

# AGENDA

## ASSEMBLY BUDGET SUBCOMMITTEE NO. 2 ON EDUCATION FINANCE

Assembly Member Julia Brownley, Chair

WEDNESDAY, MAY 23, 2007  
STATE CAPITOL, ROOM 444  
1:00 PM

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## VOTE-ONLY ITEMS

### VOTE-ONLY ISSUE 1: 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.

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#### Staff Recommendation:

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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 2: 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.

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**Staff Recommendation:**

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

*PROVISION 3. OF THE AMOUNT APPROPRIATED IN SCHEDULE (1), \$50,000,000 IS AVAILABLE FOR PRE-KINDERGARTEN FAMILY LITERACY PRESCHOOL PROGRAMS PURSUANT TO CHAPTER 211 OF THE STATUTES OF 2006, COMMENCING WITH EDUCATION CODE SECTION 8238. OF THE AMOUNT APPROPRIATED IN SCHEDULE (1), \$5,000,000 IS AVAILABLE FOR WRAP AROUND CARE 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.*

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## ITEMS TO BE HEARD

### **0558 OFFICE OF THE SECRETARY FOR EDUCATION**

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#### **ISSUE 1: MAY REVISE PROPOSAL TO INCREASE FUNDING FOR STAFF**

The issue for the subcommittee to consider is a May Revise proposal to augment the office's budget by \$135,000 in General Fund for salary increases.

#### **BACKGROUND:**

The Governor's May Revise includes the following augmentation:

#### **Amendment to Budget Bill Items 0558-001-0001 and 0650-011-0001, Support, Office of the Secretary for Education**

It is requested that Item 0558-001-0001 be increased by \$67,000 and Item 0650-011-0001 be increased by \$68,000 to provide a base salary adjustment for the Secretary for Education (Secretary) and the Undersecretary for Education (Undersecretary) and a 3.4 percent general salary increase for all staff.

As a result of the new appointments and the upcoming statewide general salary increase, the Office of the Secretary for Education (OSE) requires additional resources to fully fund its compensation obligations. Specifically, the OSE requires \$76,000 for Secretary and Undersecretary compensation increases, and \$59,000 for staff general salary increases.

#### **COMMENTS:**

Staff notes that the proposed increase is part of an administration-wide proposal to increase salaries for agency secretaries.

**0985 CALIFORNIA SCHOOL FINANCE AUTHORITY****ISSUE 1: APRIL DOF LETTER REGARDING STATE OPERATIONS**

The issue for the subcommittee to consider is an April DOF letter to increase staff at the California School Finance Authority.

**BACKGROUND:**

In an April DOF letter amending the budget, the administration proposes the following augmentation out of school facility bonds funds to increasing staffing levels for the California School Finance Authority:

- Two positions and \$129,000 in bond funds to support workload demands associated with the implementation of Proposition 1D and the Charter School Facilities Program.

**Background on the California School Finance Authority and the programs it administers.** Chapter 1438, Statutes of 1985, as amended by Chapter 598, Statutes of 1987, established the California School Finance Authority. Among its duties is the jointly-shared administration of the Charter Schools Facilities Program, which provides funding for the new construction or renovation of charter school facilities. The California School Finance Authority and the Office of Public School Construction jointly administer the program. The California School Finance Authority also administers the State Charter School Facilities Incentive Grants Program to provide California charter schools with assistance for facilities costs. The \$50 million federal grant is being allocated over a five-year period (through 2009) to eligible charter schools. Grant funds are used toward a charter school's cost of rent, lease, mortgage or debt service payments for existing or new facilities or toward the purchase, design and construction costs of acquiring land and constructing or renovating a facility. Grants are awarded to charter schools based on preference points allotted for the percentage of low-income students, percentage overcrowded and whether the school is a not-for-profit entity. Eligible charter schools must, at a minimum, be in good standing with their chartering authority, provide site-based instruction, and have completed at least one school year of instructional operations.

**COMMENTS:**

The current level of state operations at this authority is 3 positions and a total operating budget of \$991,000 (this is for state operations costs only and does not include the local assistance funds administered to school districts and charter schools.)

**6110 DEPARTMENT OF EDUCATION****ISSUE 1: OPEN ISSUES – PROPOSITION 98 AND PUBLIC TRANSPORTATION ASSISTANCE FUNDS AND PROPOSITION 98 PACKAGE**

The issue for the subcommittee to consider is the Governor's proposals to use PTA funds to reimburse the General Fund for K-12 transportation costs.

**BACKGROUND:**

**Open issues.** Earlier this year, the subcommittee heard testimony on the Governor's proposal to use public transportation funds (PTA funds) to reimburse the General Fund for K-12 transportation costs (as contained in an April DOF letter).

