

AGENDA**ASSEMBLY BUDGET SUBCOMMITTEE NO. 2
ON EDUCATION FINANCE****PART 2****ASSEMBLY MEMBER JULIA BROWNLEY, CHAIR****TUESDAY, MAY 22, 2007
STATE CAPITOL, ROOM 444
10:00 AM**

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CONSENT CALENDAR

6110 DEPARTMENT OF EDUCATION

CONSENT ISSUE 1: TRANSFER OF CALSAFE PROGRAM FUNDS (ISSUE 363)

BACKGROUND

The May Revision requests provisional budget bill to allow the SDE to shift funds between schedules in the CalSAFE item in order to help ensure that funding is available to meet the needs of each of these programs.

XX. Notwithstanding Section 26.00 of this act, the department may transfer expenditure authority between Schedule (1) CalSAFE Academic and Supportive Services and Schedule (2) All Services for Non-converting Pregnant Minors Programs to accurately reflect expenditures in these programs upon approval of the Department of Finance and notification of the Legislature.

Staff Recommendation:

Approve the requested language in the Finance Letter.

CONSENT ISSUE 2: FUND SHIFTS FOR CALWORKS STAGES 1 AND 2 CHILD CARE (ISSUES 368 AND 366)

BACKGROUND

The May Revisions includes the following requests:

- Increase in the expenditure authority in 2007-08 by \$13.4 million, with the funds coming from prior year child care program savings (Issue 368).
- Decrease in the net amount of funds available from 2005 and 2006 for expenditure in the Stage 2 and Stage 3 Child Care programs in 2007-08 (Issue 366).

Staff Recommendation:

Approve the requested adjustments.

CONSENT ISSUE 3: AFTER SCHOOL EDUCATION AND SAFETY PROGRAMS (ISSUE 373)**BACKGROUND**

The May Revision requests a transfer of \$341,000 to fund program-related activities for the 12.0 positions that were approved in 2006 to support the After School Education and Safety program. This shift would be consistent with Chapter 380, Statutes 2006 (AB 638), which allows 1.5 percent or \$8.3 million of the \$550.0 million appropriated for the program to be used for technical assistance and state operations. The net effect of this request would be to provide \$3.0 million for state operations and \$5.3 million for technical support activities.

Staff Recommendation:

Approve the requested adjustment.

CONSENT ISSUE 4: 21ST CENTURY COMMUNITY LEARNING CENTERS TECHNICAL ASSISTANCE (ISSUE 371)**BACKGROUND**

The May Revision requests that \$1.5 million General Fund be reappropriated from unexpended funds appropriated in 2006-07 in Item 6110-649-0001 to be utilized in combination with a federal fund carryover of \$1.0 million from Item 6110-197-0890 to provide technical assistance activities for the After School Education and Safety program and the 21st Century Community Learning Centers program. The federal fund carryover for the 21st Century Community Learning Centers was previously identified in the April Finance Letter.

Staff Recommendation:

Approve the requested adjustment.

VOTE-ONLY ITEMS

VOTE-ONLY ISSUE 1: AFTER SCHOOL EDUCATION AND SAFETY PROGRAM EVALUATION CONTRACT (ISSUE 372)

BACKGROUND

The May Revision requests that \$300,000 be reappropriated from unexpended funds appropriated in this item in the Budget Act of 2006 for the After School Education and Safety (ASES) program evaluation contract. Section 8482.4 (g) of the Education Code requires the State Board of Education to adopt requirements for program evaluation and review on or before November 30, 2007. The State Department of Education (SDE) was not able to enter into an evaluation contract before this action; therefore, the funds were not expended within the fiscal year, but are necessary to do the evaluation in fiscal year 2007-08. The May Revision also requests the adoption of language to change the evaluation components. These language changes suggest policy changes that would be better considered through the legislative bill process.

Staff Recommendation:

Approve the requested adjustment, but reject the language in the Finance Letter. Instead adopt the following language, which references and is consistent with current law:

Add Item 6110-493 – Reappropriation, Department of Education.

