# AGENDA

**ASSEMBLY BUDGET SUBCOMMITTEE NO. 2 ON EDUCATION FINANCE**

**Part I**

Assembly Member Mervyn Dymally, Chair

**WEDNESDAY, MAY 17, 2006  2:00 PM**

**STATE CAPITOL, ROOM 444**

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ITEMS TO BE HEARD

6110  DEPARTMENT OF EDUCATION

ISSUE 1: MAJOR NEW REVISE PROPOSALS FOR ONGOING FUNDS
(INFORMATION ONLY)

The issues for the subcommittee to consider are the various new proposals proposed by the Governor's May Revise for ongoing funds.

BACKGROUND:

The Governor's May Revise proposes the following major new proposals to spend additional ongoing funds:

1. Revenue limit equalization. The Governor's May Revise proposes to increase funding for revenue limit equalization by $100 million, for a total funding level of $300 million.

2. County office administrative equalization. The Governor's May Revise propose $17.8 million in additional funding "to provide additional non-instruction revenues for county offices of education."

3. Revenue limit deficit reduction. The Governor's May Revise proposes an additional $102.4 million to fully pay off the revenue limit deficit factor for school districts and county offices of education, for a total funding level of $308.6 million.

4. Counseling program for grades 7-12. The Governor's May Revise proposes $200 million for a program to increase the number of school counselors, as follows:

6110-108-0001, Local Assistance, Grades 7th through 12th Counseling Program (Issue 850)

It is requested that this item be added to appropriate $200.0 million to increase the number of school counselors that serve 7th through 12th grade students. These funds will supplement, not supplant, existing counseling resources and improve the student-to-counselor ratios for middle schools to 500:1 and high schools to 300:1. Moreover, unlike existing counseling services that steer students toward higher education, these new counselors will provide students
who do not intend to pursue higher education with needed career and vocational assistance.

It is further requested that the following language be added:

6110-108-0001—For local assistance, Department of Education (Proposition 98), for grades 7 through 12 school counselors

Provisions:
1. Of the funds appropriated in this item, $165,000,000 shall be available to grades 9-12 to increase the number of counselors in schools.
2. Of the funds appropriated in this item, $35,000,000 shall be available to grades 7-8 to increase the number of counselors in schools.
3. This appropriation is contingent on the enactment of legislation during the 2005-06 Regular Session that supplements, not supplants, the number of school counselors that serve 7th through 12th grade students.

5. Expansion of Arts and Music Block Grant. The May Revise proposes to expand this block grant from the January 10 proposed funding level of $100 million to $166 million, as follows:

6110-265-0001, Local Assistance, Expand the Arts and Music Block Grant (Issue 673)

It is requested that this item be increased by $66.0 million to provide funds to expand the Arts and Music Block Grant to pupils in grades K-12. Additionally, the funds will increase the per pupil rate to $25 per pupil for sites with enrollment of 201 pupils or more. The grant will continue to provide minimum funding levels of $3,000 per site for sites with ten or fewer students and $5,000 per site for sites with between eleven and 200 pupils.

It is further requested that provisional language be amended as follows:

"1. The funds appropriated in this item shall be for the purpose of providing block grants to school districts, charter schools, and county offices of education to support standards-aligned art and music instruction in kindergarten and grades one through eight twelve. It is intended that these funds supplement and do not supplant existing resources for arts and music.”
2. The funding shall be allocated at a rate of $20 $25 per pupil, with a minimum of three thousand ($3,000) for school sites with ten or fewer students and a minimum of five thousand ($5,000) per site with greater than ten students.”
6. Preschool Expansion. The Governor’s May Revise proposes $50 million to expand the state’s existing preschool system for low-income children, as follows:

**Item 6110-196-0001 (Issue 341), Expand Preschool to Four-year Olds in Lowest Three Deciles**

It is requested that Item 6110-196-0001 be increased by $50,000,000 Proposition 98 General Fund to expand preschool to four-year olds living within the attendance area of schools ranked in the lowest three deciles of the most recent Academic Performance Index. This expansion will also include quality reforms designed to promote family literacy. These resources will be allocated pursuant to legislation.