**May Revise:** The Governor's May Revise retains his April proposal and adds another \$200 million in PTA funds for K-12 transportation costs in the current year (2006-07). He also proposes an additional \$3 million in PTA funds to pay for the COLA on the home-to-school transportation program. He also proposes to use PTA funds to pay for COLA costs for transportation programs in state special schools. His proposal is as follows:

It is requested that Control Section 24.80, as proposed to be added in the 2007-08 April Finance Letter, be amended to allow for additional General Fund reimbursements of \$200.0 million in 2006-07, \$3.0 million in 2007-08 to reflect an increase in cost-of-living adjustment (COLA) for the Home-To-School Transportation Program, and \$2.6 million in 2007-08 to reflect a fund shift of transportation funding for the State Special Schools, from the Public Transportation Account as follows:

“SEC. 24.80. (a) Notwithstanding any other provision of law, the Director of Finance is authorized to reimburse overall General Fund expenditures for the purposes of offsetting the costs of the Home-to-School Transportation Program and State Special Schools Home-To-School Transportation for the 2006-07 and 2007-08 fiscal years from the Public Transportation Account, State Transportation Fund. Upon order of the Director of Finance, up to ~~\$627,000,000~~ \$832,314,000 from the Public Transportation Account, State Transportation Fund, may be used to reimburse offset General Fund expenditures from Item 6110-008-0001, Item 6110-111-0001, and the deferral amount from 2006-07 paid in 2007-08 pursuant to approval of budget trailer legislation during the 2007-08 Regular Session that provides an appropriation for this purpose. The total reimbursement offset shall not reduce the balance in the Public Transportation Account, State Transportation Fund, below a prudent reserve as determined by the Director of Finance.

(b) It is not the intent of the Legislature in enacting this section to provide additional expenditure authority to state programs.

(c) Funds provided from the Public Transportation Account, State Transportation Fund, for this purpose are derived from the sales tax on fuels and are dedicated to mass transportation purposes pursuant to Section 99310.5 of the Public Utilities Code. The Legislature hereby finds that transporting students to schools is a component of the state's mass transportation program."

**6110-008-0001, State Operations, State Special Schools (Issue 960)**

It is requested that \$100,000 be added to the \$2.5 million base Home-to-School Transportation program to support increased busing contract costs for the State Special Schools. It is also requested that the General Fund be offset for the program costs from the Public Transportation Account pursuant to Control Section 24.80.

**COMMENTS:**

The total amount of PTA funds that the administration is proposing to use for K-12 transportation funds is \$832 million over two years.

**ISSUE 2: OPEN ISSUES – FEDERAL READING FIRST FUNDS**

The issues for the subcommittee to consider are: a) a technical adjustment proposed by DOF to reflect available federal funding level for this program, b) the availability of \$34 million in one-time federal Reading First carryover funds, and the various options for spending it.

**BACKGROUND:**

**1) Technical correction proposed by DOF:** In an April DOF letter, the administration proposes the following technical adjustment:

**6110-126-0890, Local Assistance, Reading First Program (Issue 084)**

It is requested that this item be decreased by \$9,567,000 to align appropriation authority with the anticipated federal grant award amount. The Reading First Program provides grants to use scientifically based reading programs to improve reading in kindergarten through grade 3.

**2) One-time carryover funds and options for spending it.** There is approximately \$34 million in available on-time carryover for this program. Below are various options for spending the funding. The LAO has provided some of the options.

- **Administration's proposal.** The administration proposes to spend \$15 million of the carryover to provide new grants to unfunded but eligible schools in currently-funded school districts. The administration also proposes to use \$1.5 million of the funding be allocated for the statewide and regional infrastructure to provide technical assistance to Reading First grantees, citing an increase in demand for technical assistance given that the number of grants has increased significantly since the Program's inception in 2002. It is also proposing provisional language as follows:

X. In addition to the funds provided pursuant to Provision (2) of this item, and notwithstanding Section 51702 of the Education Code, \$1,500,000 shall be allocated as follows: (a) \$150,000 to the Central Technical Assistance Center to support increased assessment and reporting activities, and (b) \$1,350,000 to the Regional Technical Assistance Centers in proportion to the increase in the number of school sites per center since the inception of the Reading First Program, at a minimum of \$60,000 per center, to support additional school site visits and to provide other technical assistance to Reading First grantees.

- **Spend funding over two years for unfunded schools in currently-funded school districts.** In order to minimize the out-year pressure inherent in spending one-time funds on ongoing grants, the subcommittee could opt to spend the \$34 million over two years for new grants, such as the administration's proposal to provide new grants to unfunded schools in currently-funded school districts.
- **Use the one-time funds specifically for some one-time purpose.** This is different than the two options above, which spend the one-time funds on one or two years of a multi-year grant.
- **Use the funds to target training for special education teachers.** The federal law creating this program cites K-3 teachers and special education teachers in grades K-12 as the intended beneficiaries of this training. In previous years, the Legislature adopted reporting language to obtain information on the number of special education teachers trained through this program. Information provided to date has been inconclusive as to number and extent to which special education teachers receive training from this program.

<b>COMMENTS:</b>
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**Upcoming evaluation and the re-authorized federal law.** CDE notes that it is currently evaluating the program. The release of the evaluation will coincide with a federal reauthorization of the program, which is forthcoming. At an earlier hearing, the subcommittee heard testimony from the LAO about the large number of eligible school districts that opt not to apply for Reading First grants. If the subcommittee wishes to obtain information as to why some eligible school districts don't apply for these funds, it might wish to collect information on this issue as part of CDE's evaluation, in order to inform any changes to the program that might be required when the federal program is reauthorized.

