

AGENDA
ASSEMBLY BUDGET SUBCOMMITTEE NO. 2
ON EDUCATION FINANCE

K-12 Education

Assemblymember Joe Simitian, Chair

WEDNESDAY, JANUARY 15, 2003
STATE CAPITOL, ROOM 447
1:30 P.M.

ITEMS TO BE HEARD

ITEM	DESCRIPTION	PAGE
6110	DEPARTMENT OF EDUCATION	3
	DECEMBER PROPOSALS	
ISSUE 1	ACROSS-THE-BOARD REDUCTIONS	3
ISSUE 2	FUND-SHIFT	4
ISSUE 3	PRINCIPAL TRAINING PROGRAM	4
ISSUE 4	CALIFORNIA SCHOOL INFORMATION SERVICES	4
ISSUE 5	GRANTS FOR SUPPLEMENTAL SUPPORT FOR WORKFORCE INVESTMENT ACT (WIA) YOUTH SERVICES	4
ISSUE 6	PROPERTY TAX OFFSET FOR ROC/PS	4
ISSUE 7	ADULT EDUCATION	5
ISSUE 8	ANTICIPATED SAVINGS IN THE ADULT EDUCATION IN CORRECTIONAL FACILITIES PROGRAM	5
ISSUE 9	ELIMINATION OF CALWORKS STAGE 3 CHILDCARE SERVICES	5
ISSUE 10	COMMUNITY DAY SCHOOLS	5
ISSUE 11	HEALTHY START GRANTS	5
ISSUE 12	HIGH RISK YOUTH EDUCATION AND PUBLIC SAFETY PROGRAM	6
ISSUE 13	COLLEGE PREPARATION PARTNERSHIP PROGRAM	6
ISSUE 14	ACADEMIC IMPROVEMENT AND ACHIEVEMENT ACT	6
ISSUE 15	BASE ADJUSTMENTS IN PROPOSITION 98	6

ISSUE 16	MANDATES	6
ISSUE 17	REVERSION OF PRIOR-YEARS SAVINGS	7
	JANUARY PROPOSALS	
ISSUE 1	REDUCTIONS IN SELECTED PROGRAMS	8
ISSUE 2	PARTIAL RESTORATION OF SPECIAL EDUCATION	8
ISSUE 3	FUND SHIFT FOR ADULT EDUCATION	9
ISSUE 4	REDUCTION TO BASIC AID SCHOOL DISTRICTS	9
ISSUE 5	ADDITIONAL PROGRAM SAVINGS	9

ITEM # 6110 DEPARTMENT OF EDUCATION**GOVERNOR'S PROPOSED MID-YEAR REDUCTIONS**

The issue before the Subcommittee is consideration of the Governor's proposed mid-year spending reductions.

BACKGROUND:

On December 4, 2002, the Governor released a proposal for cuts to General Fund expenditures, transfers and fund shifts totaling nearly \$10.2 billion. For K-12, the Governor proposed to reduce spending by \$1.51 billion.

On January 10, 2002, the Governor released his Proposed 2003-04 Budget, which included **additional** mid-year reductions to Proposition 98. The total additional reductions for K-12 are \$692.6 million.

The January and December proposals combined total \$2.5 billion in current year reductions to Proposition 98, with the K-12 portion being \$2.2 billion.

In December and January, the Administration asserted that spending required by Proposition 98 had been reduced due to the significant decline in 2002-03 estimated General Fund revenues and has also been adjusted to reflect revised population figures and average daily attendance. The total 2002-03 Proposition 98 funding requirement is currently estimated to be \$43.9 billion.

The following is a summary of some of the Governor's key education proposals. These proposals are presented in terms of December and January mid-year reductions.

DECEMBER PROPOSALS

On December 4, 2002, the Governor released a proposal for cuts to General Fund expenditures, transfers and fund shifts totaling nearly \$10.2 billion. The following is a summary of some of the Governor's key education proposals.

ISSUE 1: ACROSS-THE-BOARD REDUCTIONS:

The Administration proposes that K-14 local assistance program items be reduced across the board by 3.66 percent for a total of \$1.078 billion (\$980.9 million in K-12 and \$97.5 million in Community Colleges). The across-the-board reduction, combined with the specific reductions proposed below, reduces total Proposition 98 appropriations to the current estimate of the required minimum Proposition 98 spending level. The Administration proposes separate legislation to help districts manage these reductions

by easing the three-percent reserve requirement through June 2004 and expanding the number of categorical programs among which funds can be shifted.

ISSUE 2: Fund Shift—Current Proposition 98 Funding with Prior Year Savings for Regional Occupational Centers and Programs (ROC/Ps)

Of appropriations made in 2001-02 and prior years, the Administration has identified \$356.8 million, which they believe can be or has been reverted to the Proposition 98 Reversion Account. The Administration proposes that these funds be shifted to replace an equal amount of current year appropriations from 2002-03 Proposition 98 funding dedicated for the Regional Occupational Centers and Programs (ROC/Ps). This fund shift has no programmatic impact on ROC/P programs.

