to provide independent oversight of FCMAT's implementation of CSIS.

**Current status of CSIS participation.** CSIS is in its third year of implementation. Approximately 220 school districts and county offices currently participate in various stages of implementation, encompassing student enrollment of approximately 2 million. CSIS is a multi-year project that seeks to facilitate the movement of student records and data between school districts and to the state (for state data requirements that districts must currently submit directly to the state). The project seeks to entice districts to participate, instead of mandating participation, by providing benefits, such as local implementation grants that cover roughly half the cost of implementation and the benefits of a student-level database. Data is never stored at CSIS.
COMMENTS:

Oversight issues: OSE study on graduation rates. The 2000-01 budget provided $500,000 for the Office of the Secretary for Education to contract for a study to determine how data on graduation rates, student and teacher attendance rates, and other potential academic indicators can be incorporated into the API. (The API currently only includes STAR data, even though it was originally designed to eventually incorporate other indicators of school and student success.) OSE indicates that the study is nearly completed and may be able to provide information on the findings at today's hearing. The findings are expected to be relevant to CSIS in that it may recommend that CSIS or some other system collect information for graduation rates.

Oversight issue: DOF evaluation of SDE data management systems. Last year's budget provided DOF with $500,000 to contract for a study of SDE’s data management practices. The study is expected to provide recommendations for improvement, as well as the validity of data collections selected for CSIS transition. DOF indicates that the report is near completion, and will comment on its findings at today's hearing.

Oversight issue: Findings from independent oversight study. The budget currently provides $125,000 per year for quarterly independent project oversight of CSIS. The latest report found that CSIS is not progressing according to the original timeline, and that the delays are partly due to problems with State Reporting and Record Transfer System software and partly due to an overly aggressive schedule with insufficient time allowed for system integration, testing and problem resolution. The report also notes that CSIS staff and SDE staff committed to CSIS are too small for its work.

Resource needs for federal data collection requirements? The federal No Child Left Behind Act imposes new data collection requirements on the state and on local districts. Federal assessment (Title VI) funding is available for this purpose, and SDE recommends setting aside some of this funding for the development of a longitudinal database that will allow the state to measure individual student progress over time, because it believes such a system will be needed to meet federal requirements. There are several questions involved with the development of such a database: Will the system be incorporated into CSIS, and how will that affect CSIS’ implementation timeline? Will such a system be mandated? Will the system use the CSIS identifiers for individual students (which contain privacy protections)?

LAO recommendations: The LAO has the following recommendations relative to CSIS:

- Adopt budget bill language specifying an end date for CSIS. The LAO believes that the current implementation funding level would allow full implementation by 2007-08, yet the Legislature approved a bill last year requiring implementation by 2004-05 (which was vetoed over mandate concerns). The LAO believes the Legislature should adopt language specifying the target end date and align funding accordingly.

- Allow FCMAT to use up to $2 million for CSIS readiness services. The LAO indicates that some districts need technical assistance in planning to participate in CSIS. It recommends budget bill language that would allow FCMAT to use up to $2 million of unused implementation grant money to provide readiness assessments to districts expecting to participate in CSIS. Staff notes that one large district has deferred implementation of CSIS because of readiness issues, and that this led to unused funding in the current year.
Adopt statute to clarify CSIS role. The LAO recommends that the Legislature amend statute to clarify CSIS’ role in the following topics: 1) Should CSIS collect information (such as graduation rates) that can be used to support the API? 2) Should CSIS provide the state access to individual student information that would allow it to collect longitudinal data? 3) Which state data collections should be incorporated into CSIS?
ISSUE 7: ADULT AND VOCATIONAL EDUCATION

The issues for the subcommittee to consider are: 1) options for the subcommittee in considering whether to restore the Governor's proposed cut to adult education funding for CalWORKs participants and 2) the status of a proposal by the Governor to reform workforce training programs, including adult and vocational education programs.