At staff's request, the LAO has drafted the following language to collect information on the question about why some eligible school districts don't apply for Reading First grant funds:

**6110-126-0890, Reading First Program**

Provision X. Of the funds appropriated in this item, \$150,000 is for the California Department of Education (CDE) to contract with an external evaluator for a survey of all school districts eligible for the federal Reading First program. The survey shall solicit feedback regarding the reasons why school districts chose to participate or not participate in the program. For both types of districts, the survey also shall solicit information on other reading and intervention programs being implemented locally. For districts participating in the Reading First program, the survey shall solicit feedback on what districts found to be the greatest benefit of the program for students. For districts not participating in the program, the survey shall solicit feedback on the types of instructional approaches and intervention strategies these districts think would be most effective at improving the reading achievement of K-3 and special education students. The survey also shall solicit specific feedback from these districts on changes they think would improve the program. In addition to analyzing the survey data, the evaluator's report shall compare reading scores on state standardized assessments for participating and nonparticipating districts. The CDE shall submit the evaluator's report to the Legislature no later than April 15, 2008.

**Technical change proposed by DOF:** DOF staff have conveyed the following request, in order to ensure that the amount of expenditure authority in this item reflects available federal Reading First funds: Approve Item 6110-126-0890, Issue 084, and add \$1,304,000 to the item.

**ISSUE 3: OPEN ISSUES – VARIOUS CDE STATE OPERATIONS ISSUES**

The issues for the subcommittee to consider are a) various CDE state operations heard by the subcommittee but held open and b) an April DOF technical adjustment to the CDE state operations item.

**BACKGROUND:****Open issues related to CDE state operations:**

- **NCLB corrective actions for districts** – In the fall, CDE submitted a proposal to DOF requesting \$489,000 in General Fund and four positions to implement corrective actions in school districts that are in their third year of program improvement. (The issue of corrective actions was heard at a previous hearing.) The corrective actions are required under the No Child Left Behind Act. CDE anticipates that as many as 100 districts may be affected, and the affected districts will need direction and technical assistance in implementing the corrective actions, which may be decided as soon as the fall of 2007. Without the additional staff, CDE states that it will be unable to offer adequate technical assistance to these districts.
- **Extend position for the English learner professional development to a three-year limited position** -- The Governor's budget proposes funding for a one-year limited term position to administer the program. This means that the authority for the position will expire by the end of 2007-08. Staff notes that this expiration date may make it difficult for CDE to hire someone to fill the position. Also, the workload for administering the program will not expire after one year, unless funding for the program is terminated after one year.

**April DOF technical adjustment** – In an April DOF letter, the administration proposes the following technical amendment to CDE's federally-funded state operations item.

**Issue 841: Evaluation of No Child Left Behind Assessment Requirements—**

It is requested that this item be reduced by \$2.0 million to reflect the removal of one-time funds for an evaluation of whether California has met the assessment requirements of the federal No Child Left Behind Act of 2001. The evaluation has been completed, and it is no longer necessary to include funding in the annual Budget Act. Provisional language for this evaluation was removed from the Governor's Budget; however, the funding was not removed.

**ISSUE 4: FUNDING FOR THE STATE BOARD OF EDUCATION**

The issue for the subcommittee to consider is the Governor's proposal to re-instate funding for the State Board of Education.

**BACKGROUND:**

Last year's budget did not contain funding for staff to support the State Board of Education. The Governor proposes to re-instate this funding. The following proposal would reinstate funding for the State Board as well as move the funding to a separate item, for purposes of fiscal transparency:

- 1) Move \$138,000 that funds a position in the Charter Schools Division of CDE and that has workload associated with the SBE approved Charter schools from current Schedule (5) – the "SBE budget"- to Schedule (2) – the "CDE budget" program 20, and makes conforming changes in (new) Provision 2. The provisional language also continues reimbursement authority for a 1% administrative fee charged to SBE approved charters; these reimbursements also fund a position in the Charter Schools Division. All of this funding and reimbursement authority was eliminated with the SBE deletion in 2006-07.
- 2) Reduce the amount appropriated in Schedule (5) to conform to 1) above.
- 3) Reinsate funding for the State Board of Education, but in a separate item from CDE's state operations item.

**ISSUE 5: OPEN ISSUES -- FEDERAL TITLE II FUNDS FOR CDE STATE OPERATIONS AND STATE-LEVEL ACTIVITIES**

The issue for the subcommittee to consider is the availability of federal Title II funds for state-level activities and CDE state operations and a May Revise proposal for these funds.

**BACKGROUND:**

**Two CDE staffing proposal for Title II funds.** Last fall CDE submitted two proposals related to increasing staff related to teaching issues:

- A. a proposal to use Title II funds to backfill the loss of federal Title V funds, which were used to fund some positions related to teacher issues and
- B. a proposal to create the Compliance, Monitoring, Intervention, and Sanctions (CMIS) Program to provide technical assistance to help school districts comply with the Highly Qualified Teacher requirements of the No Child Left Behind Act. The subcommittee heard these issues at an earlier hearing.

**1) May Revise proposal** – The Governor's May Revise contains the following proposal to use available Title II state-level activity funds to backfill federal Title V funds that were cut from the federal budget and which CDE had used to fund several teacher-related positions. The administration indicates that they intend to proposal to fund a combination of CDE's two requests above.