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

XX. Of the funds available in Schedule (1), $50,000,000 shall be for the expansion of the State Preschool program to provide services, including a family literacy component, for four-year olds living within the attendance area of schools ranked in the lowest three deciles of the most recent Academic Performance Index. This amount reflects a partial year authorization for a $145,000,000 annual level of expenditure and is contingent upon legislation approved for this purpose in the 2005-2006 legislative session.

7. School Meal Rate Increase. The Governor's May Revise proposes $37.8 million to increase the reimbursement rate for child nutrition programs, as follows:

**6110-203-0001, Local Assistance, Child Nutrition Program (Issues 902)**

It is requested that this item be increased by $37.8 million to increase the School Breakfast and Lunch state reimbursement rate by seven cents ($0.07) from approximately $0.15 to $0.22.

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

X. Of the amount appropriated in this item, $37,800,000 is contingent upon approval of legislation during the 2005-06 Regular Session that requires schools to improve the quality of meals served to California students.

X. Of the funds appropriated in this item, $2,626,000 is for the purpose of providing a 3.08 percent growth adjustment due to an increase in the projected number of meals served.
COMMENTS:

The Governor's May Revise contains other augmentations. The ones highlighted above are the major new augmentations or programs.
The issues for the subcommittee to discuss are the Governor’s major May Revise proposals for one-time funds.

**BACKGROUND:**

The Governor’s May Revise contains a number of major proposals for the use of one-time funds, as listed:

1) **Mandates** – The May Revise proposes a total of $959 million to pay off the amount the state owes to school districts for prior-year mandate claims. The funding is made of a combination of current year settle-up funds, settlement funds appropriated several years ago for this purpose in a trailer bill and intended to go out in 2006-07 and 2007-08, and reversion account funds.

2) **Classroom supplies** – The May Revise proposes $400 million in one-time current year funds for classroom supplies, as follows:

   6110-650-0001, Local Assistance, One-Time Teacher’s Fund for Supplies and Materials Block Grant (Issue 671)

   It is requested that this item be increased by $400.0 million to provide funds to school districts, charter schools, and county offices of education (that serve students) for the purchase of classroom and laboratory materials to support standards-aligned instruction. These funds will be allocated on an equal per pupil basis for grades K-12.

3) **Arts and Music Equipment** – The May Revise proposes $250 million in one-time current year funds for arts and music equipment, as follows:

   6110-650-0001, Local Assistance, One-Time Arts and Music Equipment Block Grant (Issue 669)

   It is requested that this item be increased by $250.0 million to provide funds to school districts, charter schools, and county offices of education (that serve students) for the purchase of equipment and supplies for standards-aligned music and art instruction. These funds will be allocated on an equal per pupil basis for grades K-12.

4) **Physical Education Equipment** – The May Revise proposes $250 million in one-time current year funds for physical education equipment, as follows:

   6110-650-0001, Local Assistance, One-Time Physical Education Equipment Block Grant (Issue 670)
It is requested that this item be increased by $250.0 million to provide funds to school districts, charter schools, and county offices of education (that serve students) for the purchase of equipment and supplies for standards-aligned physical education instruction. These funds will be allocated on an equal per pupil basis for grades K-12.

5) **Instructional Materials Equipment** – The May Revise proposes $250 million in one-time current year funds for instructional materials, as follows:

*6110-650-0001, Local Assistance, One-Time Instructional Materials Block Grant (Issue 668)*

It is requested that this item be increased by $250.0 million to provide funds to school districts, charter schools, and county offices of education (that serve students) for the purchase of standards-aligned instructional materials. These funds will be allocated on an equal per pupil basis for grades K-12.

6) **Library materials** – The May Revise proposes $75 million in one-time current year funds for library materials, as follows:

*6110-650-0001, Local Assistance, One-Time School Library Materials Block Grant (Issue 851)*

It is requested that this item be increased by $75.0 million to provide funds to schools to replenish, update, or purchase new library materials. Of the amount appropriated, $50.0 million will be allocated to grades K-12 on a per pupil basis for school library materials and $25.0 million will be allocated to grades K-4 on a per pupil basis for classroom library materials.

7) **Career-Tech Equipment** – The May Revise proposes $50 million in one-time current year funds for career-tech equipment, as follows:

*6110-650-0001, Local Assistance, One-Time Career Tech Equipment and Materials Grant (Issue 583)*

It is requested that this item be increased by $50.0 million in one-time funds to support the purchase of career technical education equipment and materials. These resources will be allocated to school districts, regional occupational centers/programs, adult education providers, as well as county offices of education to the extent that they offer career technical education. These resources will help to restore core infrastructure items that have been neglected in many schools in recent decades.