BACKGROUND:

Adult education and ROC/P's for CalWORKs participants. 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 to allow adult education programs and ROC/P's to serve CalWORKs participants above their enrollment caps. The subcommittee heard this issue at its March 19 hearing and asked SDE to return with information regarding unused funding in the program. The funding proposed to be cut 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, and that there has been unused funding in this program in recent years (see comments below).

Workforce training reform proposal. The Governor's budget summary cites a four-pronged reform of California's workforce development system, including a) the consolidation of all existing apprenticeship programs (including those administered by SDE) under the Department of Industrial Relations, and b) consolidation of all vocational and adult education programs under the community college system. The Governor's office now states that it does not intend to divert any adult or vocational education funding to community colleges. The task force charged with developing the proposal is still soliciting input from the public, and plans to have final recommendations at the end of April. DOF will be available at today's hearing to answer any questions about the progress of the workforce's proposal.
Comments:

Unused funding from adult education CalWORKs. SDE has indicated the following unused funding from the $26 million add-on that allows adult education programs and ROC/P's to enroll CalWORKs participants above their enrollment caps: 1) $17 million in unused funding from the 1999-2000 fiscal year (which the Governor's budget captures as savings) and 2) $13 million in unused funding from the 2000-01 fiscal year (which the Governor's proposed budget does not capture in savings). Despite the fact that funding has gone unused in prior years, SDE believes that adult education and ROC/P's may fully utilize this funding in the current and budget years because of the bad economy and the resulting increase in the CalWORKs population. SDE indicates that providers used all of the $10 million provided for supportive services and it recommends restoring this entire amount of the Governor's proposed cut. If the subcommittee desires to restore all or a portion of the Governor's proposed reductions, it can use some of the one-time unused funding identified from the 2000-01 fiscal year to do this.

In addition, SDE has identified $28 million in unused funding from base adult education funding from the 2000-01 fiscal year, which the Governor's proposed budget does not capture in savings. In addition, the subcommittee can use this funding to restore all or a portion of the Governor's proposed cut, as well for other K-12 purposes.

Addressing maintenance-of-effort issue. If the subcommittee chooses to restore part or all of the proposed cut, the restoration may still count against the state's maintenance-of-effort spending, over which the Governor has indicated an unwillingness to spend above the minimum amount required. The subcommittee may wish to defer to Subcommittee #1 on this matter, as it is considering this issue.

Redistribution of unused adult education funding from base program. Last year, the subcommittee appropriated unused funding from base adult education programs (non-CalWORKs) to programs that continuously exceed their enrollment caps and are in bad need of expansion funding. Unfortunately, the Governor vetoed this language, citing the fact that SDE has the authority to distribute any unused funding to school districts in need of expansion funds. SDE does not believe it has this authority. In response to this discrepancy, the subcommittee obtained a Legislative Counsel opinion that indicates that current statute does not give SDE the authority to redistribute unused funds to districts with higher need. The Legislature is currently considering legislation (SB 192 (Karnette)) that would give SDE the authority to redistribute unused base funding to districts that can demonstrate a need for additional funding.
 ISSUE 8: ADULT EDUCATION CITIZENSHIP FUNDING

The issues for the subcommittee to consider is the Governor's proposal to delete a current set-aside for adult education citizenship courses and other budget items related to adult education citizenship.

BACKGROUND:

Adult education citizenship courses. The Governor's budget proposes the following changes related to funding for citizenship and naturalization education:

- The budget proposes to delete an existing set-aside for citizenship courses. The set-aside was initiated by the Legislature several years ago and has been in the annual budget since then. The set-aside provides $12.6 million in federal adult education funding for English-as-a-Second-Language/citizenship courses. SDE has been unable to distribute all of this funding in recent years, and it believes that this is because the demand for citizenship courses has declined. However, the decrease in demand for these courses coincided with changes that SDE made in its state plan for the federal money, reducing the funding level for ESL-citizenship courses. (ESL-citizenship courses were previously funded at a higher rate, and the plan proposed to fund ESL-citizenship courses at the same level as other courses.) Because SDE was unable to distribute this funding, it submitted a section 28 letter last October, proposing to redirect $10 million in unused funding from the set-aside to English-as-a-Second Language courses. (The state is expected to receive an additional $4 million in the budget year in federal adult education funding. This amount is not included in the Governor's January budget.)

