

AGENDA**ASSEMBLY BUDGET SUBCOMMITTEE NO. 2
ON EDUCATION FINANCE****Assembly Member Julia Brownley, Chair****THURSDAY, MAY 17, 2007
STATE CAPITOL, ROOM 444
UPON ADJOURNMENT OF SESSION**

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ITEMS TO BE HEARD

6110 DEPARTMENT OF EDUCATION

ISSUE 1: OVERVIEW OF MAY REVISE – K-12 EDUCATION

The issue for the subcommittee to consider is an overview of the Governor's May Revise as it pertains to K-12 education.

BACKGROUND:

The Governor's May Revise proposals for K-12 education include the following highlights:

- ◆ Increases total funding for K-12 and community colleges over the Governor's January 10 proposal by a) \$104 million in ongoing Proposition 98 funds (2007-08) and b) \$372 million in one-time current-year Proposition 98 funds (2006-07). For K-12, this increase translates to \$151 million in ongoing funds (2007-08) and \$273 million in one-time current-year Proposition 98 funds (2006-07).
- ◆ Maintains the April proposal to use approximately \$630 million in public transportation funds as a reimbursement to the General Fund to pay for the Home-to-School Transportation program within the Proposition 98 guarantee.
- ◆ Adds \$225.8 million to fully fund cost-of-living adjustments of 4.53% in K-12 programs. (The COLA rate was estimated at 4.04% in the January 10 budget.)
- ◆ Adds \$200 million in public transportation funds for the K-12 Home-to-School Transportation program for the 2006-07 fiscal year as a reimbursement to the General Fund for Proposition 98 expenses, thereby creating \$200 million in one-time General Fund savings.

COMMENTS:

The LAO and the administration will make overview presentations on the May Revise.

LAO findings. In its Overview of the 2007-08 May Revision document, the LAO asserts that the May Revision document contains a technical error whereby the \$350 million provided in the current year for revenue limit equalization was not carried forward, thereby understating the costs of the base budget for 2007-08 by about \$366 million. In order to address this "hole" in the ongoing piece of the K-12 budget, the LAO recommends that the Legislature cover baseline costs prior to funding new programs. However, even if the Legislature rejects all of the Governor's new proposals, it will not have enough funding within the Proposition 98 minimum guarantee to cover base

program costs, such as growth and COLA. Therefore the LAO recommends covering the shortfall with one-time funds.

The LAO also recommends covering the \$366 million "hole" within the Proposition 98 minimum guarantee.

ISSUE 2: OPEN ISSUES – APRIL DOF PROPOSAL REGARDING FEDERAL ADULT EDUCATION CARRYOVER

The issue for the subcommittee to consider is an April DOF letter proposal regarding federal adult education carryover funds.

BACKGROUND:

The subcommittee previously heard the following issue and held it open:

6110-156-0890, Local Assistance, One-time Carryover for Adult Education (Issue 262)

It is requested that this item be increased by \$2,348,000 to reflect additional one-time carryover funding to support adult education programs, with provisional language added to specify that these one-time funds be used to ensure compliance with federal reporting requirements.

It is requested that provisional language be added as follows to conform to this action:

X. The funds appropriated in this item include a one-time carryover of \$2,348,000, available for the support of additional adult education instructional activities and may be used by local providers to upgrade data collection and other software systems to ensure compliance with federal adult education reporting requirements as specified in Public Law 109-77.

COMMENTS:

The budget control language in this proposal is the same as language approved in last year's budget for \$4 million in carryover. The language is permissive and allows districts, but does not require them, to use the funds for data collection systems.

ISSUE 3: OPEN ISSUES – APRIL DOF PROPOSAL FOR FEDERAL VOCATIONAL EDUCATION CARRYOVER

The issue for the subcommittee to consider is an April DOF proposal regarding federal vocational education carryover funds.

BACKGROUND:

The subcommittee previously heard the following issue and held it open:

6110-166-0890, Local Assistance, One-time Carryover for Vocational Education (Issue 261)

It is requested that this item be increased by \$10,718,000 to reflect additional one-time carryover funding to support vocational education programs, with provisional language added to specify that these one-time funds be used to expand and align K-12 technical preparation programs with community college economic development programs.

It is requested that provisional language be added as follows to conform to this action:

X. The funds appropriated in this item include a one-time carryover of \$10,718,000. These funds shall be used during the 2007-08 academic year to support additional vocational education institutional activities, with first priority being given to supporting curriculum development and articulation of K-12 technical preparation programs with local community college economic development and vocational education programs in an effort to incorporate greater participation of K-12 students in sequenced, industry-driven coursework that leads to meaningful employment in today's high-tech, high demand, and emerging technology areas of industry employment.