8) **Preschool Facilities** – The May Revise proposes $50 million in one-time current year funds for preschool facilities, as follows:
6110-650-0001, Local Assistance, Provide One-Time Funding for Preschool Facilities (Issue 342)

It is requested that this item be increased by $50.0 million and be made available for transfer to the Child Care Facilities Revolving Fund to address facilities needs for the expansion of the State Preschool Program. The program is for four-year olds living within the attendance area of schools that rank in the lowest three deciles of the most recent Academic Performance Index.

COMMENTS:

The May Revise contains other one-time augmentations. The ones highlighted above are the major ones.
ISSUE 3: MAY REVISE STATE OPERATIONS PROPOSALS – EDUCATION TECHNOLOGY K-12 VOUCHER PROGRAM (MICROSOFT SETTLEMENT)

The issue for the subcommittee to consider is a May Revise proposal to provide CDE with state operations funds to administer education technology funds from the Microsoft Settlement.

BACKGROUND:

The Governor's May Revise to give CDE $139,000 in reimbursement authority for the first-year costs of administering education technology vouchers that must be distributed to schools as a result of the Microsoft Settlement. Funding for this state operations adjustment will come from the settlement funds.

Issue 643: Educational Technology K-12 Voucher Program—It is requested that this item be increased by $139,000 in reimbursement authority for first year administrative costs of the Education Technology K-12 Voucher Program, which is part of the Microsoft settlement. These funds will be used by the SDE to assist the court appointed claims administrator in determining eligibility and by providing technical assistance to local educational agencies (LEAs).

It is further requested that provisional language be added as follows:

\[
X. \text{ Of the funds appropriated in this item, $139,000 in reimbursement authority is for first year costs to administer the Education Technology K-12 Voucher Program pursuant to the Microsoft settlement. These funds shall not be expended until the court system has made a final judgment on the settlement and the funds are made available to the department.}
\]

Background on Microsoft Settlement. In November of 2004, a lawsuit by California consumers against Microsoft Corporation was tentatively settled. The face value of the settlement was $1.1 billion, issued to consumers in the form of vouchers. Some of the vouchers were not redeemed by consumers, and some of the funds from these unredeemed vouchers went to K-12 schools for a grant program to support and implement education technology that fosters effective teaching and promotes student achievement in eligible schools. Schools are eligible to receive vouchers if 40% of the attending students are eligible to receive free or reduced price meals. Schools within school districts or county offices of education, direct-funded charters and state special schools, are eligible to receive funding as long as they meet the poverty criteria above. Although the exact amount available for this program will not be known at the time the request for applications is available, it is estimated to be from $400 million to $600 million. While the amount per pupil will vary depending on the total amount and the number of applications, it is estimated to be between $98 and $250 per pupil.

- Potential uses for the vouchers. In order to receive vouchers from the settlement, eligible schools must have a current district technology plan that
meets CDE criteria and has been approved through a state review process. Eligible schools will have six years to redeem the vouchers. According to CDE, vouchers will be issued in two categories:

- General purpose vouchers – allowable purchases include specific types of hardware, non-custom software for that hardware, evaluation tools, information technology services and professional development (the latter two must be obtained from approved providers)

- Software vouchers – allowable purchases include specific categories of software that are published or sold by any software provider.

**CDE's responsibilities.** CDE is responsible for issuing the request for applications, reviewing applicants for eligibility and monitoring the program. A Settlement Claims Administrator, selected by the Court, will be responsible for issuing the vouchers. Distribution of the vouchers will be delayed until after the resolution of all outstanding appeals of the settlement. Currently, seven appeals have been filed. It is unclear when they will be resolved.

**COMMENTS:**

The subcommittee heard the issue of the Microsoft settlement dollars at its March 29 hearing.
The issue for the subcommittee to consider is a May Revise state operations restoration of a January 10 reduction.

