

AGENDA
ASSEMBLY BUDGET SUBCOMMITTEE NO. 2
ON EDUCATION FINANCE

ASSEMBLYMEMBER JOE SIMITIAN, CHAIR

TUESDAY, MARCH 19, 2002
STATE CAPITOL, ROOM 444
10:00 A.M.

ITEMS TO BE HEARD

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ITEM 6110 DEPARTMENT OF EDUCATION**ISSUE 1: INSTRUCTIONAL MATERIALS**

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

BACKGROUND:

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

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

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

1. Existing textbook programs, including:
 - The Schiff-Bustamante Instructional Materials fund, which provides funding to purchase standards-aligned instructional materials for grades K-12. This program was created in 1998, and provided four annual installments of \$250 million each for standards-aligned instructional materials. The program sunsets in the current year.
 - The Instructional Materials Fund for grades K-8 and the Instructional Materials Fund for grades 9-12, which districts can use to purchase both state-adopted materials and non-adopted materials.
2. Existing library materials programs, including:
 - The California Public School Library Act of 1998, which provides per-pupil block grants to school districts to pay for school library books, equipment and library automation. Districts must submit library plans to obtain funds.
 - The K-4 Classroom Library program, which provides funding to purchase non-textbook fiction and nonfiction books and periodicals for *classroom* libraries in grades K-4.

New programs. The Governor proposes a total of \$625 million for four different pots related to instructional materials and equipment. These include

- \$250 million for a new ongoing Instructional Materials Block Grant, as specified in AB 1781. The proposed language for this new block grant would require districts to first use this funding to ensure that each pupil has a standards-aligned textbook in each core curriculum area, after which districts would use the funding for a list of other instructional materials uses, including school and classroom library materials. The Governor proposes to gradually increase the funding level for this block grant over the next four years up to the current total funding level for textbooks and library materials.
- \$200 million for Reading/Language Arts textbooks -- The language corresponding to this appropriation would allow districts to spend this funding on any instructional materials, but districts must certify that they will purchase a standards-aligned Reading/Language Arts textbook for each pupil by the beginning of the 2002 school year, in order to receive this funding. Last year's budget contained no appropriation for this specific purpose, although it contained a similar funding level for districts to purchase any type of standards-aligned materials.
- \$100 million for school libraries in grades K-12 or for classroom libraries in grades K-4 -- Funding would be distributed on an equal amount per pupil in grades K-12. This funding level is approximately \$75 million less than provided in last year's budget for these purposes.
- \$75 million for science laboratory equipment to provide standards-based instruction in science -- Funding would be distributed on an equal amount per pupil in grades 7-12. Last year's budget contained no appropriation for this purpose.

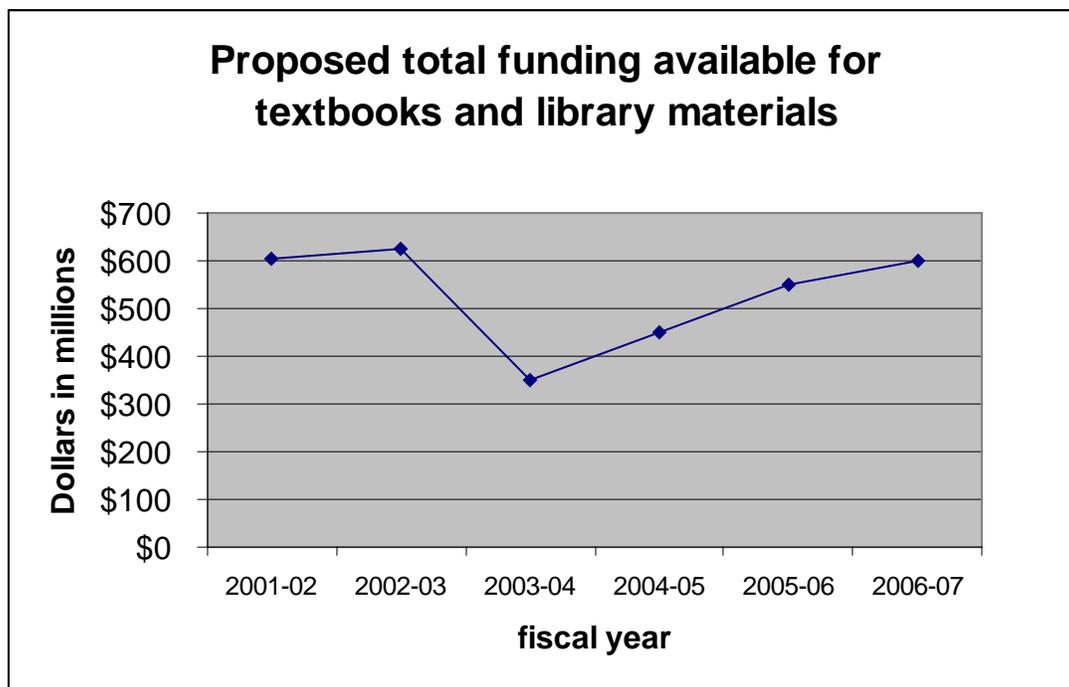
Funding for existing and proposed new programs is summarized in the following table:

