

**AGENDA****ASSEMBLY BUDGET SUBCOMMITTEE NO. 2  
ON EDUCATION FINANCE****Assembly Member Susan Bonilla, Chair****TUESDAY, FEBRUARY 1, 2011  
STATE CAPITOL, ROOM 444  
9:00 AM**

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**ITEMS TO BE HEARD**

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## ITEMS TO BE HEARD

### 6110 DEPARTMENT OF EDUCATION

#### ISSUE 1: CALIFORNIA LONGITUDINAL PUPIL ACHIEVEMENT DATA SYSTEM (CALPADS) AND CALIFORNIA LONGITUDINAL TEACHER INTEGRATED DATA EDUCATION SYSTEM (CALTIDES)

The issues for the Subcommittee to consider are the Governor's proposals for the CALPADS and CALTIDES projects for both the 2010-11 and 2011-12 fiscal years.

#### PANELISTS

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

#### BACKGROUND

**Program background.** CALPADS is a longitudinal data system that was established in state statute in 2002. CALPADS is intended to maintain individual-level data including student demographics, course data, discipline, assessments, staff assignments, and other data for state and federal reporting.

In 2006, the Legislature passed legislation to develop the California Longitudinal Teacher Integrated Data Education System (CALTIDES) to facilitate teacher assignment monitoring through automation and enable monitoring of Highly Qualified Teacher requirements under NCLB. Development of CALTIDES will follow successful implementation of CALPADS.

California School Information Services (CSIS) is the agency charged with building the capacity of local education agencies (LEAs) to collect, maintain, and report granular level data to facilitate reporting to California Longitudinal Pupil Achievement Data System (CALPADS). Once the CALPADS project is complete, all technical assistance and training to LEAs, system maintenance and system support desk functions will lie with CSIS.

**Issues with CALPADS.** CALPADS has had several issues with development and implementation over the years. Though the project was authorized in statute in 2002, it took five years for the California Department of Education (CDE) to contract with a vendor to develop the system. CDE attributes these delays to a number of things including delays in approvals the state requires before a vendor can be brought on to design, build, and implement a system.

In 2008, CDE entered into contract with IBM for \$13.9 million to design, develop, test, and implement CALPADS. In the Fall of 2009, CALPADS went online but by February

2010, there were system performance issues, which caused Superintendent of Public Instruction Jack O'Connell to delay any expansion of the system. Guided by recommendations from an independent evaluator, IBM and CDE worked together to resolve the issues and the system became stable in June 2010.

**Governor's 2010-11 Veto.** In October 2010, Governor Schwarzenegger vetoed a total of \$6.5 million in federal funds for the CALPADS and CALTIDES projects for the 2010-11 fiscal year. As the chart below shows, nearly \$3 million in federal support was vetoed for CALPADS and a conforming action was taken to eliminate \$3.5 million in support for CALTIDES.

<b>CALPADS – CDE State Operations</b>	<b>Amount</b>
Data Reporting Requirements	442,500
CALPADS Ongoing Operational Support	1,381,500
<b>Subtotal, CALPADS CDE State Operations</b>	<b>1,824,000</b>
<b>CALPADS One-time Implementation Costs</b>	
Vendor Costs – System Integration	606,000
Vendor Project Management Costs	277,000
Independent Project Oversight Consultant and Independent Validation and Verification Costs	214,000
System Hardware Costs	4,000
System Software Costs	6,000
Dept. of General Services Contract Revision Charges	15,000
<b>Subtotal, CALPADS Implementation Costs</b>	<b>1,122,000</b>
<b>CALTIDES</b>	
Support & Development	2,440,000
Support & Development	1,060,000**
<b>Subtotal, CALTIDES</b>	<b>3,500,000</b>
<b>TOTAL</b>	<b>6,446,000</b>

\*Includes 2.0 existing positions. One-time carryover funds can be used for CALTIDES or CALPADS support, which may include a Data Program Manager III position).

\*\*Includes \$200,000 in Title II one-time carryover funds.

The Administration cited concerns that the resources allocated for this purpose lacked accountability for a high quality longitudinal educational data system. They did not propose another use for the vetoed funds but rather set the funding aside until “an appropriate entity completes the project and provides a data system that will successfully supply student-level achievement data to assist teachers, district administrators, and policy makers with reliable information.”

According to the Governor’s veto message, “While California has struggled with this project for over seven years and spent over \$150 million since 1997 on longitudinal data systems, other states have allocated far less funding and achieved their databases in much less time. The Governor also cited lack of this data system as a significant factor in California’s loss of federal Race to the Top funding.”