Issue 3: Principal Training Program

The Administration proposes to reduce \$5 million in Proposition 98 General Fund for the Principal Training Program, which provides incentive funding to local education agencies for professional development for principals and vice principals. The Administration believes that the remaining \$2.5 million in 2002-03 funding coupled with the \$15 million provided in 2001-02 is sufficient to meet the projected utilization and honors the State's match commitment.

Issue 4: California School Information Services

The Administration proposes to reduce \$1.6 million in Proposition 98 General Fund for the expansion of the California School Information Services Program (CSIS) to a new cohort of districts. The Administration believes that delaying the start up of a new cohort will allow CSIS to focus on implementing the statewide student identifier required by Chapter 1002, Statutes of 2002, and to meet requirements of the federal No Child Left Behind Act. In addition, CSIS is working with the Los Angeles Unified School District to implement a CSIS compatible student information system, and is ensuring that the existing consortia of districts are fully implemented.

Issue 5: Grants for Supplemental Support for Workforce Investment Act (WIA) Youth Services

The Administration proposes to eliminate \$7.0 million in current year non-Proposition 98 General Fund for WIA youth services coordination and outreach. According the Administration, at this time, the grants have not yet been awarded by the State Department of Education.

Issue 6: Property Tax Offset for ROC/Ps

The Administration proposes to reduce \$11.4 million in current year Proposition 98 General Fund for ROC/Ps to capture the estimated current year Proposition 98 savings made available for one-time expenditure purposes through property tax offsets to

ROC/Ps pursuant to Education Code Section 52335.2. The Administration proposes separate legislation to accomplish this reduction.

Issue 7: Adult Education

The Administration proposes to recapture \$13.5 million in current year Proposition 98 General Fund for Adult Education to reflect the Department of Education's 6,100 ADA reduction to specific programs to implement audit findings related to Adult Education concurrent enrollment during the early 1990s.

Issue 8: Anticipated Savings in the Adult Education in Correctional Facilities Program

The Administration proposes to revert \$3.0 million of the \$19.1 million Proposition 98 General Fund for the Adult Education in Correctional Facilities program to reflect the amount that is not expected to be claimed based on prior-year reported instruction.

Issue 9: Elimination of CalWORKs Stage 3 Childcare

The Administration proposes to reduce \$98,806,000 from the Proposition 98 General Fund appropriated for CalWORKs Stage 3 childcare to eliminate Stage 3 childcare services, effective April 1, 2003. According to the Administration, over \$2.37 billion in child care local assistance funding is still available. The Administration asserts that all eligible CalWORKs recipients will continue to receive subsidies during the entire period while on cash aid and for two years subsequent to leaving cash aid, for a maximum period of seven years. Additionally, savings in this program of \$10 million resulted from revised estimates, bringing the total reduction in this area to \$108.8 million.

Issue 10: Community Day Schools

The Administration proposes to revert \$10 million of the \$42.2 million in Proposition 98 General Fund to reflect anticipated savings in funds appropriated for the 5th through 8th hours of additional class time for community day school students who are not mandatorily expelled.

Issue 11: Healthy Start Grants

The Administration proposes to reduce \$2 million in Proposition 98 General Fund appropriated for a new cohort of Healthy Start sites, which they claim will not affect existing operational programs. A related \$667,000 reduction in Department of Education State operations is associated with this reduction.

Issue 12: High Risk Youth Education and Public Safety Program

The Administration proposes to revert \$7 million of the \$18 million in Proposition 98 General Fund appropriated for the High-Risk Youth and Public Safety Program to reflect anticipated savings.

Issue 13: College Preparation Partnership Program

The Administration proposes to revert \$5 million in Proposition 98 General Fund appropriated for allocation to public high schools to operate preparation courses for college admissions tests. This action will create one-time savings by aligning the year of appropriation with the year of expenditure.

Issue 14: Academic Improvement and Achievement Act

The Administration proposes to revert \$5 million in Proposition 98 General Fund appropriated to increase the percentage of pupils at qualifying high schools that meet the requirements for admission to the California State University or the University of California. This action will create one-time savings by aligning the year of appropriation with the year of expenditure.

Issue 15: Base Adjustments in Proposition 98

Proposition 98 totals reflect net reductions of \$7.9 million for the allocation of employee compensation funding appropriated in statewide items in the Budget Act of 2002 and elimination of deficiency funding that had been requested.

Issue 16: Mandates

The Administration proposes to defer payment of \$870 million of claims for state mandates for K-14 education agencies in 2003-04. The Controller has identified \$614 million in prior year deficiencies for mandates, which includes \$259.9 million for the School Bus Safety II mandate that was recently shown by a Bureau of State Audits review to reflect large amounts of non-reimbursable costs. Additionally, the Commission on State Mandates has identified new mandates totaling over \$256 million, including both current and prior year costs. According to the Administration, most of these claims have not been audited and in many cases, claim documentation does not provide adequate information to determine if the costs claimed are actually reimbursable. The Administration proposes to review the Commission's processes for determining reimbursable activities, defining what can be claimed and how claims are to be documented with the intent to reform these processes. Additionally, the Administration proposes to substantially increase auditing of these claims using the funding authorized in Chapter 1128, Statutes of 2002.