**Governor's proposed textbook consolidation and proposed funding levels
(\$ in millions)**

Program	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Schiff-Bustamante Instructional Materials Fund	\$250.00					
K-8 Instructional Materials Fund	137.00					
9-12 Instructional Materials Fund	35.80					
K-12 Library Materials	158.50					
K-4 Classroom Materials	25.00					
K-12 Instructional Materials Block Grant		\$250	\$350	\$450	\$550	\$600
One-Time Supplement for Reading/Language Arts Materials		200*				
One-Time Supplement for K-12 Library and K-4 Classroom Library Materials		100*				
One-Time Program for Science Lab Equipment		75*				
Total funding for instructional and library materials	\$606.30	\$625	\$350	\$450	\$550	\$600

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

Proposed funding levels in out years. Although the Governor proposes to continue the existing funding level in the budget year, he proposes total funding to decrease the following year and gradually build back up to the current funding level, via the appropriations in AB 1781. The Governor proposes total funding for instructional materials at \$350 million in 2003-04, increasing this amount by roughly \$100 million each year for a total of \$600 million by 2006-07. The graph below demonstrates total state funding levels for instructional and library materials over the next five years, as proposed by the Governor.



According to the Governor's office, the proposed funding levels in out years are timed to coincide with state textbook adoption cycles. (For grades K-8, school districts are only allowed to use their state funding to purchase instructional materials that have been approved by the State Board.) For example, the State Board of Education recently approved new textbooks that are aligned to the state English and Language Arts standards. The Governor anticipates that districts will need funding to purchase these new textbooks, and provides this funding on a one-time basis. However, in January of 2003, the State Board is expected to adopt foreign language and other textbooks, for which the Governor is anticipating less demand and therefore lower local costs, and he correspondingly reduces state funding levels. The schedule for the Board's major approvals of different instructional materials is listed below:

- **January, 2001** -- Mathematics (standards-aligned)
- **January, 2002** -- Reading/Language Arts/English Language Development (standards-aligned)
- **January, 2003** -- Foreign language
- **January, 2004** -- Health
- **January, 2005** -- History - Social Science (standards-aligned)
- **January, 2006** -- Science (standards-aligned)
- **January, 2007** -- Mathematics (standards-aligned)
- **January, 2008** -- Reading/Language Arts (standards-aligned)

COMMENTS:

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

- The date for purchasing Reading/Language Arts textbooks may not allow school districts to pilot textbooks before they purchase them, because the State Board of Education approved new instructional materials aligned to the Reading/Language Arts standards in January of this year. Under normal circumstances, school districts pilot instructional materials from different publishers for up to a year before purchasing them. Piloting is very important because it allows school districts to try materials from different publishers to determine which materials best fits its needs.
- The timeline conflicts with legislation passed last year that requires school districts to use state instructional materials funding (Schiff-Bustamante) to purchase standards-aligned materials within two years of the State Board of Education's approval of such materials (SB 786 (Scott)). In the case of Reading/Language Arts materials, since the Board only approved these materials in January, the law would give school districts until 2004 to purchase the materials, and the Governor's proposed language significantly shortens that timeline.