**Highly Qualified Teachers Requirements (Issue 093)**—It is requested that the provisional language added in the April Finance Letter, dated March 29, 2007, to Item 6110-001-0890 (Issue 081) be amended to specify that priority for 4.0 positions previously funded with Title V funds will be given to support efforts to assist local educational agencies to meet the requirements for Highly Qualified Teachers, pursuant to the Federal No Child Left Behind Act of 2001 (Public Law 107-110).

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

“X. Of the funds appropriated in this item, \$690,000 of federal Elementary and Secondary Education Act Title II, Part A funds and 4.0 existing positions, previously funded with Title V funds, will support continued efforts to provide professional development activities for administrators, principals, and teachers. ~~These positions will actively focus~~ However, priority shall be given to support efforts on to assisting local educational agencies to meet the requirements for Highly Qualified Teachers, pursuant to the Federal No Child Left Behind Act of 2001 (P.L. 107-110). These efforts shall include activities related to the Compliance, Monitoring, Intervention, and Sanctions (CMIS) Program.”

**COMMENTS:**

The Governor's budget proposes to use \$1.1 million in Title II carryover funds for implementation of the CalTIDES teacher data system. Implementation expenses for this system are expected to go up in future years.

**ISSUE 6: OPEN ISSUES -- FEDERAL TITLE III CARRYOVER FUNDING FOR STATE-LEVEL ACTIVITIES**

The issue for the subcommittee to consider is the availability of federal Title III one-time carryover funds for state-level activities related to English learner students.

**BACKGROUND:**

**Open issues.** At an earlier hearing, the subcommittee heard testimony regarding the following proposals related to Title III carryover funds for state-level activities:

- An LAO recommendation to evaluate teacher preparation programs for teachers of English learners.
- A proposal brought forth by advocates to create a pilot project to promote the local use of interpreters to facilitate parental involvement among non-English-speaking parents.
- A proposal brought forth by advocates to create a pilot program that would allow school districts to use instructional materials aligned to both English language development and English Language Arts for their English learner students.

**COMMENTS:**

Staff notes that at an earlier hearing the subcommittee took action to provide \$1 million for the evaluation of the English learner best practices pilot.

**ISSUE 7: CDE STATE OPERATIONS – PROPOSED REPORTING REQUIREMENT ON CIVIL RIGHTS REVIEWS**

The issue for the subcommittee to consider is the need for more information regarding the length of time it takes for CDE to handle civil rights complaints.

**BACKGROUND:**

Department of Education's Office of Equal Opportunity handles all civil rights complaints that are appealed to the Department of Education through the Uniform Complaint Procedures. The Uniform Complaint Procedures regulations call for the Department of Education to respond to appeals within 60 days (two months). Concerns have been raised about the length of time it takes for CDE to respond to appeals.

In order to obtain information about the timeliness of CDE's handling of these issues, staff recommends adoption of the following language:

6110-001-0001

The Department of Education shall submit to the appropriate fiscal and policy committees of the Legislature, by April 1, 2008, a report on the Department's handling of student civil rights complaints through the uniform complaint procedure, including information setting forth the Department's process for handling civil rights complaints, information on the Department's policies for tracking the length of time taken to resolve complaints (from initial receipt of the claim to final resolution) and significant trends related to the filing of discrimination complaints (such as an increase in the number of claims on a particular bases or an increase in claims being filed against a particular school or school district). The report will also include longitudinal data about the average length of time taken to resolve complaints and the percentage of claims resolved within the timeline established in regulation. Organized by prohibited bases of discrimination claimed, the report shall include: the number of complaints filed on each basis; the number of requests for direct state intervention; the number of appeals of an LEA decision; the number of disqualified claims and the reasons for disqualification; average length of time the Department takes to resolve a complaint; and the percentage of complaints being processed in accordance with the timeline established in regulation.

**COMMENTS:**

Ask CDE what an appropriate reporting timeline is.

**ISSUE 8: MAY REVISE PROPOSAL REGARDING TITLE I PROGRAM IMPROVEMENT SET-ASIDE**

The issue for the subcommittee to consider is a May Revise proposal regarding Title I set-aside funds which are intended for schools and school districts in program improvement.

**BACKGROUND:**

**May Revise proposal:** The Governor's May Revise includes the following proposal regarding Title I set-aside funds. Specifically, the proposal sets aside \$1 million in Title I funds to support the California Program Improvement Management System (CALPIMS), which the administration had originally proposed to fund with one-time Proposition 98 funds. The administration also proposes to make \$28 million in one-time Title I carryover available for school improvement activities related to compliance with NCLB. These activities would be dictated by current statute for these funds. However, the administration proposes language that would require CDE to come up with a plan for spending these funds, subject to the approval of DOF and notification to the Legislature.

**Item 6110-134-0890, Title I School Improvement (Issues 850 and 859)**

It is requested that this item be increased by \$28,051,000 in one-time Title I School Improvement funds that were identified by the State Department of Education (SDE). The Department of Finance is currently working with the SDE to develop a plan for the expenditure of \$27,051,000 of these funds at the local level to improve the academic achievement of federal Program Improvement schools and districts.