- The budget contains $20.8 million in federal English Language/Civics funding, which is new federal funding the federal government started providing two years ago to fund activities related to citizenship, civic participation and English literacy. This amount is the same amount provided in last year’s budget act. SDE indicates that some of this funding supports citizenship education. During last year’s budget process, DOF proposed to provide SDE with federal funding to support two redirected positions to administer this program, and the final budget contained an additional position that the Legislature provided for administration. SDE indicated that this staffing level was insufficient to properly administer the funds, and was concerned that it would have to send the funds back. The Governor's budget proposes a total of 5 positions to administer the program.

- The budget contains $2 million for a naturalization program administered by the Department of Community Services and Development (under the purview of Subcommittee #1). This level is a reduction of $5 million from the funding level provided in last year’s budget, and a $2.9 million reduction from the level provided after the current-year reductions in SB 1xxx (Peace).

COMMENTS:

Assembly Subcommittee #1 is expected to consider the Governor's proposed cut to the naturalization program administered by the Department of Community Services and Development.
ISH 9: CHARTER SCHOOLS

The issues for the subcommittee to discuss are 1) the proposed funding level for charter schools, 2) various recommendations by the LAO regarding the direct funding model for charter schools, as well as 3) an update on information the subcommittee requested at a prior hearing.

BACKGROUND:

The Governor’s proposed budget includes the following amounts related to charter schools:

- $49.7 million in General Fund Proposition 98 funds for the charter school categorical block grant, a 20% increase over the current year. This funding is part of the direct funding model approved three years ago to help ensure that charter schools receive funding equal to that provided to non-charter schools. The proposed increase is an estimate of growth and COLA increases. The May Revision will update this figure.

- An increase of $17.6 million in federal charter school funds, for a total funding level of $30.2 million.

- $820,000 in federal funds and three, 3-year limited-term positions to increase monitoring, review and technical assistance to charter schools.

Three years ago, the Legislature approved a direct funding model for charter schools to provide charter schools the same level of funding that non-charter schools receive. This funding model includes continuously apportioned revenue limit funding (similar to that received by school districts) and a categorical block grant that includes average funding for a number of categorical programs (without the programmatic requirements that non-charters must comply with). Charter schools may also apply directly to the state to receive funding from a number of categorical programs, and must comply with their related programmatic requirements. These programs are excluded from the calculation of the categorical block grant. While most categorical programs were originally included in the categorical block grant, the number of categorical programs now excluded from it is substantial.

COMMENTS:

LAO recommendation: The LAO recommends that the Legislature adopt statute to extend the revenue limit portion of the charter school direct funding model, given that it is scheduled to sunset July 1, 2002. Staff notes that the Legislature is currently considering legislation to extend the sunset.

In addition, the LAO recommends that the Legislature amend the statutory funding calculation for the charter school categorical block grant so that it reflects appropriation levels made in the final budget act instead of the Governor’s May Revise. Current law requires DOF to calculate the growth rate for the categorical block grant every year at May Revise, which allows DOF to determine, for purposes of calculation, which programs are in the block grant and which programs charter schools must apply for separately. The LAO provides the following reasons why the existing system is flawed:
1. The original reason for giving DOF the authority to calculate the growth rate was to provide an early calculation that would allow charter schools to plan their budgets. However, early has never calculated it earlier than July, negating the original benefit behind the statute.

2. The current statute gives DOF the authority to determine which categorical programs are excluded from the block grant (e.g., programs which charters must apply to directly), even if the Legislature disagrees.

3. DOF’s May Revise calculation reflects proposed spending levels in the Governor’s May Revise, and not final appropriations in the final budget act.

4. The May Revise calculation is difficult to verify.

The LAO accordingly recommends that the Legislature adopt language to require DOF to calculate the block grant growth rate based on the final adopted budget and accompanying trailer bills.