**BACKGROUND:**

The Governor's May Revise proposes to reverse a $1.6 million General Fund reduction and the elimination of 13.5 positions that was introduced in the January 10 budget, as detailed in the May Revise letter:

**6110-001-0001, State Operations, Restoration of Immediate Intervention/Underperforming Schools Program Positions (Issue 244)**

It is requested that this item be augmented by $1,627,000 to restore 13.5 positions that support the Immediate Intervention/Underperforming Schools Program (II/USP). The 2006-07 Governor's Budget proposed elimination of these positions to reflect the phase out of the II/USP program. Originally approved for activities associated with the Public Schools Accountability Act of 1999 (PSAA), the SDE indicates that these positions continue to support PSAA-related activities such as the Academic Performance Index, the Governor's Performance Award programs, PSAA waiver requests, and some prolonged II/USP activities. Due to these continuing activities and ongoing efforts to coordinate state and federal accountability programs, it is requested that these positions and funding be restored.

**COMMENTS:**

**CDE sanctions request.** Staff notes that CDE requested 8.5 additional positions to support its work in state-monitored schools. These were not approved in the May Revise. CDE also requested $1 million in federal funds over two years to evaluate the effectiveness of the state’s sanctions approach.

**Evaluation of SAIT teams.** At an earlier hearing, the subcommittee heard about the need to evaluate the effectiveness of the state’s use of School Assistance and Intervention Teams (SAIT teams), given the state’s dependence on these teams as an interventions and sanctions approach.
ISSUE 5: MAY REVISE STATE OPERATIONS PROPOSALS – SUPPORT FOR THE HEALTHY START PROGRAM

The issue for the subcommittee to consider is a May Revise proposal to restore state operations support for the Healthy Start program.

BACKGROUND:

The Governor’s May Revise proposes $260,000 and 2 positions to provide technical assistance and grant and contract monitoring for the Healthy Start program and to support a new cohort of grants proposed for the budget year. This is non Prop. 98 General Fund.

COMMENTS:

The May Revise also proposes a corresponding local assistance increase of $10 million in one-time funds for new Healthy Start planning and operation grants.
The issue for the subcommittee to consider is a May Revise proposal to provide $1 million in General Fund for a study for a new statewide information technology proposal related to child nutrition.

BACKGROUND:

The May Revise proposes $1 million in non-Proposition 98 General Fund for a study to evaluate point-of-service technologies that allow parents to monitor their children's food purchases, as detailed in the May Revise letter:

**6110-001-0001, State Operations, Child Nutrition Program Point-of-Service Technology Study (Issue 920)**

It is requested that item 6110-001-0001 be increased by $1.0 million for a child nutrition point-of-service technology study. This study will assess the availability and costs of current point-of-service technologies that allow parents to monitor and limit the foods children eat at school.

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

- **X. Of the amount appropriated in this Item, $900,000 is for a study that would assess the availability and costs of current point-of-service technologies that allow parents to monitor and limit the foods that their children eat at school.**
- **X. Of the amount appropriated in this Item, $100,000 is available to the State Department Education for developing a request for proposal to contract for a child nutrition point-of-service technology study, pursuant to Provision X of this item.**
ISSUE 7: CHARTER SCHOOL CATEGORICAL BLOCK GRANT

The issue for the subcommittee to consider is the Governor's May Revise adjustment to the amount for the charter school categorical block grant.

BACKGROUND:

The Governor's May Revise proposes the following adjustment to the charter school categorical block grant. The formula is now driven by legislation approved last year to change and simplify the formula. The adjustments are as follows:

6110-211-0001, Local Assistance, Charter School Categorical Block Grant (Issue 111)

It is requested that this item be reduced by $2,778,000 to reflect the estimated net adjustments to total charter school average daily attendance and charter school Economic Impact Aid counts. The former is less than estimated in the Governor's Budget while the latter is higher.
The issues for the subcommittee to consider are:

- The Governor's January 10 proposal for FCMAT.

- The Governor's May Revise proposals to: a) change provisional language in FCMAT's item and b) reappropriate unused funds to oversee Oakland Unified and West Contra Costa Unified.

BACKGROUND:

January 10 proposal. The Governor's January 10 budget provided a total funding level of $11.1 million for the Fiscal Crisis and Management Assistance Team (FCMAT). This is a $500,000 increase over last year's funding level. The administration notes that the increase reflects a cost of living adjustment for the agency.

The Fiscal Crisis and Management Assistance Team provides financial and management assistance to all districts, and particularly those with qualified and negative certifications, and those that request assistance. It is housed in Kern County Office of Education.