COMMENTS:

The budget control language in this proposal is the same as language approved in last year's budget for \$11.4 million in carryover.

ISSUE 4: MAY REVISE PROPOSAL – CDE STATE OPERATIONS FOR SUPPLEMENTAL INSTRUCTIONAL MATERIALS

The issue for the subcommittee to consider is a May Revise proposal to extend the life of two limited-term positions to administer the supplemental instructional materials for English learners program.

BACKGROUND:

The Governor's May Revise includes the following proposal:

Supplemental Instructional Materials Administration (Issue 010)—It is requested that item 6110-001-0890 be augmented by \$220,000 federal Title III funds to continue 2.0 limited-term positions for one year. The positions will address workload associated with \$30.0 million provided in 2006-07 for local educational agencies to purchase supplemental instructional materials for English learners. Specifically, the positions will conduct the prescribed instructional material verification and grant award process required by paragraph 10 of subdivision (a) of Section 43 of Chapter 79 of the Statutes of 2006.

It is further requested that provisional language be added as follows to conform to this action:

X. Of the funds appropriated in this item, \$220,000 of federal Title III funds is available to continue 2.0 limited-term positions for one year to handle the verification process prescribed by Chapter 79 of the Statutes of 2006 and allocate funding for local educational agencies to purchase standards aligned supplemental instructional materials for English learners.

COMMENTS:

Last year's budget provided \$30 million in one-time funds for districts to purchase supplemental instructional materials for English learners. Last year's budget established a two-year timeline for districts to apply for the funds and for CDE to distribute the funding. The DOF proposal ensures that the positions to administer the program are available over the two years to administer the \$30 million.

**ISSUE 5: MAY REVISE PROPOSAL – REFLECT INCREASE IN AVAILABLE
FEDERAL CHILD NUTRITION FUNDING**

The issue for the subcommittee to consider is a May Revise proposal to reflect an increase in federal child nutrition funds.

BACKGROUND:

The Governor's May Revise contains the following proposal to reflect an expected increase in federal child nutrition funds due to due to a) an increase in the number of meals expected to be served in 2007-08 and b) CDE's receipt of a federal grant to help school districts implement local wellness policies.

6110-201-0890, Local Assistance, Child Nutrition Program (Issues 797 and 794)

It is requested that this item be increased by \$18.0 million due to anticipated growth in the Child Nutrition Program. The SDE estimates a 1.7-percent increase in the number of meals served in California schools in 2007-08. Local educational agencies will be reimbursed for meals served through the federal entitlement program.

It is also requested that this item be increased by \$218,000 to reflect the receipt of a federal grant for providing training and technical assistance to local educational agencies implementing local wellness policies.

It is further requested that provisional language be added as follows to conform to this action:

X. Of the amount appropriated in Schedule (1) of this item, \$218,000 is provided from one-time federal funds for providing training and technical assistance to local educational agencies implementing local wellness policies.

COMMENTS:

CDE applied for and received a federal grant to help school districts implement local wellness policies, which is included in the above proposal.

ISSUE 6: MAY REVISE ISSUE – PROPOSAL TO REFLECT INCREASED FEDERAL FUNDS FOR ADVANCED PLACEMENT FEE WAIVERS

The issue for the subcommittee to consider is a May Revise proposal to reflect an increase in federal funds for Advanced Placement Fee Waivers.

BACKGROUND:

The Governor's May Revise includes the following proposal to reflect an increase in federal funds for Advanced Placement Fee Waivers, due to increased participation and increased federal funding.

6110-240-0890, Local Assistance, Advanced Placement Fee Waiver Program (Issue 796)

It is requested that this item be increased by \$183,000 due to increased participation and increased federal funding. The funding will be used to reimburse school districts that provide waivers of a portion of Advanced Placement test fees for eligible, economically-disadvantaged pupils.

COMMENTS:

This federal funding provides fee waivers to low-income pupils who take Advanced Placement exams.

ISSUE 7: MAY REVISE PROPOSAL – SCHOOLBUS DRIVER INSTRUCTOR TRAINING PROGRAM

The issue for the subcommittee to consider is a May Revise proposal to fund new facility lease costs for CDE's schoolbus driver instructor training program.

BACKGROUND:

The Governor's May Revise proposal contains the following proposal:

6110-001-0178, State Operations, Schoolbus Driver Instructor Training Program (Issue 161)

It is requested that this item be increased by \$182,000 for new facility lease costs necessary for the administration of the Schoolbus Driver Instructor Training Program. A new facility will replace the current office and classroom located on the grounds of the California Highway Patrol Academy in West Sacramento, which is slated for demolition at the end of the 2006-07.

It is further requested that Provision 1 be added as follows to conform to this action:

1. Of the funds appropriated in this item, \$182,000 is only available for increased lease costs to secure new office and classroom space necessary for the operations of the Schoolbus Driver Instructor Training Program.