**SB 955 update.** At a prior hearing, the subcommittee requested information on the number of school districts affected by SB 955 (Alpert) of last year, which contains various provisions related to charter schools, including a requirement as to how much basic aid school districts must transfer to charter schools in support of students that reside in the basic aid district.
ISSUE 10: DOF LETTERS

The issues for the subcommittee to consider are the various letters from DOF amending the January budget.

BACKGROUND:

A letter dated March 29, 2001 from DOF proposes the following amendments to the January budget. Most of these amendments are minor or technical, or conform to Section 28 letters the subcommittee has recently approved regarding similar current-year amendments.

6110-202-0890, New School Renovation and Repair Program (Issue 100)

It is requested that Item 6110-202-0890 be added to allow for the distribution of up to $138,524,000 in federal School Renovation and Repair Program funding that was received in 2001-02, but has not yet been expended by SDE. Due to the timeline associated with implementing the complex federal rules and regulations associated with this program, it now appears likely that most of the program funding will not be distributed during the 2001-02 fiscal year. It is requested that Item 6110-202-0890 be added to the 2002-03 Budget Bill as shown in Attachment A.

6110-001-0001, Healthy Kids Resource Center (Issue 350)

It is requested that Item 6110-001-0001 be increased by $141,000 to correct a technical error. The funding for the Healthy Kids Resource Center website was inadvertently reduced from this item. The reduction should have been posted to Item 6110-021-0001. See Item 6110-021-0001 (Issue 350) for corresponding action.

6110-001-0001, Extend Two Digital High School Limited-Term Positions for One Year (Issue 451)

It is requested that two positions set to expire at the end of 2001-02 that are currently administering the Digital High School program be extended for one additional year. The base budget already contains sufficient funding for these positions so only position authority is requested. The proposal will allow SDE to assists the final cohort of grantees in transitioning from installation to ongoing technology support and staff training grants. Specifically, the workload includes, but is not limited to, processing installation grant completion documents, conducting compliance visits, reviewing applications for ongoing support grants, and awarding funds.

6110-001-0001, Extend Positions for School-to-Work Program (Issue 501)

It is requested that Item 6110-001-0001 be amended by increasing Reimbursements by $324,000 from the Employment Development Department to extend for one year three limited-term positions in the federal School-to-Work program. These are funds that will be carried over from the 2001-02 fiscal year. This proposal would enable the department to fully utilize available federal funds and will ensure that local school-to-career partnerships have continued leadership, direction, oversight, contract monitoring, and outcome reporting.
6110-001-0001, Restoration of California School Information Services (CSIS) Position (Issue 250)

It is requested that one Education Consultant position that was inadvertently deleted from the Technology Services Division’s Educational Demographics Office during the preparation of the 2002-03 Governor’s Budget be restored. This position is needed to assist in CSIS implementation activities. No funding adjustments are required, as the funding for this position was not deleted.

6110-001-0001 and 6110-001-0890, Statewide Cost Allocation Plan (Issue 400)

It is requested that Item 6110-001-0890 be increased by $1,200,000 and Item 6110-001-0001 be amended to reflect increased Statewide Cost Allocation Plan recoveries. This proposal will allow the federal government to cover its appropriate share of centralized administrative expenses to the full extent allowed under federal law. This will increase the General Fund recoveries reflected in the General Fund Credits from Federal Funds budget (9910) by the same amount.

6110-001-0890, Alternative Accountability System (Issue 200)

It is requested that Item 6110-001-0890 be increased by $1,272,000 and Item 6110-001-0001 be amended to pay for the second year of activities associated with developing and implementing the Alternative Accountability System. The SDE proposed using $1.2 million of funds available in 2001-02 and $1.3 million in 2002-03 to develop the Alternative Accountability System to continue work required to meet federal requirements. The 2001-02 funding is the subject of a Section 28.00 notification dated February 13, 2002. A hearing by budget subcommittees is requested pursuant to a response dated March 14, 2002, from the Chair of the Joint Legislative Budget Committee.