CDE disputes the accuracy of the veto message. According to CDE, the CALPADS contract was started in 2008, not 1997 and \$150 million was not spent on CALPADS, but other data activities with much of the \$150 million sent to Local Educational Agencies (LEAs).

**2010-11 remaining resources.** The Schwarzenegger Administration maintained \$2.9 million to support CALPADS activities through part of the year. This funding was intended to allow the system to have sufficient resources until the next round of data submission, which was scheduled to begin and was implemented on December 6, 2010.

Further, while the Administration intended to delete support for CSIS, a technicality prevented the veto from happening. As such, \$7.72 million remained in the 2010-11 Budget Act to support CSIS. A portion of this funding is for CALPADS related work, including the provision of technical assistance and training to LEAs, system maintenance and support desk functions.

## GOVERNOR’S 2011-12 PROPOSAL

The Governor’s 2011-12 budget continues a base funding level of \$2.9 million for CALPADS and \$625,000. This is \$9.6 million less than CDE has requested for the project for 2011-12.

According to the Governor’s budget summary, “Future funding decisions for CALPADS and CALTIDES are pending a review of the program’s objectives, usefulness, longer term implications, and compatibility with growing federal requirements.” The Administration also plans to convene an interagency working group to conduct a review prior to any further funding of either CALPADS or CALTIDES.

**Status of project.** LEAs have submitted and certified their 2009-10 enrollment data and their 2008-09 dropout and graduation counts through October 2010. According to CDE, 99% of LEAs enrollment data has been certified for 2009-10 and over 99% of LEAs have submitted their dropout and graduation counts. Districts are currently

submitting data for 2010-11 enrollment and 2009-10 dropout and graduate counts. Districts are also currently submitting data on certificated staff teaching assignments and the types of course students are taking (referred to as "Fall 2"). Some characteristics of the courses include whether the course is AP, independent study, provides EL services, etc.

Although there have been a number of issues with the performance of IBM throughout the process, CDE continues to work with IBM and has extended their contract through December 2011. The California Technology Agency is also working closely with CDE and IBM to keep the project on track. Thus far, the state has paid IBM roughly \$7 million, or about half of the total contract. IBM needs to fulfill contractual obligations and ensure the Fall 2 submission is successful before the remaining contract will be paid. According to CDE, they have shifted resources to ensure the project continues as scheduled and they maintain they are on track with the next Fall submission (Fall 2) and Spring deadlines.

**Concerns with the halt of CALPADS.** CALPADS is currently the only mechanism for the state to track the enrollment and exits of all of California's 6.3 million students. CDE has noted several reasons CALPADS should be continued:

- CALPADS helps LEAs target resources. CALPADS tracks students across the state. Currently, an LEA can determine through CALPADS, whether a student dropped out or simply transferred to another district. Without this information, LEAs would not be able to target limited outreach resources on students who have truly dropped out.
- CALPADS helps LEAs serve students appropriately. CALPADS includes basic demographic and program participation data on all students. LEAs can use CALPADS to immediately learn basic information about a newly transferred student. For example, LEAs can identify whether a student is a special education student, and based on that information, serve them appropriately without waiting for the paper file, which often takes weeks to arrive.
- CALPADS provides efficiencies in federal reporting. CALPADS is California's primary source of data for federal reporting. Over the course of a year, LEAs submit (or will submit) 9 different files to CALPADS. CDE takes this data along with data from other sources to create 180 electronic files required by the U.S. Department of Education (ED). CALPADS contributes to 83 percent of the files sent to the ED. The data to meet these requirements are submitted throughout the year, crossing state fiscal years. Further, LEAs cannot submit this reporting data directly to ED because EDs system is designed to only collect data from 52 agencies. The State also helps ensure data quality; without a system to edit the data at the student level prior to aggregating it up for federal reporting, the data reported to the ED would be of poor quality (e.g., inconsistent, late).
- Federal funds could be at risk. California accepted \$4.9 billion in federal State Fiscal Stabilization Funds (SFSF) on condition of reporting on specified

education indicators. Many of these indicators will be based on the data LEAs submit to CALPADS to meet federal reporting requirements. Therefore, without these data, California will fail to meet the September 2011 reporting deadline for the education indicators for the SFSF. The CDE needs CALPADS to continue to operate into 2011-12 in order to meet these federal reporting requirements. Not meeting these reporting requirements could put this funding at risk. It is also possible that some of the \$7.7 billion in ongoing federal funding California receives for various other programs could also be at risk if California does not meet reporting requirements.