It is further requested that \$1.0 million of this increase be used to support the California Program Improvement Management System (Cal PIMS) to reflect a funding source shift for the program from Proposition 98 Reversion Account to federal Title I School Improvement funds. Cal PIMS is an Internet-based information management system for schools that are, or are likely to be, subject to state or federal accountability interventions. Federal Title I School Improvement funds are for schools and districts that fail to meet their federal academic achievement targets for two consecutive years. After the release of the 2007-08 Governor's Budget, the SDE identified additional federal Title I School Improvement funding, which is an appropriate funding source for Cal PIMS. This request will: (1) maximize the state's use of federal funds, (2) free up Proposition 98 Reversion Account for other priorities, and (3) provide low-achieving schools and school districts tools to turn around federal Program Improvement schools or those that are subject to academic intervention by the state (see related Issue 859 under Items 6110-485 and 6110-605-0001).

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

X. Of the funds appropriated in Schedule (X), \$1,000,000 in one-time funding for the State Department of Education to contract with a county office of education to develop, implement, and provide training in the use of an Internet-based information management system for schools that are, or are likely to be, subject to state or federal interventions. Criteria for the selection of the county office of education shall be developed by the State Department of Education, in consultation with the Office of the Secretary for Education and the Department of Finance, and shall be subject to approval by the State Board of Education.

X. Of the funds appropriated in Schedule (X), up to \$27,051,000 shall be expended consistent with a plan developed by the State Department of Education and approved by the Department of Finance. The Department of Finance shall provide notification in writing of any approval granted under this provision to the chairperson of the Joint Legislative Budget Committee.

X. The funds appropriated in this item include \$45,600,000 in one-time carryover funds.

**April DOF proposal regarding adjustments to the 2006-07 budget act:** The April DOF letter includes proposed trailer bill language to increase the amount of funding that may be expended on school assistance and intervention teams, as follows. This is a technical adjustment.

**6110-136-0890, Local Assistance, Title I School Improvement Program (Issue 844)**

It is requested that trailer bill language be adopted to increase the amount of funding that may be expended from Schedule (3) on school assistance and intervention teams (SAIT). Prior to enactment of the 2006-07 Budget, the SDE estimated the necessary funding for SAIT teams. However, after the Budget was enacted, the SDE determined that the actual costs of SAIT teams would be higher than anticipated. This action will not result in an increase to the current year appropriation. Rather, existing funds will be reallocated from general purpose School Improvement Program activities to SAIT activities. SAIT teams are assigned to schools that have failed to make significant academic progress under the High Priority Schools Grant Program.

It is further requested that Provision 3 be amended as follows:

"3. Of the funds appropriated in Schedule (3), up to \$1,600,000 \$2,000,000 shall be made available to support school assistance and intervention teams that enter into a contract with a school pursuant to subdivision (a) of Section 52055.51 of the Education Code. These funds shall be allocated in the amount of \$75,000 for each school assistance and intervention team assigned to an elementary or middle school and \$100,000 for each team assigned to a high school. The State Department of Education and Department of Finance may approve applications with justification for a total funding level of \$125,000."

**COMMENTS:**

CDE has indicated that they don't believe the administration's proposal to use the \$1 million in Title I funds for the CalPIMS proposal is an appropriate use of Title I funds.

**ISSUE 9: APRIL DOF LETTER REGARDING FEDERAL TITLE I ADJUSTMENTS**

The issue for the subcommittee to consider is an April DOF letter proposing adjustments to the amount of federal Title I funds available.

**BACKGROUND:**

The Governor's April DOF letter proposes the following adjustments to the federal Title I item: a total decrease of \$107.6 million in expected federal Title I funds, offset by \$12 million in available one-time carryover funds, for an overall reduction of \$95.6 million in federal funds available for this program, which provides additional funds for school districts to serve the needs of economically disadvantaged students.

**6110-136-0890, Local Assistance, Title I Basic Program, McKinney-Vento Homeless Children Education Program, Title I School Improvement Program, and Even Start Program (Issues 085, 092, 644, 647, and 648)**

It is requested that Schedule (1) of this item be decreased by \$95,641,000. This adjustment includes a decrease of \$107,641,000 to align the Title I Basic Program appropriation with the anticipated federal grant and an increase of \$12.0 million to reflect the availability of one-time carryover funds. The Title I Basic Program provides funding to local educational agencies with socio-economically disadvantaged student populations. The purpose is to improve the academic achievement of students who are failing or at risk of failing academic standards.

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

X. Of the funds appropriated in Schedule (1), \$12,000,000 is provided in one-time carryover funds to support the existing program.

It is further requested that Schedule (2) of this item be decreased by \$598,000 to align the McKinney-Vento Homeless Children Education Program appropriation with the anticipated federal grant. The program facilitates the enrollment, attendance, and success in school of homeless children.

It is further requested that this item be increased by \$5,467,000. This adjustment includes an increase of \$467,000 to align the Title I Even Start Program appropriation with the anticipated federal grant and an increase of \$5.0 million to reflect the availability of one-time carryover funds. The Even Start Program provides funds to improve the educational opportunities of low-income families, by integrating early childhood education and parenting education into a unified literacy program.