6110-001-0001 and 6110-001-0890, Assessment Evaluations (Issue 201)

It is requested that Item 6110-001-0890 be reduced by $3,300,000 and Item 6110-001-0001 be amended to reflect the elimination of appropriation authority provided for conducting an evaluation of the Golden State Exams and for activities associated with ensuring that the High School Exit Exam and standards-based STAR exams are aligned to State-adopted content standards. These funds were provided on a one-time basis in 2001-02 and expenditure authority for the funds was inadvertently duplicated in the 2002-03 Governor’s Budget.

It is further requested that Provisions 14 and 15 of Item 6110-001-0890 be deleted to conform to this action.

“14. Of the funds appropriated in Schedule (2) of this item, $3,000,000 shall be used solely for the purposes of activities associated with ensuring that the High School Exit and standards-based STAR exams are aligned to the state-adopted standards. Encumbrance of these funds is contingent upon prior approval of an expenditure plan by the State Board of Education. These funds shall be available through June 30, 2002.”
“15. Of the funds appropriated in Schedule (2) of this item, $300,000 shall be used solely for the purposes of contracting for a study to determine the reliability of the Golden State Exams. The choice of a contractor and the contents of the contract shall be subject to approval by the State Board of Education. These funds shall be available through June 30, 2002.”

6110-021-0001, Healthy Kids Resource Center (Issue 350)

It is requested that Item 6110-021-0001 be decreased by $141,000 to correct a technical error. The funding for the Healthy Kids Resource Center website was inadvertently reduced from Item 6110-001-0001 instead of this item. See 6110-001-0001, (Issue 350) for corresponding action.

6110-194-0001, Project LINKS Grant Expiration (Issue 001)

It is requested that Schedule 2 of this item be reduced by $300,000 to account for the expiration of Project LINKS grant funding. These funds, which were provided by the State of Washington, were used to develop a website to provide school administrators with resource information.

It is further requested that $300,000 in corresponding reimbursement authority contained in Schedule 5 of this item be deleted, along with the deletion of Provision 3, to conform to this action.

“3. The amount appropriated in Schedule (5) of this item is provided pursuant to a grant received from the State of Washington for development of a Web-based staff development project by the Santa Cruz County Office of Education.”
ISSUE 11: TRAILER BILL LANGUAGE

The issue for the subcommittee to consider is proposed trailer bill language strictly related to the implementation of the budget.

BACKGROUND:

The Governor proposes the following trailer bill provisions that are necessary to implement the K-12 education provisions of the budget. These provisions were not part of AB 2995 and AB 3005, which contained trailer bill provisions proposed by the Governor and were considered by the Assembly Education Committee earlier this spring.

1. Extend sunset on Educational Telecommunications Fund (section 1 of RN 0205106). The proposed language would extend the sunset date from January 1, 2003 to January 1, 2004, for the Educational Telecommunications Fund. The subcommittee has approved a similar provision for the past two years.

2. Suspend the required percentage split of Prop. 98 funding between K-12 school districts and community colleges for the 2002-03 fiscal year (section 7). The Legislature approved this language last year, as it has in previous years.

3. Conforms statute to current-year funding levels for the principal training program, (section 8) as follows:

   44515. (a) Program funding is intended to serve one-third one-sixth of the total number of public school principals and vice principals in each of the first two years of program implementation, one-third in the second year, with the remaining public school principals and vice principals to be served in the third and final year of the program.
      (b) A local education agency shall receive program funding to train up to one-third one-sixth of its schoolsite administrators in the 2001-02 fiscal year, one-third in the 2002-03 fiscal year, and one-third the remainder in the 2003-04 fiscal year.
      (c) If all of the statewide funding is not expended in a fiscal year, it may be redistributed on a pro rata basis to local education agencies that have served more than one-third the proportion specified in subdivision (a) of their schoolsite administrators during that fiscal year.
      (d) It is the intent of the Legislature that a local education agency give highest priority to training administrators assigned to, and practicing in, low-performing or hard-to-staff schools.