California also received two federal grants from the Institute of Education Sciences (IES) – a \$2.5 million grant to assist in building CALPADS and a \$6 million grant to assist in the building of CALTIDES. If CALPADS is not continued, then IES may ask for the \$2.5 million to be returned. If CALTIDES is not built, then IES will require us to return the \$6 million.

- Graduation or dropout rates would not be tracked. More accurate dropout rates and a 4-year cohort graduation rate are federal requirements that are also of extremely high interest to state and local policymakers. For years, the state has been criticized for under-reporting dropouts. CALPADS enables more accurate calculation of dropout rates because it tracks students as they move throughout the state. CALPADS also enables the calculation of a 4-year cohort graduation rate because it tracks students longitudinally over time. Without CALPADS, or a similar system, California would not be able to provide the rates that policymakers have long wanted.

**Status of CALTIDES.** CALTIDES is designed to link and leverage the teacher and course information that districts submit to CALPADS in Fall 2. According to CDE, most districts are still submitting Fall 1 data to CALPADS and they have not started to focus on submitting Fall 2 data. Only 17 LEAs have certified their Fall 2 data through CALPADS. CDE does not anticipate being able to enter into a contract to develop CALTIDES before June 30, 2011.

**CDE budget requests for current year and budget year.** For the current year, CDE is requesting full restoration of the veto in the amount of \$2.9 million.

For the budget year, CDE estimates they would need an additional \$9.63 million. According to CDE, the full cost of CALPADS is \$13.162 million. This includes \$3.405 million for ongoing CDE operations, \$7.994 million for CSIS ongoing operations and \$1.763 million in one-time costs. Of the amount needed to fully support CALPADS, the Governor's Budget includes base funding for both CDE and CSIS, \$2.9 million and \$625,000 respectively. The \$9.63 million is the difference between the full cost and the amount in the base.

For CALTIDES, CDE is not requesting an augmentation in the current year, however would request \$2 million of federal IES grant in the budget year.

**SUGGESTED QUESTIONS**

- 1) What are the implications for discontinued funding in the current fiscal year and in the budget year? How long will CDE be able to sustain the program on existing resources? What existing resources has CDE redirected?
- 2) What are the effects of lost data on funding? Is enrollment data from CALPADS used to populate funding formulas? Are other student counts used for funding also dependent on CALPADS?
- 3) What are the remaining components of CALPADS that need to be developed? Can CDE provide a timetable for completion of the project?
- 4) What is the Administration's timeframe for the interagency working group? Who does the Administration foresee participating in this group?
- 5) What are the Administration's "program objectives" regarding a data system? Are there specific concerns with CALPADS "compatibility with federal requirements" as mentioned in the Governor's summary?
- 6) Are any of the federal funds that were vetoed for CALPADS or CALTIDES in danger of reverting back to the federal government?

**STAFF COMMENTS**

The Administration indicates they do not plan to provide any funding until an interagency working group conducts a review of CALPADS or CALTIDES. However, the timetable for commencing and completing the work of the group is unclear. Given the importance of maintaining basic data collection such as enrollment **staff recommends** the Subcommittee direct staff to work with CDE, LAO, and DOF in the next two weeks to identify the amount of funding needed to sustain the program in the current year and further direct staff to identify non-General Fund solutions for this purpose.

Further, **staff recommends** the Subcommittee request that the Administration include the Legislature as a participant in the interagency working group.

**ISSUE 2: 2011-12 GOVERNOR'S BUDGET PROPOSAL: ECONOMIC IMPACT AID**

The issue for the Subcommittee to consider is the Governor's proposal to reduce ongoing Proposition 98 funding by \$54 million for the Economic Impact Aid (EIA) program in 2011-12.

**PANELISTS**

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

**BACKGROUND:**

Economic Impact Aid (EIA) is a state categorical program that provides additional programs and services for English learners (limited English proficient LEP) and services for educationally disadvantaged students in grades K-12. The funding is provided to support programs and activities to assist English learners to achieve proficiency in the English language as rapidly as practicable and to support programs and activities to improve the academic achievement of English learners.

**GOVERNOR'S 2011-12 PROPOSAL**

The Governor's budget proposes to provide \$888.4 million for the EIA program. The Administration has indicated this funding amount is intended to reflect natural savings in the program. The LAO and CDE, however, have expressed concerns that this reduction actually results in a cut to program services of roughly \$50 million in 2011-12 due to actions taken in the 2010-11 Budget Act.

The 2010-11 Budget Act reduced ongoing funding for the EIA program from \$945.7 to \$942.4 million. While this appears to only show a net reduction of \$3.3 million, there are a few factors that play into this number.