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

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

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

ISSUE 2: GOVERNOR'S PROPOSAL TO REDUCE MANDATE CLAIMS

The issue for the subcommittee to consider is the Governor's proposal to make specified mandates voluntary, with a corresponding savings in state mandate reimbursements.

CURRENT YEAR	PROPOSED CHANGE	PROPOSED BUDGET EXPENDITURES
\$239.6 million	-\$86.3 million	\$153.3 million

BACKGROUND:

The Governor's budget proposes to make the following mandates voluntary, via trailer bill language as contained in AB 3005. This bill will be considered by the Assembly Education Committee, but has fiscal implications that affect the budget.

Mandate	Description	Amount
School District of Choice Transfer	Requires school districts to perform various procedures related to accepting interdistrict transfers.	\$10.2 million
Habitual Truants	Requires school districts to hold a conference with a student's parent or guardian before deeming him or her a habitual truant (truant three or more times per school year).	\$5.4 million
School Discipline Rules	Requires schools to adopt school discipline rules every four years and distribute them to students and parents.	\$1.7 million
Absentee Ballots	Requires districts to administer absentee ballots with issues and elective offices related to school districts.	\$1.3 million
Pupil suspensions	Requires that a school counselor and administrator attend a parent-teacher conference following a pupil's suspension.	\$1 million
Total savings		\$19.6 million

School Bus Safety II mandate. The Governor also proposes to defer \$66.7 million for the budget year costs of reimbursing districts for compliance with the School Bus Safety II mandate. This is consistent with the action the Legislature took regarding the current year in SB 3X 1 Peace) to defer payment for this mandate, pending completion of a state audit of the claiming instructions for this mandate, as well as the legitimacy of actual claims. The State Auditor is expected to complete the audit by March 30. Last year, the LAO raised concerns about the claiming instructions and claims for this mandate, which requires schools to perform certain functions relative to children's entry and exit of school buses. The LAO's concerns centered around districts' claims for things such as bus drivers' salaries, which would normally be considered a necessary expense unrelated to the mandate.

COMMENTS:

LAO recommendation, outstanding mandate liabilities. The LAO notes that the budget does not include the following outstanding mandate liabilities, totaling \$418.8 million, and that the state will eventually be required to pay them, with interest (at the Pooled Money Investment Account rate) at some point in the future. These liabilities are listed below. The LAO recommends that the subcommittee consider funding some of these outstanding liabilities, if there are available funds.

- Deferral of the 2001-02 and 2002-03 claims for the School Bus Safety II Mandate, totaling \$133.4 million.
- Deferral of mandate deficiencies for 2001-02, due to underfunding in the current year, at a total cost of \$131.3 million.
- Underfunding of budget year mandate costs, leading to a potential 2002-03 deficiency in the range of \$100 million.
- No funding for three newly identified mandates, totaling \$54.1 million (\$47 million of this cost is for prior-year costs).

Other mandates funded in the Governor's budget. As noted above, the Governor's budget provides \$153.3 million to fund the cost of existing mandates. The Governor does not propose to suspend these mandates or make them voluntary, and therefore includes funding for related reimbursements, as follows:

Mandate	Gov 2002-03 Budget (\$ in thousands)
AIDS Prevention Instruction	3,190
American Government Course Document Requirements	207
Annual Parent Notification	3,667
Annual Parent Notification (Staff Development)	1,320
Caregiver Affidavits	396
Charter Schools	612
Collective Bargaining	41,463
Collective Bargaining Disclosures	277
Criminal Background Checks	5,207
Emergency Procedures	14,555
Expulsion Transcripts	29
Graduation Requirements	14,217
Immunization Records	3,523
Interdistrict Attendance	1,830
Interdistrict Attendance Parent's Employment	1,137
Intradistrict Attendance	5,383
Investment Reports	161
Juvenile Court Records	344
Law Enforcement Agency	1,545
Notices of Truancy	8,158
Notification to Teachers of Public Expulsion	2,919
Open Meetings Act	3,412
PERS Death Benefits	789
PERS Unused Sick Leave Credit	3,264
Physical Performance Test	1,203
Pupil Classroom Suspension (counseling)	1,835
Pupil Expulsions from School	2,483
Pupil Health Exclusions	396
Pupil Health Screenings	3,286
Pupil Residency Verification and Appeals	224
Pupil Suspensions: Parent Classroom	1,042
Removal of Chemicals	1,332
School Accountability Report Cards	2,164
School Bus Safety	960
School Crimes Reporting	1,593
School Crimes Reporting II	7,469
School Testing—Physical Fitness	696
Scoliosis Screening	2,294
Test Claims and Reimbursement Claims	12,129