Notwithstanding Education Code Section 8482.4, \$300,000 from Item 6110-001-0001, Budget Act of 2006 (Chapters 47 and 48, Statutes of 2006), is reappropriated for the purposes specified in Education Code 8483.55(c) and shall be available for encumbrance or expenditure until June 30, 2008 and liquidation until June 30, 2013.

VOTE-ONLY ISSUE 2: CHILD DEVELOPMENT FEDERAL QUALITY PROGRAM (ISSUE 360)**BACKGROUND**

The May Revision requests \$200,000 in one-time federal funding for Trustline registration workload designated in Provision 5(c) of this item be redirected to the development of preschool learning standards and curriculum guide. The Governor's Budget provides \$1.0 million in ongoing federal funds for the Trustline registration workload which the Department of Social Services confirmed will be sufficient to process all anticipated workload for Trustline verifications for the SDE programs. A total of \$1.6 million will then be available for simultaneous development of the Preschool Learning Curriculum Guide (frameworks) and the remaining sets of Preschool Foundations (standards).

It is further requested that Provision 5(c) of Item 6110-196-0001 be amended to conform to this action as follows:

"5. (c) \$8,634,000 in one-time federal funding is available for use in the 2007-08 fiscal year. Of that amount, ~~\$200,000 shall be used for Trustline registration workload (Chapter 3.35 (commencing with Section 1596.60, of Division 2 of the Health and Safety Code),~~ \$500,000 shall be used for health and safety training for both licensed and license-exempt child care providers, and ~~\$1,400,000~~ \$1,600,000 shall be used for the development of preschool learning standards and preschool curriculum guides. The remaining funds shall be used for child care and development quality expenditures identified by the State Department of Education and approved by the Department of Finance."

Staff Recommendation:

Approve the request and the accompanying changes to provisional budget bill language.

VOTE-ONLY ISSUE 3: CHILD CARE PROVIDERS IN ALTERNATIVE PAYMENT PROGRAMS (ISSUE 365)**BACKGROUND**

The May Revision requests that budget bill language be amended to clarify the administrative and support services costs allowance for Alternative Payment agencies to ensure that administrative costs are not being double claimed. The changes are significant and could create additional pressures and adverse consequences for AP providers.

Staff Recommendation:

Reject the requested language change in the Finance Letter.

VOTE-ONLY ISSUE 4: ADJUST ELIGIBILITY CEILING FOR CHILD CARE PROGRAMS (ISSUE 377)**BACKGROUND**

The May Revision requests provisional budget bill language to re-evaluate the income eligibility ceiling based on the most recent state median income for the 2009-10 fiscal year and every three years thereafter.

This Subcommittee and Subcommittee No. 1 took action in April to reject the administration's proposal to re-freeze the state median income eligibility for state supported child care.

Staff Recommendation:

Reject the requested language, consistent with the Subcommittee's prior action in this area.

VOTE-ONLY ISSUE 5: FULLY FUNDING CALWORKS STAGES 2 AND 3 (ISSUE 376)**BACKGROUND**

The May Revision seeks to provide \$12,312,000 for CalWORKs Stage 2 child care and \$5,401,000 for CalWORKs Stage 3 child care for a total of \$17,713,000. These funds will ensure that CalWORKs Stage 2 child care and Stage 3 child care will be fully funded for the 2007-08 fiscal year.

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

XX. Notwithstanding any other provision of law, of the funds provided in this item, \$12,312,000 shall be available for CalWORKs Stage 2 child care during the 2007-08 fiscal year.

XX. Notwithstanding any other provision of law, from the remaining funds, \$5,401,000 shall be available for CalWORKs Stage 3 child care during the 2007-08 fiscal year.

Staff Recommendation:

Approve the request and the language in the Finance Letter. In addition, staff recommends adoption of the following budget bill language:

Item 6110-196-0001

Provision X. It is the intent of the Legislature to fully fund the third stage of child care for CalWORKs recipients.

VOTE-ONLY ISSUE 6: STAKEHOLDER INPUT IN CHILD CARE QUALITY PLAN**BACKGROUND**

The Child Care Quality Plan is managed by the CDE and works with stakeholders to develop the plan on annual basis. Advocates have requested consideration of methods to facilitate a more open planning process with structured and increased access for public input and Legislative oversight as the CCDF State Plan is developed in future years.