May Revise proposals. The Governor's May Revise proposes the following changes to provisional language in FCMAT's budget item and funding for its oversight responsibilities, as follows:

- 6110-107-0001, Local Assistance, Fiscal Crisis and Management Assistance Team (Issue 090)

  It is requested that this item be amended to clarify that costs related to county office of education extraordinary costs of audits, examinations, or reviews of charter schools may be reimbursed through Schedule (5) appropriations in the item. This will implement provisions of Chapter 357, Statutes of 2005 (Senate Bill 430).

  It is requested that subdivision (b) of provision (7) of Item 6110-107-0001 be amended as follows:

  "(b) Up to $900,000 of the funds may be used to fully reimburse county office of education activities for extraordinary costs of audits, examinations, or reviews of district budgets any school district or any charter school in cases where fraud, misappropriation of funds or other illegal fiscal practices require COE review, pursuant to Section 2 of Chapter 620 of the Statutes of 2001 and Section 1 of Chapter 357 of the Statutes of 2006. The State Board of Education may request any county superintendent of schools to initiate such an audit, examination, or
review for any charter school or all-charter district for which the board has oversight responsibility. Allocation of the funds shall be administered by FCMAT on a reimbursement basis. All reimbursements shall be subject to the approval of both the Department of Finance and the State Department of Education.”

- **Re-appropriation of unused funds for FCMAT's monitoring of Oakland and West Contra Costa Unified.** The May Revise proposes to add the following language to re-appropriate unused funds:

  **Item 6110-107-0001, Budget Act of 2003 (Ch. 157, Stats. 2003).** Any unexpended funds from Item 6110-107-0001 of Section 2.00 of the Budget Act of 2003 (Ch. 157, Stats. 2003) shall remain available to the County Office Fiscal Crisis and Management Assistance Team (FCMAT) for the following purposes:

  a. To provide an additional annual written status report for 2006 assessing the progress of the Oakland Unified School District in implementing the improvement plan developed pursuant to Chapter 14 of the Statutes of 2003. The report shall be provided at a date agreed to by FCMAT and the Superintendent of Public Instruction.

  b. To provide an additional annual written status report for 2006 assessing the progress of the West Fresno Elementary School District in implementing the improvement plan developed pursuant to Chapter 1 of the Statutes of 2003. The report shall be provided at a date agreed to by FCMAT and the Superintendent of Public Instruction.
The issues for the subcommittee to consider are the Governor's May Revise proposals for California School Information Services (CSIS) and the California Longitudinal Pupil Achievement Data System (CALPADS).

BACKGROUND:

The Governor's May Revise contains a number of augmentations to help facilitate and accelerate the implementation of CALPADS. Specifically, the Governor proposes that all districts not currently part of CSIS be given the opportunity to join a less intensive version of CSIS that would provide them with the main improvements in information technology system that are usually associated with CSIS. The Governor proposes a number of augmentations to implement this new version.

1) Additional Prop. 98 and other funding to implement "CSIS light" in non-CSIS districts. The Governor's May Revise proposes additional funds for districts that are not currently participating in CSIS to join a less intensive version of CSIS, intended to prepare them for participation in CALPADS. The administration, the LAO and CDE all note that one of the benefits of CSIS for districts is the improvement it brings to districts' information technology and data systems, including hardware and software improvements. The proposed "CSIS light" program would provide the regular incentive funding of $835 per pupil, but would only help districts improve their systems, and would not go so far as records transfer or any of the other long-term functional CSIS goals, which are also the goals of CALPADS. The May Revise letter contains the following description of the proposal:

6110-101-0349, Local Assistance, California School Information Services (CSIS) (Issue 649)

It is requested that this item be increased by $15,093,000. This increase will allow $31.0 million [($20.0 million from the Educational Telecommunications Fund and $11.0 million from 2005-06 Proposition 98 General Fund (see discussion of 2005-06 below)] to be allocated to school districts that voluntarily opt to join a less intensive version of CSIS designed to assist districts in establishing the hardware/software and data management process necessary for a smooth transition to CALPADS in 2008. The funding will be allocated using the existing statutory CSIS funding rate and will be appropriated for expenditure over a two-year period.

It is further requested that provision 3 be deleted.