The LAO recommends that the subcommittee include funding for a number of these mandates in new categorical block grants, designed to provide equity in the way the state distribute categorical money, as well as provide flexibility to school districts. It also recommends eliminating some of the above mandates, or eliminating funding (see issues #4-6 below).

ISSUE 3: LAO PROPOSAL TO INCLUDE MANDATES IN CATEGORICAL BLOCK GRANTS

The issue for the subcommittee to consider is the LAO's proposal to reform the way the state pays for mandate claims.

BACKGROUND:

Proposal. As noted above, the Governor's budget proposes a total of \$153.3 million to reimburse school districts for their costs of complying with more than 40 different mandates. The LAO recommends that the Legislature include reimbursement funding for more than 31 of these mandates in several categorical block grants designed to increase districts' flexibility, mainly the Academic Improvement Block Grant and the School Safety Block Grant. It proposes that the block grant funds be used to cover the costs associated with meeting the specified mandates, thereby eliminating the existing claiming process, whereby school districts and county offices file claims to the Controller's office based on claiming guidelines provided by the Commission on State Mandates. The LAO will provide information at the hearing regarding the mandates it proposes to be funded in the two block grants.

Rationale. The LAO argues that the existing claiming process eliminates any local incentive to minimize the cost of complying with mandates, given that the state provides full reimbursement. It also argues that the process is administratively burdensome for the state and locals. Moreover, it believes that the proposed change in the way the state pays for mandates may lead districts to share information regarding which mandates are no longer necessary or cost-effective.

Related savings. In addition to the savings that districts may realize from no longer having to file claims with the Controller, the LAO's proposal would result in \$6 million in savings from the corresponding reduction in claims for the Test Claims and Reimbursement Claims mandate, which reimburses districts for their costs of filing mandate reimbursement claims.

COMMENTS:

The LAO's proposal responds to the escalating cost of mandate reimbursements in K-12 education, and the ever-expanding list of new mandate claims.

In its Analysis of the Budget, the LAO recommends consolidating most of the major categorical programs into five major block grants, in response to calls by school districts for greater funding flexibility. Greater funding flexibility is consistent with recent accountability reforms, which hold schools accountable for their results and not their processes. The subcommittee will consider the LAO's categorical reform proposals at a later hearing.

ISSUE 4: LAO PROPOSAL TO REDUCE MANDATE CLAIMS: COLLECTIVE BARGAINING MANDATE

The issue for the subcommittee to consider is the LAO's proposal to eliminate funding for this mandate, based on its finding that it should not be a reimbursable mandate.

BACKGROUND:

The Governor's budget proposes \$41.5 million to reimbursement school districts for their collective bargaining costs. The mandate in questions stems from Chapter 961, Statutes of 1975 (SB 160, Rodda), in which California's K-14 employees gained the right to bargain collectively. Even though the requirements of that statute were deemed a state mandate in 1978, the LAO cites a subsequent Supreme Court ruling that found that if a statute imposes similar obligations on the private and public sector, the public sector's cost of compliance does not constitute a state-reimbursable mandate. The LAO argues that, because private employees have similar collective bargaining rights, the state collective bargaining requirements for K-14 employees cannot be considered a state-reimbursable mandate.

The LAO recommends that the subcommittee "initiate a reconsideration of this mandate by redirecting funds from the mandate appropriation to other legislative priorities and include language specifying that Chapter 961 no longer meets the requirements of a state reimbursable mandate." The LAO notes that currently there is no process for reconsidering mandates, as the Commission on State Mandates lacks the legal authority to reconsider the merits of a decision once 30 days have passed.

COMMENTS:

The LAO notes that districts' claims for this mandate varied widely, from \$3.80 per pupil to \$50 per pupil. It also argues that the current claiming process removes any incentive to make their bargaining process efficient.