First, a base reduction of \$57 million was made to the program to reflect a natural decline in program participation. This brought the total appropriation down to \$889 million. The budget also included the LAO proposal to shift the English Learner Acquisition Program (ELAP) into the EIA program. This allowed for \$50 million to be shifted from ELAP to EIA and freed up those funds to be used on EL and low-income students of any grade level, not just 4-8 graders as prior program rules required.

Finally, the Budget Act added \$3 million to expand the EIA program to Juvenile County Court schools, which were not previously eligible to receive EIA funds.



The CDE indicates that almost the full 2010-11 appropriation will be utilized in the current year, with the possible exception of roughly \$7 million.

**SUGGESTED QUESTIONS**

- 1) What is the Administration's response to CDE and LAO concerns?
- 2) What are the potential program impacts if this reduction is approved? How would CDE administer the cut? What is the per pupil affect?
- 3) Do the LAO or CDE have suggestions for funds that can be used to offset reductions to this program should the Legislature choose not to approve the cut?

**ISSUE 3: 2011-12 GOVERNOR'S BUDGET PROPOSAL: EMERGENCY REPAIR PROGRAM**

The issue for the Subcommittee to consider is the Governor's proposal to provide \$53.6 million in Proposition 98 funds for the Emergency Repair Program (ERP) in 2010-11.

**PANELISTS**

- Department of Finance
- Legislative Analyst's Office

**BACKGROUND:**

SB 6 (Alpert), Chapter 899, Statutes of 2004, which implements provisions of the *Williams* settlement agreement, requires that, commencing with the 2005-06 Budget Act, the state transfer at least \$100 million, or 50 percent of the unappropriated balance of the Proposition 98 Reversion Account – whichever is greater – to the ERP. This level of funding must continue in the budget every year until the state has provided a total of \$800 million for the program.

The ERP is administered by the State Allocation Board (SAB). Funds must be used for emergency repairs in low-performing schools, specifically schools in the lowest three deciles of the Academic Performance Index (API). Chapter 899 defines emergency repairs as repairs needed to mitigate conditions that pose a threat to the health and safety of pupils or staff.

AB 607 (Goldberg), Chapter 704, Statutes of 2006 authorized a grant-based ERP program, rather than a reimbursement-based program. Districts can now apply for funding for specific projects before undertaking the actual repair work. The new grant-based program became operational at the beginning of 2007-08. According to the SAB, the grant-based program has made it much easier for schools to access funding for emergency repairs, since school districts are no longer required to pre-pay for these projects. These changes have substantially increased the number of project requests received and approved by the ERP.

**Program funding and remaining projects.** As of January 26, 2010, the SAB has approved and funded a total of \$338 million in ERP projects. Current law authorizes a total \$800 million over the lifetime of the program, leaving \$462 million in remaining authority for ERP.

According to the SAB, there are an additional \$228.4 million in approved-unfunded projects and \$233.6 million in unapproved projects pending review. ERP staff has provided information about the \$228 million in approved projects on the unfunded list. The \$228 million covers 3,636 projects. While ERP tracks 31 different types of projects, most funding (\$179.5 million) is proposed for six project types: Heating Ventilation and Air Conditioning (\$41.9 million); Roofing (\$54.1 million); Structural Damage (\$13.5

million); Paving (\$50 million); Electrical (\$9.2 million); and Campus Grounds (\$10.8 million).

### **GOVERNOR'S 2011-12 PROPOSAL**

Funding has not been budgeted for this program since 2008-09. In 2008-09, \$100 million in one-time Proposition 98 funds were reappropriated for the ERP however; \$51 million of these funds did not materialize. The Administration proposed to provide \$51 million in the Governor's 2010-11 January Budget proposal but these funds were ultimately rejected by the Legislature due to limited resources.

The Governor's 2011-12 budget proposes to provide a total of \$53.6 million in Proposition 98 funds for this program. Specifically, the budget proposes to provide \$42.8 million in ongoing funds and \$10.8 million in one-time funds. According to the Administration, the amount and specific mix of funding is largely the end product of collective decisions on all programs and the availability of one-time versus ongoing funding.

### **LAO RECOMMENDATION**

According to the LAO, the Legislature could take two reasonable approaches. The Legislature could meet the provisions of the Williams settlement for 2011-12 by providing funding for the Emergency Repair Program. Alternatively, given the state has provided maximum flexibility to school districts and relaxed several requirements related to facility maintenance, the Legislature may want to consider redirecting the funds proposed for the Emergency Repair Program to other programs that give districts more flexibility in making spending decisions.