It is further requested that provisional language be added as follows:
X. Of the funds appropriated in this item, $20,000,000 is available for expenditure by June 30, 2008 to provide funds to districts that have not previously received funding through the California School Information Services (CSIS). Funds will be allocated pursuant to Education Code Section 49084 for activities consistent with an implementation plan developed by CSIS, to be jointly approved by the Department of Finance, the Office of the Secretary for Education, and the Legislative Analyst's Office.

2) Additional state operations for CSIS to implement a "CSIS-light" The Governor's May Revise provides additional funds to CSIS to implement this new version. The LAO believes this funding is insufficient to fully implement this proposal, and proposes to add $500,000 to this amount. The following is the excerpt from the May Revise letter on this issue:

6110-140-0001, Local Assistance, California School Information Services (CSIS) (Issue 560)

It is requested that this item be increased by $545,000 to reflect the first year of support for a three-year plan to transition all districts to the California Longitudinal Pupil Achievement Data System (CALPADS). These funds will support six positions and increased administration costs due to increased workload associated with working with districts that voluntarily opt to join a less intensive version of CSIS. This version will be designed to assist districts in establishing the hardware/software and data management processes necessary for a smooth transition to CALPADS in 2008. It is anticipated that all districts will be completed in the next three years.

It is further requested that provisional language be added as follows:

X. Of the funds appropriated in Schedule (2) of this item, $545,000 is available on a three-year limited-term basis to support positions and administrative costs associated with the implementation plan developed pursuant to Provision 5 of Item 6110-101-0349.

3) Additional equipment for CSIS to implement a "CSIS-light" The May Revise includes one-time current year funds for CSIS to implement this new version.

6110-650-0001, Local Assistance, California School Information Services (CSIS) (Issue 561)

It is requested that this item be increased by $533,000 to provide one-time funds for hardware and software costs in order to expand capacity associated with working with districts that voluntarily opt to join a less intensive version of CSIS. This version will be designed to assist districts in establishing the hardware/software and data management processes necessary for a smooth transition to CALPADS in 2008.
4) Technical correction -- 6110-001-0001, State Operations, Statewide Student Identifier Maintenance Program (Issue 651)

It is requested that this item be increased by $53,000 for an additional 0.5 positions for support and administration of the Student Identifier Acquisition and Maintenance program. DOF indicates that this augmentation corrects an inadvertent error by which this funding was left out of the 2006-07 budget.

**COMMENTS:**

**January 10 proposal.** The Governor’s January 10 proposal included an increase of $940,000 to begin the next phase of the California Longitudinal Pupil Achievement Data System (CALPADS). Most of this increase is proposed for systems integration and software purchases related to the next phase of development. In addition, the administration proposes to continue $844,000 in federal funds (Title VI) to support the system. This system was initiated in 2002 to track individual student progress over time, in compliance with federal law; CALPADS is also expected to provide more accurate information on dropout rates. The subcommittee approved the January 10 proposed increase at an earlier hearing.

**LAO and CDE recommendations regarding CALPADS incentive grants.** CDE and LAO are recommending that the Legislature set aside approximately $15 million or more to provide funds to districts to help them pay for the costs of maintaining student identifiers and the other costs related to CALPADS. The administration indicates that they are fine with this idea once CALPADS is up and running.
ISSUE 10: CALIFORNIA HIGH SCHOOL EXIT EXAM

The issues for the subcommittee to consider are the Governor's May Revise proposal related to helping kids pass the California High School Exit Exam.

BACKGROUND:

Helping Students Pass the CAHSEE. The Governor's May Revise includes the following augmentations to help students pass the California High School Exam and to help those students who might be denied a diploma this year as a result of having failed it:

1) A $15 million increase for the 12th grade supplemental instruction program begun last year to help 12th graders that still have not passed the CAHSEE. This increase will bring total funding for this program to $55 million.

   It is further requested that Provisions 2 and 3 of item 6110-204-0001 be amended to conform to this action:

   "2. Of the funds appropriated in this item, $35,000,000 $47,000,000 shall be available to comprehensive high schools for these purposes. If the $35,000,000 $47,000,000 is not fully allocated, the balance shall be made available to all eligible pupils of any continuation, juvenile court, county community day, adult education, and alternative schools."