Legal challenge. The LAO notes that, given that there is no formal mechanism for the state to reconsider state mandates, the authority to review mandates rests with the courts. Districts might wish to challenge any action the Legislature may take to eliminate funding for this mandate, by filing an action in court. If the court were to find that the collective bargaining requirements do constitute a state mandate, the state would be liable for the costs of claims.

ISSUE 5: LAO PROPOSAL TO REDUCE MANDATE CLAIMS: PHYSICAL FITNESS TESTING MANDATE

The issue for the subcommittee to consider is the LAO's proposal to eliminate funding for a mandate that no longer exists.

BACKGROUND:

The Governor's budget includes \$696,000 to fund reimbursements for a School Testing -- Physical Fitness mandate. This mandate used to require school districts and county offices to conduct physical fitness tests. A 1991 law repealed this requirements as of 1995, and the Controller's office notes that it has not receive claims for this mandate since 1996. The LAO recommends deleting the funding for this mandate, for a savings of \$696,000.

COMMENTS:

Current law requires physical fitness testing for grades 5,7, and 9, but this is a separate mandate for which school districts do claim reimbursements totaling approximately \$1.2 million.

ISSUE 6: LAO PROPOSAL TO REDUCE MANDATE CLAIMS: AMERICAN GOVERNMENT COURSE DOCUMENT

The issue for the subcommittee to consider is the LAO's proposal to eliminate the American Government Course requirement, resulting in a mandate reimbursement savings of \$207,000.

BACKGROUND:

The Governor's budget contains \$207,000 to pay for mandate reimbursement claims for a requirement in current law that students read particular historical documents related to the creation of the U.S. government. The LAO notes that the state's content standards for history and social science contain all of the same requirements, and that even though the standards are voluntary, districts incorporate them into their curriculum because they are the basis for statewide assessment. Therefore, schools require students to read these same documents as part of the state standards, and that the mandate is duplicative of current practice. The LAO accordingly recommends that the Legislature adopt legislation making this requirement voluntary, thereby freeing up \$207,000.

COMMENTS:

The LAO notes that although the amount of total claims is low compared to other mandates, the mandate is relatively new (1996), and claims are expected to go up significantly in future years.

ISSUE 7: CHARTER SCHOOL FUNDING ISSUES

The issue for the subcommittee to consider is the Governor's proposed funding level for the charter school categorical block grant, as well as implementation of various charter school legislation.

BACKGROUND:

The Governor proposes a total of \$49.7 million for the charter school categorical block grant, an increase of \$8.4 million, or 20 percent, over the amount provided in the current year. The charter school categorical block grant provides funding to participating charter schools equivalent to what non-charter schools receive, on average, from the state in categorical program funds. This funding stems from legislation enacted three years ago to ensure that charter schools have access to roughly the same level of funding that non-charter schools receive from the state (see charter school funding model, below). The administration plans to adjust this figure in the May Revise.

Implementation of charter school funding initiatives. In recent years, the Legislature has adopted legislation that affects the level of and mechanism for funding for charter schools. SDE and DOF will provide an update on the implementation of this legislation, which includes:

- 1) **The charter school funding model**, as enacted in AB 1115 (Strom-Martin), Chapter 78, Statutes of 1999. This legislation was adopted in response to AB 544 (Lempert), which required equity of funding between charter and non-charters. The funding model provides apportionment funding to charters, as well as a categorical block grant equivalent to what non-charters receive, on average, from specified state categorical programs. Charters are required to apply directly for certain categorical programs that are not included in the calculation of the categorical block grant. The portion of the bill providing charter schools with continuously-appropriated revenue limit funding (like school districts) will sunset July 1, 2002, unless extended through urgency legislation. The law also requires all charter schools to participate in the funding model by 2002-03.
- 2) **Charter school independent study funding, charter school facilities**, as enacted in Chapter 892, Statutes of 2001 (SB 740, O'Connell). This bill requires all charter schools that provide more than 80% of their instruction via independent study-type programs, to go before the State Board of Education (SBE) to receive approval for continued funding. The bill also authorizes SBE to cut charters' funding rates for independent study programs up to 10% in the first year, but SBE may also elect to leave funding rates in tact. In addition, the bill creates grant program for charter school facilities in low-income areas, to promote the creation of classroom-instruction charters. Last year's budget appropriated \$10 million for the facilities grant program. This level was reduced by \$5 million in the current year in SB 3X 1 (Peace), due to delays in implementation. The governor proposes to restore the cut in the budget year, for a total funding level of \$10 million.