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

X. Of the funds appropriated in Schedule (1), \$5,000,000 is provided in one-time carryover funds to support the Even Start Program.

<b>COMMENTS:</b>
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**Technical change proposed by DOF.** DOF staff have conveyed the following proposed technical change to the Title I item, to ensure that the expenditure authority for this program is properly aligned to available federal funds: Approve Item 6110-136-0890, Issue 648, and add \$62,532,000 to the item.

**ISSUE 10: OPEN ISSUES – MAY REVISE PROPOSAL FOR AUDITS RELATED TO LOCAL PROPERTY TAX REVENUES**

The issue for the subcommittee to consider is a May Revise proposal heard last week by the subcommittee but left open.

**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 report 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 percent) 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.)

**LAO recommendation.** The LAO recommends that the Bureau of State Audits perform the proposed audits. The accordingly recommend the following trailer bill language to put this in effect:

(a) The Bureau of State Audits (BSA) shall conduct an audit of collection, distribution and reporting practices related to local property tax revenue for K-14 districts. The intent of this audit is to determine why the growth rate in property tax revenues as reported by K-14 districts is lower than the K-14 growth rates reported by the Board of Equalization, and the countywide growth rates reported by county assessors. This 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 audit shall review and report on the property tax system, specifically the process from assessment to allocation, collection and payment to school districts and shall focus particular attention on pass-through payments received from redevelopment agencies.

(b) Prior to initiating the audit, the BSA shall consult with the Legislature, the Governor, the Department of Education, the Department of Finance, and the Board of Equalization to ensure the scope adequately addresses the intent of the audit. The BSA, shall provide an initial report on the audit findings to the Legislature, the Governor, the Department of Education, the Department of Finance, and the Board of Equalization on or before November 1, 2007, and if necessary, shall issue a supplemental report or reports, as soon thereafter as possible.

**ISSUE 11: MAY REVISE PROPOSAL TO REFLECT FUNDING CORRECTION FOR ECONOMIC IMPACT AID AND CHARTER SCHOOL CATEGORICAL BLOCK GRANT FUNDING**

The issue for the subcommittee to consider is a May Revise correction that shifts charter school funds from the Economic Impact Aid budget item to the charter school categorical block grant item.

**BACKGROUND:**

The Governor's May Revise proposes to shift charter schools funds from the Economic Impact Aid program to the Charter School Categorical Block Grant program. The funds were improperly

**6110-128-0001, Local Assistance, Economic Impact Aid to Charter School Categorical Block Grant Funding Shift (Issue 664)**

It is requested that this item be decreased by \$22,198,000 to reflect a permanent shift of funds to the Charter School Categorical Block Grant for the purpose of funding in-lieu Economic Impact Aid (EIA) for charter schools. Last year, the EIA allocation formula was revised and when the Budget Act of 2006 was adopted, it was unclear how much EIA funding should be allocated to charter schools. Consequently, the Budget Act of 2006 contained provisional language that authorized a transfer of an in-lieu charter school amount during 2006-07. The SDE completed its calculations and a transfer of \$22,198,000 to the Charter School Categorical Block Grant for 2006-07 was completed. This request will permanently shift \$22,198,000 to the Charter School Block Grant, beginning 2007-08 (see Item 6110-211-0001 for related change).

**6110-211-0001, Local Assistance, Charter School Categorical Block Grant (Issue 570)**

It is requested that this item be increased by \$14,767,000 to reflect a transfer of \$22,198,000 from the EIA program to fund EIA eligible pupils in charter schools and an offsetting reduction of \$7,431,000 to update the base adjustment required pursuant to Chapter 359 of the Statutes of 2005.

**ISSUE 12: CDE STATE OPERATIONS ISSUES – CDE'S DISPUTE RESOLUTIONS CONTRACT WITH THE OFFICE OF ADMINISTRATIVE HEARINGS**

The issue for the subcommittee to consider is the administration's proposal to fund an increase in the cost of the inter-agency agreement CDE has with the Office of Administrative Hearings for dispute resolutions related to special education services.

**BACKGROUND:**

**May Revise proposal.** The Governor's May Revise proposes an augmentation of \$1.6 million in federal special education funds to increase funding for CDE's contract with the Office of Administrative Hearings regarding special education dispute resolution issues, as follows:

**Special Education Dispute Resolution Interagency Agreement (Issue 954)**—It is requested that Item 6110-001-0890 be increased by \$1.6 million from one-time federal carryover funds. These funds will address anticipated caseload and previously approved employee compensation adjustments for special education dispute resolution services, including mediation and fair hearing services, in 2007-08. The Office of Administrative Hearings advises that the backlog has now been virtually resolved and that some modest increase in workload could materialize in 2007-08. Accordingly, we propose Budget Bill language to monitor the program.

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

X. Of the funds appropriated in this item, \$1,600,000 is made available on a one-time basis for dispute resolution services, including mediation and fair hearing services, provided through an interagency agreement for the Special Education Program. The State Department of Education, in coordination with the Office of Administrative Hearings, shall provide quarterly caseload and expenditure data to the appropriate Legislative budget committees, Department of Finance, and Legislative Analyst's Office by March 1, 2008. The information shall also include updated budget detail and payment provisions as shown in Exhibit B of the interagency agreement.