4. Delays implementation of the kindergarten readiness pilot program, by one year (sections 12-19).

5. Makes the California Reading Campaign subject to annual appropriations (section 31).

6. Targeted Improvement Block Grant -- clarify statute so that districts receive at least the amount they received in 2000-01, adjusted for COLA, (section 32) as follows:

   54201. (a) The State Department of Education shall calculate the per pupil amount that was received by each school district pursuant to the court-ordered desegregation claims filed pursuant to Sections 42243.6 and 42247, and the per pupil amount that was received based on
voluntary integration claims filed pursuant to Sections 42247 and 42249 for the 2000-01 fiscal year. This amount shall be determined by dividing the total funds by the actual average daily attendance as reported on the second principal apportionment for 2000-01.

(b) The amount determined pursuant to subdivision (a) for each school district, adjusted by the percentage increase calculated pursuant to Section 42238.1, multiplied by the districts’ total average daily attendance for each fiscal year shall be the total per pupil funding received for the Targeted Instructional Improvement Grant. This amount shall be adjusted annually thereafter by the percentage increase calculated pursuant to Section 42238.1. The total amount a school district may receive in any subsequent year shall be at a minimum the same amount determined pursuant to subdivision (a).

Staff notes that DOF proposes to amend the last sentence to read: The total amount a school districts shall receive in any subsequent year shall be at a minimum the total amount it received in the 2000-01 fiscal year adjusted annually pursuant to section 42238.1.

7. Math and Reading Professional Development program -- amend statutes to conform to a longer implementation timeline. DOF proposes language as it appears in Attachment 1.

8. Specifies that funding for categorical programs is in lieu of amounts otherwise required by law (section 40). This language annually appears in the trailer bill and the subcommittee has approved this language in the past.

9. Urgency clause. This language annually appears in the trailer bill and the subcommittee has approved this language in the past.
ISSUE 12: ADA AUDITS

The issue for the subcommittee to consider is the Governor's proposal to suspend ADA audits that were initiated two years ago.

BACKGROUND:

The Governor proposes to eliminate funding for conducting audits of excused absences for the 1996-97 fiscal year. In prior years, the funding was provided to DOF, which contracted with the Controller's office to conduct the audits. The Governor initially proposed the audits out of concern that school districts had improperly documented excused absences during the 1996-97 fiscal year, which were later used to adjust school districts' revenue limits pursuant to legislation that disallowed the use of excused absences in the calculation of school districts' apportionments. SDE reports that the Controller completed 19 audits, including 15 charter schools, 3 school districts (including two large urban districts), and one county office of education. Not all audits contained findings. Some of the schools/districts affected appealed the findings.

Last year, the subcommittee heard testimony from school districts regarding their concerns about the fairness of the audits. The subcommittee recommended deletion of the funding for the audits, however, the funding was ultimately included in the budget pursuant to action by the Budget Conference Committee.

In an April 5 letter, the Governor commits to discontinuing the audits and seeking legislation to forgive the findings of audits under appeal. The letter also states the intention of the administration to work with the education community to strengthen the annual district audit process to ensure school district financial accountability.

COMMENTS:

Staff notes that no language is yet available regarding the forgiveness of audit findings nor the strengthening of the annual districts audit process.
ATTACHMENT 1:

Proposed trailer bill language regarding the Math and Reading Professional Development Program.

99234. (a) The Superintendent of Public Instruction shall notify local education agencies that they are eligible to receive an incentive award for up to 12 percent of its eligible teachers in the 2001-02 fiscal year, up to 28.5 19 percent in the 2002-03 fiscal year, and up to 28.5 22.5 percent in the 2003-04 fiscal year, up to 22.5 percent in the 2004-05 fiscal year, with the remainder for its eligible teachers in the 2004-05 2005-06 fiscal year. It is the intent of the Legislature that a local education agency give highest priority to training teachers assigned to low-performing schools. It is also the intent of the Legislature that funding appropriated in one fiscal year that is not expended by a local education agency be redirected to local education agencies that have trained more eligible teachers than the percentage funded. When a redirection of funding occurs, funding in subsequent fiscal years for the local education agencies involved shall be adjusted to reflect the redirection of funding.