Staff Recommendation:

Staff recommends adoption of the following placeholder trailer bill language:

As required by federal law, the State Department of Education (SDE) shall develop an expenditure plan that sets forth the final priorities for child care. The SDE shall coordinate with the DSS, the California Children and Families Commission, and other stakeholders to develop the Child Care Development Fund (CCDF) Plan. By February 1 of the year of the CCDF Plan is due to the federal government, SDE shall release a draft of the Plan. It shall then commence a 30 day comment period which will include at least one hearing and the opportunity for written comments. SDE shall provide the revised CCDF Plan to the chairperson of the committees in each house that considers appropriations and shall provide a report on the plan to the committee of each house that considers the annual Budget Act appropriation, prior to the May budget revision.

VOTE-ONLY ISSUE 7: CHILD CARE QUALITY INTEGRITY**BACKGROUND**

There has been discussion around child care program integrity and statutory authority regarding detection and prevention activities in response. The absence of an unambiguous statutory requirement for local agencies to deter, detect, investigate, and recover fraudulent payments in Stages 2 and 3 child care has been raised in the Senate Budget Subcommittee No. 1 on Education.

The Senate plans to adopt language reflected in the staff recommendation and the Subcommittee may wish to conform with the Senate in this area to avoid conference committee on this item.

Staff Recommendation:

Staff recommends adoption of placeholder trailer bill language that calls on the California Department of Education to require each contracted child care and development program to create a plan for an internal control framework, to submit that plan for review by the Department of Education, and upon approval, to implement their control framework. Specifically, each child care and development program should, at a minimum, include the following components in their internal control framework:

- (1) Development and maintenance of a controlled environment and accountability for achieving specified outcomes.
- (2) Assessment of risk; analyzing operations to determine the risks of improper payments; taking action to address those risk areas and ensure that management decisions are implemented.
- (3) Usage and sharing of timely, relevant, and reliable financial and non-financial information related to improper payments.
- (4) Assessment and tracking of activities over time; identification of additional actions needed to improve program efficiency and effectiveness.

VOTE-ONLY ISSUE 8: EXPANDED USE OF PKFL FUNDS**BACKGROUND**

As discussed at the April 24 hearing, the Governor's budget proposal provides \$5 million in new ongoing monies to support wrap around care for children participating in the new Pre-Kindergarten and Family Literacy Program (PKFL) programs. Effectively, the Governor's budget does not expand wrap around child care but instead converts the approximately 1,100 slots funded with one-time monies in 2006-07 into ongoing slots.

The LAO states that because wrap around child care operates on the general child care schedule (before and after school and all day on school holidays) and is provided at the preschool site, it promotes preschool attendance of children from low-income families by allowing their parents to maintain employment. Research indicates that a successful expansion of preschool, especially targeting low-income students, typically requires a proportionate expansion of wrap around child care. In essence, an investment in wrap around child care is an investment in preschool.

The unique specifications of the new PKFL programs requires CDE to issue a separate request for applications and to appropriate and track PKFL funds separately from the standard state preschool and wrap around child care programs. This not only creates ongoing work in tracking and reporting for state staff and providers but can reduce the potential impact of the funds. For example, because of the special PKFL requirements, little, if any, of the funds will be used in 2006-07, even though some 30,000 low-income children are on waiting lists for wrap around care.

The LAO states that the \$5 million in new ongoing funds can be more efficiently used if they are available to any otherwise eligible low-income child and suggests that the Legislature designate the new funding for the standard wrap around child care program. Under this approach, PKFL providers still could apply for slots. By expanding the standard wrap around child care, the Legislature ensures a timely fund release and offering of services to approximately 1,000 low-income, disadvantaged children currently on the state waiting list for wrap around care.

Staff Recommendation:

Adopt the LAO recommendation and the following placeholder budget bill language:

Provision 3. Of the amount appropriated in Schedule (1), \$50,000,000 is available to expand state preschool programs and \$5,000,000 is for wrap-around care pursuant to Chapter 211 of the Statutes of 2006, commencing with Education Code Section 8238. in order to provide direct child care for children in the state preschool program for the portion of each day that is not otherwise covered by services provided as part of the state preschool program.