Issue 17: Reversion of Prior-Years Savings

The Administration proposes additional reversions of Proposition 98 savings from prior years into the Proposition 98 Reversion Account to capture a variety of existing savings, which would not otherwise revert until a future date. The reversions total \$241.4 million from Department of Education K-12 programs. When combined with the Controller's balance and savings in the Teacher Credentialing Commission and Community Colleges, \$356.8 million of available funding is provided in the current year. These funds provide the resources to shift funding from Proposition 98 in the current year to the Reversion Account for ROC/Ps in an identical amount. Programs with savings include:

- **Community Day Schools:** \$14 million in 2001-02 program savings.
- **Tenth Grade Counseling:** \$97,000 in 2001-02 program savings.
- **Pupil Dropout Prevention Program:** \$210,000 in 2001-02 program savings.
- **Academic Improvement and Achievement Act:** \$603,000 in 2001-02 program savings.
- **High Risk Youth Education and Public Safety Program:** \$10.1 million in 2000-01 program savings and \$6.4 million in 2001-02 program savings.
- **College Preparation Partnership Program:** \$4.1 million in 2000-01 program savings, \$6.2 million in 2001-02 program savings, and \$6.2 million in savings from Chapter 795, Statutes of 1998.
- **Opportunity Programs:** \$1.2 million in 2001-02 program savings.
- **Classroom Library Materials/K-4 Classroom Libraries:** \$6,000 in 2001-02 program savings.
- **Education Technology:** \$3.8 million in 2000-01 program savings and \$23,000 in 2001-02 program savings.
- **Digital High School:** \$392,000 in 2001-02 program savings.
- **Mandates:** \$20 million in 2001-02 program savings for mandates where claims were less than budgeted.
- **Mathematics and Reading Professional Development Program:** \$31.7 million in 2001-02 program savings. These funds were proposed for reversion during the 2002-03 budget process but were inadvertently

deleted from Chapter 99, Statutes of 2002. The 2002 Budget Act will continue to provide \$62.2 million for this program.

- **Child Care Education Code Section 8278 Carryover:** \$79 million of the remaining 2001-02 unliquidated contract savings from Child Care and Development Programs with the exception of CalWORKs child care programs.
- **CalWORKs Child Care Carryover:** \$17.7 million of the remaining 2001-02 unliquidated balances of the General Fund appropriated for CalWORKs Stage 2 and Stage 3.
- **Child Care Facilities Revolving Fund:** \$22 million from the balance established pursuant to Education Code Section 8278.3 which are not anticipated to be committed in the current year.
- **Child Care Savings:** \$6.8 million in 2001-02 program savings.
- **Charter School Facilities Block Grant:** \$5 million in 2001-02 program savings, which are available as a result of a delay in program implementation.
- **Adults in Correctional Facilities:** \$2.8 million in 2001-02 savings.
- **California Information Technology Academies:** \$3.1 million in 2001-02 savings from prior reappropriations for the program.

JANUARY PROPOSALS

Issue 1: Reductions in Selected Programs

The Administration proposes an additional 7.46% reduction (i.e., \$481.7 million) to most categorical programs. (This reduction is in addition to the 3.66% cut proposed in December for a total of 10.82%). The programs that are not subject to this reduction are supplemental instruction (summer school), special education, preschool, and nutrition.

Issue 2: Partial Restoration of Special Education

As part of the 3.66% reduction in December, special education is proposed to be reduced by \$99.3 million. In January, the Administration decided to protect special education from this reduction by using \$78.3 million in one-time federal child care funds to partially restore the reduction. The remaining \$20 million is proposed to be restored in the budget year.

Issue 3: Fund Shift for Adult Education

The Administration has identified \$81.1 million in prior year savings since the December mid-year proposals to support adult education.

Issue 4: Reduction to Basic Aid School Districts

The Administration proposes a 2.15% reduction to basic aid school districts. The December, across-the-board 2.15% revenue limit reduction proposal does not have an impact on basic aid districts because they receive a very minimal, if any at all, amount of funding from revenue limits. This reduction will result in \$15.3 million savings in the current year. The Administration states that this proposal is intended to provide a more equitable distribution of the mid-year cuts to school districts.

Issue 5: Additional Program Savings

The Administration proposes specified program savings and alignment of funding with the timing of expenditures to result in \$36.2 million in savings. The programs impacted by this proposal are:

- **High Priority Schools Block Grant:** \$22.6 million in savings can be achieved by not beginning a new cohort of schools and using federal Comprehensive School Reform funds.
- **After School Program:** \$3.8 million in savings has been identified.
- **Advanced Placement Fee Waiver:** \$1.4 million in savings from funds that have not yet been allocated.
- **Arts Education Grants:** \$5.8 million in savings has been identified. This would not effect existing grants. This proposal is intended to align the timing with expenditures.
- **School Safety Planning Grants:** \$2.6 million in savings has been identified.