**COMMENTS:**

When the subcommittee heard this issue previously, advocates raised concerns about the services offered by the Office of Administrative Hearings. CDE indicates that the 2007-08 is the third year of the three-year inter-agency agreement with OAH.

**ISSUE 13: MAY REVISE PROPOSAL – TECHNICAL ADJUSTMENTS TO THE SPECIAL EDUCATION ITEM**

The issue for the subcommittee to consider is the May Revise proposed technical revisions to the federal- and state-funded special education item.

**BACKGROUND:****6110-161-0001, Local Assistance, Special Education (Issues 951 and 980)**

It is requested that this item be increased by a total of \$38,112,000 to reflect: (1) a baseline increase of \$35,502,000 for growth (growth from prior years previously estimated in January at -0.39 percent is now -0.09 percent), and (2) an increase of \$2,610,000 as a result of a decrease in local property tax receipts. Funding for growth and COLA are included earlier in this letter.

It is further requested that Provisions 2, 3, 4, 6, 19, and 20 be amended as follows to conform to this action:

“2. Of the funds appropriated in Schedule (1), \$12,540,000 \$12,688,000, plus any COLA, shall be available for the purchase, repair, and inventory maintenance of specialized books, materials, and equipment for pupils with low-incidence disabilities, as defined in Section 56026.5 of the Education Code.

3. Of the funds appropriated in Schedule (1), \$9,587,000 \$9,684,000, plus any COLA, shall be available for the purposes of vocational training and job placement for special education pupils through Project Workability I pursuant to Article 3 (commencing with Section 56470) of Chapter 4.5 Part 30 of the Education Code. As a condition of receiving these funds, each local educational agency shall certify that the amount of nonfederal resources, exclusive of funds received pursuant to this provision, devoted to the provision of vocational education for special education pupils shall be maintained at or above the level provided in the 1984-85 fiscal year. The Superintendent of Public Instruction may waive this requirement for local education agencies that demonstrate that the requirement would impose a severe hardship.

4. Of the funds appropriated in Schedule (1), \$5,001,000 \$5,051,000, plus any COLA, shall be available for regional occupational centers and programs that serve pupils having disabilities, and \$84,159,000 \$85,078,000, plus any COLA, shall be available for regionalized program specialist services, \$2,442,000 \$2,420,000, plus any COLA, for small special education local plan areas (SELPAs) pursuant to Section 56836.24 of the Education Code.

6. Of the funds appropriated in Schedule (1), a total of \$193,393,000 ~~\$196,137,000~~, plus any COLA, is available to fund the costs of children placed in licensed children's institutions who attend nonpublic schools based on the funding formula authorized in Chapter 914 of the Statutes of 2004.

19. Of the amount provided in Schedule (1), \$122,678,000 ~~\$150,857,000~~ is provided for a COLA at a rate of 4.04 ~~4.53~~ percent.

20. Of the amount provided in Schedule (2), \$3,358,000 ~~\$3,699,000~~ is provided for a COLA at a rate of 4.04 ~~4.53~~ percent."

**6110-161-0890, Local Assistance, Special Education (Issue 952)**

It is requested that this item be increased by \$7,618,000, which consists of a \$6,718,000 increase in federal funds and \$900,000 in one-time carryover.

It is requested that Provision (1) be amended as follows to conform to this action:

"1. If the funds for Part B of the federal Individuals with Disabilities Education Act that are actually received by the state exceed \$1,140,558,000 ~~\$1,150,176,000~~, at least 95 percent of the funds received in excess of that amount shall be allocated for local entitlements and to state agencies with approved local plans. Up to 5 percent of the amount received in excess of \$1,140,558,000 ~~\$1,150,176,000~~ may be used for state administrative expenses upon approval of the Department of Finance. If the funds for Part B of the federal Individuals with Disabilities Education Act that are actually received by the state are less than \$1,140,558,000 ~~\$1,150,176,000~~, the reduction shall be taken in other state level activities."

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

X. Of the funds appropriated in Schedule (1) of this item, \$900,000 is one-time carryover for local agency entitlements.

**COMMENTS:**

**Trailer bill language regarding the special disabilities adjustment.** In addition to the above corrections, the subcommittee may wish to adopt trailer bill language that extends the authorization for the special disabilities adjustment. This adjustment was heard at an earlier hearing. Funding for the adjustment is in the Governor's budget, but the authorization for it has expired.

Carryover funds available for special education evaluations. If the subcommittee wishes to evaluate the services offered by OAH (the previous item), it might adopt the following language, along with a \$300,000 appropriation in federal special education funds for the evaluation:

*6110-001-0890*

The State Department of Education shall contract for an evaluation of the interagency agreement for mediation conference and due process hearings pursuant to Section 56504.5 of the Education Code. The evaluation shall include an interim report by April 1, 2008, which identifies workload and workload changes for the program from 2004-05 through 2006-07 and which identifies efficiency options, including, but not limited to utilizing mediators to conduct mediation session. The final report shall examine the agency's or contractor's performance with respect to meeting the requirements of Section 5604.5 and including, but, not limited to, the following: (a) the qualifications of the mediators, (b) the number of complaints resolved and unresolved, (c) the number of mediations resolved and unresolved, and (d) the amount of time between the filing of complaints and their resolution. The evaluation shall be provided to the appropriate fiscal and policy committees of the Legislature and the Governor on or before January 1, 2009.