   (b) A school district that cannot make the certification required pursuant to paragraph (3) of subdivision (a) of Section 99237 for all the grade levels it maintains in reading and mathematics may apply for and receive incentive funding for the grade levels and subjects for which it can make the certification required pursuant to paragraph (3) of subdivision (a) of Section 99237, in which case the certified assurance submitted pursuant to Section 99237 shall apply only to the professional development provided to teachers and instructional aides and paraprofessionals who directly assist with classroom instruction in mathematics and reading in the grade levels and subjects for which it can make the certification required pursuant to paragraph (3) of subdivision (a) of Section 99237.

   (c) Of the incentive provided pursuant to subdivision (c), a local education agency may use not more than one thousand dollars ($1,000) of the per teacher per subject amount to provide an individual teacher stipend.

   (d) The Superintendent of Public Instruction shall notify local education agencies that the maximum funding for the purpose of this article for which they are eligible each year is equal to the percentage set forth in subdivision (a), multiplied by the sum of the following two factors multiplied by two thousand five hundred dollars ($2,500):

      (1) Twice the number of multiple subjects teachers teaching in a self-contained classroom and special education teachers, as specified in paragraphs (1) and (2) of Section 99233, that provide direct instruction in reading and mathematics as reported in the most recent available CBEDS data, who have not received training pursuant to either this article or Article 2 (commencing with Section 99220).

      (2) The number of mathematics, English, science, and social science teachers as specified in paragraphs (3) to (6), inclusive, of Section 99233 that were
reported in the most recent available CBEDS data, who have not received
training pursuant to either this article or Article 2 (commencing with Section
99220).

(e) The Superintendent of Public Instruction shall allocate funding appropriated
for the purposes of this article in the following order of priority:

(1) Two thousand five hundred dollars ($2,500) for each qualifying teacher who
was provided training pursuant to subdivision (a) in the prior year for whom
the local education agency did not receive funding due to insufficient
availability of funds in the prior fiscal year.

(2) Two thousand five hundred dollars ($2,500) for each qualifying teacher who
was provided training pursuant to this article, subject to the limitations in
subdivision (d).

(3) Five hundred dollars ($500) for each qualifying teacher for each qualifying
program as specified in Article 2 (commencing with Section 99220) who
successfully completes mathematics or reading standards training, or both, at
a California Professional Development Institute authorized pursuant to Article
2 (commencing with Section 99220) in the 2001-02 fiscal year to the 2004-05
fiscal year, inclusive, using funds received pursuant to Article 2 (commencing
with Section 99220), and has had specific approved training on the
mathematics or reading instructional materials selected for use in the school.

(4) Five hundred dollars ($500) for each qualifying teacher in each qualifying
program pursuant to Article 2 (commencing with Section 99220) who
successfully completed mathematics or reading standards training, or both, at
a California Professional Development Institute authorized pursuant to Article
2 (commencing with Section 99220) in the 1999-2000 or 2000-01 fiscal year,
using funds received pursuant to Article 2 (commencing with Section 99220),
and has had specific approved training on the mathematics or English-
language arts instructional materials selected for use in the school.

(5) Two thousand five hundred dollars ($2,500) for each qualifying teacher who
was provided training pursuant to this article in excess of limitations in
subdivision (d).

(f) For purposes of this article, qualifying teachers who, in the 2000-01 fiscal
year, received training at a California Professional Development Institute authorized
pursuant to Article 2 (commencing with Section 99220) that was paid for by a local
education agency using funds that were not received pursuant to Article 2 (commencing
with Section 99220) shall be deemed to have received training in the 2001-02 fiscal
year. A local education agency shall receive funding for these qualifying teachers in
accordance with paragraph (2) of subdivision (e).