COMMENTS:

This proposal is funded with Driver Training Penalty Assessment Funds, not General Fund.

CDE indicates that this partially funds their request for funds to continue running this program, which trains schoolbus drivers all over California. At an earlier hearing, the subcommittee heard CDE's entire request, which included funding for bus replacement and lodging for training participants.

ISSUE 8: MAY REVISE PROPOSAL TO HAVE FCMAT DO AUDITS OF PROPERTY TAX REPORTING PRACTICES AT K-14 DISTRICTS.

The issue for the subcommittee to consider is a May Revise proposal to provide funds for audits of property tax reporting practices at K-14 districts.

BACKGROUND:

The Governor's May Revise contains the following proposal to provide \$2 million in one-time Proposition 98 funds to the Fiscal Crisis Management Assistance Team to conduct audits of how districts reports property tax revenues. The proposal is intended to address conflicting information about total property tax revenues available to fund K-12 schools and community colleges. The administration indicates that there is a significant difference between the amount of property tax revenues reported by school districts and the amount reported by county assessors. It indicates that the intent of the audits is to ensure that accurate figures are reported, given the importance of these figures for overall General Fund expenditures. (Property tax revenues offset General Fund costs necessary to fund the Proposition 98 minimum guarantee).

FCMAT Property Tax Reporting Audit (Issue 992)—It is requested that this item be increased by \$2.0 million to provide one-time funds for the FCMAT to conduct an audit of property tax revenue reporting practices at K-14 districts. The intent of this audit is to determine why the growth rate in property tax revenues as reported by districts is lower than the growth rates reported by the Board of Equalization and the countywide growth rates reported by county tax assessors. This discrepancy has occurred for a number of years and for 2005-06 resulted in a rate difference of approximately three percent. The proposed audit shall determine how much property tax is received at the district level, how those revenues are allocated, and how those revenues are reported for purposes of offsetting the state's Proposition 98 General Fund obligation.

The administration indicates its intent that the audits document the property tax system, specifically the process from assessment to allocation, collection and payment to school districts, with particular attention on pass-through payments received from redevelopment agencies. It also proposes that FCMAT consult with the Legislature, the Governor, CDE, DOF, and the Board of Equalization to ensure the scope adequately addresses the intent of the audit. Based upon the results of the audit, the FCMAT would provide any and all necessary guidance and instruction to K-14 districts on the audit findings in an effort to ensure that property tax revenues are accurately reported to the state.

COMMENTS:

Different figures. In 2005-06, there was a \$600 million (3%) difference in the amount of property tax revenues reported by K-12 and community college districts and the

amount reported by counties, with school districts reporting lower numbers. This difference is important because it affects the amount of General Fund that the state must provide to school districts and community colleges in order to meet the Proposition 98 minimum funding guarantee (funded with a combination of local property taxes and General Fund revenues.)

ISSUE 9: MAY REVISE PROPOSAL REGARDING LANGUAGE CHANGES ON ARTS AND MUSIC BLOCK GRANT

The issue for the subcommittee to consider is a May Revise proposal to eliminate minimum schoolsite grants in the Arts and Music Block Grant and to require that districts distribute funds evenly to local schoolsites.

BACKGROUND:

The Governor's May Revise contains the following proposals to a) eliminate the schoolsite minimums that were in last year's language and b) require that districts distribute funding from this program to all schoolsites. The Governor does not proposing changing the total amount proposed for this program (\$109.2 million).

6110-265-0001, Local Assistance, Arts and Music Block Grant (Issue 011)

It is requested that language be amended to ensure that all schools receive a portion of the \$109.2 million designated for enhancing art and music programs. It was the Administration's intent that the Budget Act of 2006 provide additional funding for all schools. It has come to our attention that all schools did not receive an allocation.

It is requested that Provisions 2 and 4 be amended as follows (including conforming COLA changes addressed previously in this letter):

"2. The State Department of Education shall allocate the funding to districts, charter schools, and county offices of education for distribution to all schoolsites at an equal per pupil amount ~~on the basis of a minimum of \$2,500 for schoolsites with 20 or fewer students and a minimum of \$4,000 per schoolsite with more than 20 students.~~

4. Of the funds appropriated in this item, ~~\$4,242,000~~ \$4,757,000 is for the purpose of providing a cost-of-living adjustment (COLA) at a rate of ~~4.04~~ 4.53 percent. The Superintendent of Public Instruction shall allocate these funds on an equal per-pupil basis to all school sites ~~receiving more than the minimums specified in provision 2 of this item.~~

COMMENTS:

At an earlier hearing, the subcommittee heard testimony from advocates for performing and visual arts, requesting changes to the language that would require reporting by CDE on how these funds are used.