   "3. Of the funds appropriated in this item, $5,000,000 $8,000,000 shall be available to continuation, juvenile court, county community day, adult education, and alternative schools for these purposes."

2) $10 million for remedial instruction for 5th year seniors who have met all graduation requirements except for CAHSEE passage, as follows:

   It is further requested that this provision be added to item 6110-204-0001 to conform to this action:

   X. Of the funds appropriated in this item, $10,000,000 shall be available to provide remedial instruction to fifth-year seniors who have met all graduation requirements except for the passage of the CAHSEE, or other remedial education activities that are consistent with the adult education program as defined in Item 6110-156-0001 and Chapter 10 (commencing with Section 52500) of Part 28 of the Education Code.

3) $5 million for individual intervention materials, as follows:
X. Of the funds appropriated in this item, one-time funds of $5,500,000 shall be available to districts to purchase individual intervention materials for students who have failed or are at risk of failing the CAHSEE.

**Additional administrations of the CAHSEE.** The Governor's May Revise includes additional funding to develop three additional administrations of the CAHSEE, as follows:

**6110-113-0001, Local Assistance, Additional Administrations of the California High School Exit Examination (Issue 242)**

It is requested that this item be increased by $7.7 million to develop three additional administrations of the California High School Exit Examination (CAHSEE). These administrations will accommodate students who attend school at non-traditional times, such as evenings and weekends, and provide students with additional opportunities to pass the examination. In addition, funds will be used by the independent evaluator to perform analyses related to the three additional administrations. Beginning with the Class of 2006, successful completion of coursework and passage of the CAHSEE are prerequisites for a high school diploma.

**Funding for legal defense of CAHSEE.** The Governor's May Revise includes a non-Proposition 98 General Fund increase to help with the legal defense of the CAHSEE, as follows:

**6110-001-0001, State Operations, California High School Exit Examination Legal Representation (Issue 251)**

It is requested that this item be increased by $1,625,000 on a one-time basis for legal representation from the Attorney General's Office in litigation related to the California High School Exit Exam (Chapman, et. al. v. Department of Education, et. al., Coachella Valley Unified School District, et al. v. Schwarzenegger, et al., and Valenzuela, et al. v. O'Connell, et al.). These cases were filed in state courts, with the plaintiffs challenging the exam for various reasons. The additional proposed resources are consistent with the most recent cost estimates prepared by the Attorney General's Office.

It also is requested that Schedule (18) of this item be amended as follows:

"18. Of the funds appropriated in this item, $1,000,000 $2,625,000 is provided on a one-time basis for legal representation from the Attorney General's Office in litigation related to the High School Exit Exam. The SDE shall provide a report to the Department of Finance and the Legislature detailing the expenditures of these funds and providing an update on any such litigation on November 1, 2006, and every four months thereafter, with the final report due on June 30, 2007. The Office of the Attorney General shall provide the SDE any information, including..."
budget and expenditure data, necessary for the SDE to complete its reports to the Department of Finance and the Legislature."

**COMMENTS:**

The LAO has a handout that lists their estimate of the number of 12th graders in the class of 2007 that may be eligible for the funding, as well as options for the subcommittee to consider in allocating the funding.
The issue for the subcommittee to consider is the Governor's May Revise proposal to augment funding for this program.

**BACKGROUND:**

**Governor's January 10 budget.** The Governor's January 10 budget proposed a total funding level of $805,000 in General Fund and $1,170,000 in special deposit funds (fees) for the support of the program. He proposed no major changes in funding for the program for the 2006-07 fiscal year.

**Governor's May Revise proposal.** The Governor's May Revise proposes to increase funding for the California State Summer School for the Arts by $676,000 in General Fund, for a 60% increase in base funding for the program. The May Revise letter states that the augmentation will reduce fees and offer additional scholarships, and will fulfill the statutory intent that the state provide funding to support up to 75% of total program costs.

**Background on the program.** The California State Summer School for the Arts provides a training ground for artistically gifted and talented students to receive intensive instruction in the arts. The program provides a four-week residential summer program in the following areas of instruction: animation, creative writing, dance, film/video, music, theater arts, and visual arts. High school students are competitively selected to participate. State funds support contracts with arts faculty, instructional equipment and materials, classroom rentals and staff costs.

**COMMENTS:**

The proposed increase is with non-Proposition 98 General Fund.