- 3) **Students leaving basic aid district to attend charters outside the district.** Last year the Legislature passed a bill, SB 955 (Alpert), that contained various provisions, including a requirement as to how much basic aid school districts must transfer to charter schools in support of students who reside in the basic aid district.

COMMENTS:

LAO recommendation. The LAO recommends:

- Adopting urgency legislation to extend the sunset of revenue limit funding for charter schools, by one year. Without this extension, charters will not receive revenue limit funding in the coming fiscal year.
- Extending the grandfather clause in the charter school funding model, to allow charter schools to opt out of the model for an additional year. Under current law, charter schools have been able to choose whether to continue with existing funding arrangements they have with school districts or to receive funding under the model, but beginning in 2002-03 will have to receiving funding under the model. The LAO argues that when all charters will participate in the model next year, the cost of the model will increase \$15 million above what the Governor has budgeted. By allowing charters to opt out of the model for an additional year, the state can avoid \$15 million in increased costs.
- Changing the calculation for the categorical block grant, so that it is based on the appropriation made in the budget act and not on the Governor's May Revise. Current law requires DOF to calculate the categorical block grant based on the Governor's proposed funding level for specified categorical programs in May Revise. However, the final budget is usually different than May Revise. Use of the May Revise allows the administration to determine which programs are included in the block grant calculation, instead of the Legislature.

Charter School Facility Program. In its "Options for addressing the state's fiscal problem," the LAO provides an option of deferring implementation of this program, for a savings of \$10 million in the budget year and \$5 million in the current year.

ISSUE 8: INDEPENDENT STUDY

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

BACKGROUND:

Governor's proposal. The Governor's budget proposes a 10% reduction in funding for independent study programs offered by non-charter schools. The Governor achieves this cut by proposing to count a full day of independent study as nine-tenths of an average daily attendance for purposes of calculating district apportionments. The Governor's proposed cut is contained in AB 3005, which will be considered by the Assembly Education Committee, but has fiscal implications that affect the budget.

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

Total savings. Although the Governor originally assumed that this proposal would result in \$42 million in savings, it now acknowledges that the savings is overstated because it includes attendance from charter schools, which are subject to different funding restrictions (see below). The LAO estimates the real savings to be closer to approximately \$22 million from school district independent study programs.

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

Proposal modeled after recent charter school legislation. In defense of his proposal, the Governor's budget summary cites a law passed last year to reduce funding for independent study programs operated by charter schools. That legislation, Chapter 892, Statutes of 2001 (SB 740, O'Connell), require all charter schools that

provide more than 80% of their instruction via independent study-type programs, to go before the State Board of Education (SBE) to receive approval for continued funding. The bill also authorizes SBE to cut charters' funding rates for independent study programs up to 10% in the first year, but SBE may also elect to leave funding rates in tact. The Governor's proposal for non-charter school independent study programs differs from last year's charter school legislation in that it is an across-the-board cut for which schools cannot go before SBE to ask for a waiver.

COMMENTS:

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

Several years ago, the Legislature passed legislation to try to stem abuses of independent study, by requiring the same teacher-student ratios in independent study programs as in traditional programs, as well as other requirements.

ISSUE 9: ADULT EDUCATION

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

BACKGROUND:

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

- \$26 million to allow adult education programs and ROC/P's to serve CalWORKs participants without having to displace regular clients served within their enrollment caps. Only adult education programs and ROC/P's that meet or exceed their enrollment caps receive this funding.
- \$10 million for instructional and training supportive services for CalWORKs participants attending adult education programs and ROC/P's. These services are provided through an inter-agency agreement between the Department of Social Services and SDE. The Governor proposes to maintain \$9.9 million in federal funds for remedial education and job training services for CalWORKs participants attending adult education programs and ROC/P's (\$8.7 million in the adult education item and \$1.2 million in the ROC/P item).

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

COMMENTS:

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