### **SUGGESTED QUESTIONS**

- 1) Can the Administration summarize the types of emergency repair projects on the approved-unfunded list that would be covered by the Governor's proposal?
- 2) How many emergency repair projects are funded because districts did not conduct routine maintenance?
- 3) Does the LAO have other specific options for the use of this funding?

**ISSUE 4: 2011-12 GOVERNOR'S BUDGET PROPOSAL: MANDATES**

The issue for the Subcommittee to consider is the Governor's proposal to provide \$90 million in Proposition 98 ongoing funds for K-14 mandated program costs for the 2011-12 fiscal year.

**PANELISTS**

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

**BACKGROUND:**

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

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

**Commission on State Mandates.** In 1984, the state created the Commission on State Mandates. The Commission is a quasi-judicial body whose primary responsibility is to hear and decide test claims that allege that the Legislature or a state agency imposed a reimbursable state mandate program upon local government. The Commission is composed of the following: the State Controller, State Treasurer, Director of the Department of Finance, Director of the Office of Planning and Research, a public member with experience in public finance, appointed by the Governor and two local elected officials. The public member and the two local elected officials are subject to Senate confirmation and serve for a term of four-years, subject to reappointment.

**Mandate claims process.** For K-14 education, the mandate process begins when a K-14 local education agency -- K-12 school district/county office of education or community college district -- files a test claim with the Commission on State Mandates. Local education agencies are required to submit claims within one year of the effective date of the statute (or executive order). The Commission hears the test case and issues a "Statement of Decision" determining whether a claim is a reimbursable state

mandate. If a mandate is determined, the Commission begins the process determining mandate costs based upon mandate claims. In so doing, claimants propose "Parameters and Guidelines (Ps and Gs)" for determining mandate costs. Ps and Gs identify the mandated program, eligible claimants, period of reimbursement, reimbursable activities, and other necessary claiming information. The Commission then adopts the Ps and Gs, which are sent to the State Controller's Office in order to develop claiming instructions for K-14 local agencies. At this point, K-14 local agencies can file claims. In the end, the Commission estimates the costs of paying claims and reports the amount to the Legislature as the "Statewide Cost Estimate," for inclusion in the annual budget. If either the K-14 claimants or the State disagree with the Commission's decisions during the mandate process, they can seek judicial review.

**Mandate funding and reform in 2010-11 Budget Act.** Prior to the 2010-11 Budget Act, the state had deferred the cost of most education mandates but still required local education agencies (LEAs) to perform the mandated activity by providing a nominal amount of money (\$1,000) for each activity. An exception was in 2006 when the state faced some good times and was able to provide more than \$900 million in one-time funds for state mandates. This funding retired almost all district and college claims (plus interest) through 2004-05.

The 2010-11 Budget Act funded, suspended, modified, and eliminated several mandates as an alternative to the Governor's proposal to suspend all K-14 mandates across the board. The Governor's proposed suspension was influenced by a superior court ruling from 2008, which found that the state's practice of deferring education mandates was unconstitutional. The state is seeking to overturn this decision, and judgment on an appeal is due in the next few months.

The 2010-11 Budget Act provided \$90 million for the costs associated with K-12 claims for the 2010-11 Fiscal Year. The budget also enacted the following reforms:

- Suspended six full mandates and two partial mandates for three years (through 2012-13) consistent with the timeframe for categorical flexibility;
- Modified four mandates to preserve the underlying statute while reducing or eliminating mandate costs, including two of the most expensive mandates - Behavior Intervention Plans and High School Science Graduation Requirement;
- Updated statutes for one mandate program that is no longer fully operational;
- Requested redetermination of one K-14 education mandate;
- Created a working group led by the LAO to examine K-14 mandates and make recommendations to the Legislature for future fiscal and policy action.

Prior to this reform, the state required K-14 education agencies to perform approximately 50 mandated activities.

**GOVERNOR'S 2011-12 PROPOSAL**

The Governor's budget proposes to provide \$90 million in ongoing funding for K- 14 mandates to provide level funding, relative to 2010-11, for reimbursement of state-mandated local costs. The Administration also intends to continue to participate in the working group on mandate reform established pursuant to Chapter 724, Statutes of 2010.

**Working group progress.** The working group, facilitated by the LAO, includes staff from the Administration, the Department of Education, and the Assembly and Senate fiscal and policy committees. The group has met over the last few months and has also consulted with various stakeholders. The group is scheduled to submit a report to the Subcommittee by March 15, 2011.

**SUGGESTED QUESTIONS**

- 1) Can the LAO provide a brief overview and update on the status mandate reform including Legislative efforts and recent court cases?