**ISSUE 14: MAY REVISE PROPOSAL REGARDING BUDGET CONTROL LANGUAGE FOR THE BEGINNING TEACHER SUPPORT AND ASSESSMENT PROGRAM**

The issue for the subcommittee to consider is a May Revise proposal to add budget control language to the Beginning Teacher Support and Assessment Program. This issue was heard yesterday and held open.

**BACKGROUND:**

The Governor's May Revise includes the following proposal to add control language to the Beginning Teacher Support and Assessment Program. The language was heard yesterday and held open due to questions that were raised at the hearing about whether the language achieves the administration's intent to ensure that the administration of the program follows current statute.

**6110-244-0001, Local Assistance, Beginning Teacher Support and Assessment Program (Issue 090)**

It is requested that provisional language be added to ensure that funding made available for this program through the Teacher Credentialing Block Grant is only used for first and second-year teachers, pursuant to current law.

It is requested that provisional language be added as follows:

X. The funds in this item shall be made available only to beginning teachers serving in their first-year or second-year of service, pursuant to paragraph (d) of Section 44279.1 of the Education Code.

**COMMENTS:**

CDE and the LAO raised issues with DOF's language and may have revisions at today's hearing.

**ISSUE 15: CDE STATE OPERATIONS – APPROPRIATION OF UNUSED FUNDS FOR THE REVIEW OF STANDARDS-BASED NATIVE AMERICAN INSTRUCTIONAL RESOURCES**

The issue for the subcommittee to consider is a proposal to re-appropriate unused funds for the review of standards-based Native American Instructional resources. This issue was heard yesterday and acted upon, but CDE has raised technical issues with the language.

**BACKGROUND:**

**Background.** SB 41 (Alpert) of 2001 established a competitive grant program administered by the State Library to develop educational materials on California Native American history, culture and tribal sovereignty for use in grades K-12. The bill also required CDE and the State Board of Education to review the instructional resources in relation to the history-social science content standards and make adjustments in subsequent instructional materials adoptions. The bill appropriated \$100,000 to CDE to carry out these activities.

Staff has learned that approximately \$50,000 of the original appropriation is unused and reverted because the development of the materials took longer than anticipated. Staff recommends re-appropriation of this \$50,000 to allow CDE to comply with the current law requirements to review these resources in relation to history-social science content standards and corresponding instructional materials.

CDE recommends the following revisions to the language adopted yesterday:

Item 6110-001-0001

- 1) Augment by \$50,000.
- 2) Add provisional language:
  - XX. \$50,000 from item 6110-001-0001, Budget Act of 2006 (Ch. 47 and 48, Stats. 2006) Schedule (2), is reappropriated ~~Of the funds appropriated in this item, \$50,000 shall be available to the~~ California Department of Education for supporting the Curriculum Development and Supplemental Materials Commission and the State Board of Education for the purpose of reviewing the standards-based Native American instructional resources developed pursuant to Section 13041 of the Education Code.

**ISSUE 16: CALIFORNIA FRESH START – OPEN ISSUES AND MAY REVISE  
STATE OPERATIONS PROPOSAL**

The issue for the subcommittee to consider is the availability of unused prior-year funds for this program, and the Governor's proposal to re-appropriate them.

**BACKGROUND:**

**Reappropriation of unused local assistance.** The Governor's January 10 budget proposes to re-appropriate any unused funds from a 2005 budget proposal to provide funds to school districts to help them buy more fresh fruits and vegetables to serve in school breakfast programs. The administration estimates that there will be \$2 to \$3 million in unused funds from the original 2005 \$18.2 million appropriation.

**May Revise proposal to re-appropriate unused state operations funding.** The Governor's May Revise contains the following proposal to re-appropriate unused state operations funding for processing remaining claims from the program, as follows:

It is requested that Item 6110-492 be added to reappropriate the unexpended balance of state operations designated for processing California Fresh Start Pilot Program reimbursement claims. This action will allow the SDE to continue processing reimbursement claims until the Child Nutrition Information and Payment System is implemented in the fall of 2008.

It is further requested that the following language be added to conform to this action:

6110-492—Reappropriation, Department of Education. Notwithstanding any other provision of law, \$174,000, or the unexpended amount thereof, and 1.0 limited-term position from Provision (28) of Item 6110-001-0001 of the Budget Act of 2006 (Chs. 47 and 48, Stats. 2006) is reappropriated for the purposes specified and shall be available for encumbrance until December 31, 2008.

**COMMENTS:**

**Funding history.** The 2005 Budget Act contained \$18.2 million in one-time funds for the California Fresh Start Pilot Program. The amount of \$18.2 million was based on an assumption of 100 percent participation by districts that currently serve breakfast, and the fact that 180,000 school breakfasts are served statewide. Last year's budget also contained language to re-appropriate unused funds from 2005. The 2005 budget act also contained \$300,000 for a county office of education to do an independent evaluation of this program, and \$100,000 for the development of an online training program on how best to prepare, store and serve fresh fruits and vegetables.