(g) Except as provided in subdivision (f) of Section 99237, funding may not be
provided to a local education agency until the State Board of Education approves the
agency's certified assurance submitted pursuant to Section 99237.
(h) Of the funding a local education agency is eligible to receive pursuant to this section for each eligible teacher, up to the number specified in subdivision (a), 50 percent shall be awarded following the provision of 40 hours of professional development as specified in subdivision (b) of Section 99237, with the remaining funding to be awarded following certification of the provision of the 80 hours of follow-up instruction as specified in subdivision (b) of Section 99237.

(i) Except as provided in paragraphs (3) and (4) of subdivision (e), a local education agency may not receive funds pursuant to this article for teachers who receive training pursuant to Article 2 (commencing with Section 99220) using funding provided pursuant to Article 2 (commencing with Section 99220).

99235. (a) The Superintendent of Public Instruction shall notify local education agencies that they are eligible to receive funding to provide instructional aides and paraprofessionals who directly assist with classroom instruction in mathematics and reading with professional development training in mathematics and reading, in an amount equal to one thousand dollars ($1,000) per qualifying instructional aide. Funding will be provided to local education agencies on a first-come, first-serve basis. A local education agency that chooses to participate in the program is eligible to receive funding for no greater than 11.5 percent of its instructional aides and paraprofessionals who directly assist with classroom instruction in mathematics and reading in the 2001-02 fiscal year, 29.5 percent in the 2002-03 fiscal year, 29.5 percent in the 2003-04 fiscal year, 18 percent in the 2004-05 fiscal year, with the remainder to be funded in the 2005-06 fiscal year. However, the statewide total number of instructional aides and paraprofessionals who directly assist with classroom instruction in mathematics and reading served under this program may not exceed 22,000 over the four fiscal years.

(b) Of the incentive provided pursuant to subdivision (a), a local educational agency may use not more than five hundred dollars ($500) of the per instructional aide and paraprofessionals who directly assist with classroom instruction in mathematics and reading amount to provide an individual instructional aid stipend.

99240. (a) By July 1, 2003, the State Department of Education, in cooperation with the University of California and the California Professional Development Institutes authorized pursuant to Article 2 (commencing with Section 99220), shall develop, and the State Board of Education shall review and approve, an interim report regarding the program established pursuant to this article for submission to the Legislature. The interim report shall, at a minimum, detail the following:

(1) The number of teachers, by credential type, who have received training offered pursuant to this article.

(2) The number of instructional aides and paraprofessionals who directly assist with classroom instruction in mathematics and reading who have received training offered pursuant to this article.
(3) The entities that have received funds for the purpose of offering training pursuant to this article and the number of teachers and instructional aides and paraprofessionals who directly assist with classroom instruction in mathematics and reading, respectively, that each has trained.

(b) By June 30, 2004 2005, the State Department of Education shall submit, subject to review and approval by the State Board of Education, a final report to the Legislature regarding the program established pursuant to this article. The final report shall, at a minimum, detail the following:

(1) The number of teachers, by credential type, who received training offered pursuant to this article.

(2) The number of instructional aides and paraprofessionals who directly assist with classroom instruction in mathematics and reading who received training offered pursuant to this article.

(3) The entities that received funds for the purpose of offering training pursuant to this article and the number of teachers and instructional aides and paraprofessionals who directly assist with classroom instruction in mathematics and reading, respectively, that each has trained.

(4) Information detailing the effectiveness of the program established pursuant to this article. This information shall, at a minimum, incorporate survey data concerning program effectiveness that has been gathered from program participants and school principals.

(5) To the extent information is available, information detailing the retention rate, by credential type, of teachers who participated in training offered pursuant to this article. The information shall, at a minimum, incorporate sample data concerning teachers who are no longer in the profession.

(6) To the extent information is available, information detailing the retention rate of instructional aides and paraprofessionals who directly assist with classroom instruction in mathematics and reading who participated in training offered pursuant to this article. The information shall, at a minimum, incorporate sample data concerning aides who are no longer in the profession, as well as aides who have obtained a teacher credential subsequent to training.

99242. This article shall become inoperative on July 1, 2005, 2006 and, as of January 1, 2006, 2007 is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2006, 2007 deletes or extends the dates on which it becomes inoperative and is repealed.