

AGENDA**ASSEMBLY BUDGET SUBCOMMITTEE NO. 2
ON EDUCATION FINANCE****Assembly Member Bonilla, Chair****FRIDAY, MAY 27, 2011
STATE CAPITOL, ROOM 444
UPON ADJOURNMENT OF SESSION**

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ITEMS FOR VOTE ONLY

6440 UNIVERSITY OF CALIFORNIA

VOTE ONLY	
1)	<p>University of California San Diego – SIO Research Support Facilities</p> <p>Summary of Proposal: This project will provide approximately 21,300 square feet of replacement research space for the Scripps Institution of Oceanography (SIO). This project will replace currently deficient space by constructing new interior research space and new exterior research support areas. The project also includes improvements to the existing access road. State funding for preliminary plans and working drawings were appropriated in 2010-11. State funding for construction is requested in 2011-12.</p> <p>The SIO is a part of the UC San Diego campus. The SIO is one of the world's leading centers for ocean and earth science research, education, and public services. Research at SIO encompasses physical, chemical, biological, geological, and geophysical studies of the oceans and earth. The SIO operates a fleet of four ships for oceanographic research.</p> <p>Funding Request: The request is for \$5,735,000 in lease-revenue bond funds for the construction phase of the project. The preliminary plans and working drawings have already been funded. The total project cost is \$6,348,000.</p> <p>Issue Heard: May 4, 2011</p> <p>Recommended Action: <i>Approved as proposed.</i></p>
2)	<p>University of California Irvine – Business Unit 2</p> <p>Summary of Proposal: This project will provide approximately 31,950 square feet in a new approximately 47,000 square feet building to address existing space deficiencies in the Paul Merage School of Business. The building will include instruction, research, and office space. State funding for preliminary plans, working drawings, and construction is requested in 2011-12.</p> <p>The total funding need for the completion of the three phases is \$48,371,000, of which \$39,595,000 consists of State lease revenue bond support.</p> <p>Even with enrollment growth for the campus as a whole curtailed, growth in the School of Business is expected to continue, due in large part to the addition of the undergraduate majors. The Business Administration has been among the most requested majors on campus, consistently attracting approximately 10 percent of the freshman applicant pool and 15 percent of the transfer student application pool.</p> <p>At the graduate level, State-funded enrollments tend to fluctuate from year to year, but the goal is</p>

	<p>to achieve a steady state of approximately 330 students.</p> <p>In order to accommodate the increased enrollment, additional faculty will be required. A total of 17 additional faculties are projected, 16 of which would be State-funded. The campus would provide these additional faculties largely through reallocation of positions as existing faculty retire or leave the campus.</p> <p>The campus is proposing that the Business Unit 2 building be provided through a combination of State and non-State funding.</p> <p>Funding Request: The request is for \$39,595,000 in lease-revenue bond funds for the preliminary plans, working drawings, and construction phases of the project. The total project cost is anticipated to be \$48,371,000.</p> <p>Issue Heard: May 4, 2011</p> <p>Recommended Action: <i>Approve as proposed.</i></p>
3)	<p>University of California – Add New Budget Bill Language that prohibits the university from using General Fund dollars or auxiliary enterprises and hybrid auxiliaries.</p> <p>X. "Schedule (1) through (8) strictly prohibits the use of funds for Auxiliary Enterprises and Hybrid Auxiliaries."</p> <p>Recommended Action: <i>Approve as proposed.</i></p>
4)	<p>University of California – Approve new capital outlay projects.</p> <p>UC Davis, Walker Hall – Renewal and Seismic Corrections – UC is requesting approval of \$26,414,000 for preliminary plans, working drawings, and construction for renewal and seismic renovation of UC Davis, Walker Hall to be funded out of lease revenue bonds. Walker Hall is a 36,475 gross square foot “E shaped” facility built in 1927 that currently has two seismically weak wings and an overall seismic rating of “poor”. This project would demolish and replace the two outer wings, seismically correct and modernize the main building to include code upgrades and create a large classroom of 450 stations to meet campus academic space needs.</p> <p>UC Merced, Classroom and Academic Office Building – UC is requesting approval of \$37,018,000 for preliminary plans, working drawings, and construction of a 68,095 gross square foot classroom, research and office space facility. UC Merced is a growing campus with nearly 4,300 full-time equivalent students (FTES) as of the fall of 2010 representing an increase of 28 percent over the fall of 2009. Currently, UC Merced has one classroom and office building, a science and engineering building, and a library with a fourth academic building, Social Sciences and Management, scheduled to open in the fall of 2011. A fifth building, Science and Engineering II is waiting the sale of lease revenue bonds to proceed with preliminary plans, working drawings, and construction.</p> <p>This project will provide 5 instructional classrooms that will accommodate between 90 and 120 seats for students meeting their general education requirements. In addition, the project will address the shortage of office space for faculty and graduate students serving as teaching assistants by providing 20,000 assignable square feet for this purpose. The Merced campus is targeted to grow by 650 FTES annually until they reach a targeted and sustainable enrollment</p>

	<p>level of 7,500 FTES by the year 2014-15. This project is critical to the campus to address future growth and student demand for access, research facilities, and the shortage of graduate student and faculty office space.</p> <p>UC Santa Cruz, Coastal Biology Building – UC is requesting approval of \$49,739,000 for preliminary plans, working drawings, and construction of a 33,235 gross square foot instructional space, research and office facility. This facility would serve as the center for marine-dependent and coastal-related biological sciences and research for Ecology and Evolutionary Biology (EEB). Since 1990, 11.8 percent of all bachelor degrees have been in the biological sciences and undergraduate declared majors in EEB have risen from 78 to 246 or 315 percent over a seven year span. Currently, 60 percent of the EEB department is sharing space on the main campus while the rest of the faculty and graduate students are located off campus at the Marine Science Campus.</p> <p><u>Recommended Action:</u> <i>deny without prejudice.</i></p>
5)	<p>University of California – Placeholder Trailer Bill Language for Student Support Programs and Research Projects</p> <p><u>Recommended Action:</u> <i>Approve placeholder Trailer Bill Language on funding for research and student services programs.</i></p>
6)	<p>California Department of Education – Elimination of Early Learning Advisory Council (ELAC)</p> <p><u>Recommended Action:</u> <i>Reject May Revise proposal and adopt placeholder BBL/TBL requesting ELAC to report to the Legislature on process of their pilot programs, to ensure that they meet legislative approval and direction on child care programs.</i></p>

Staff Recommendation: Approve the Vote Only Calendar as amended.

ITEMS TO BE HEARD

6110 DEPARTMENT OF EDUCATION 6870 CALIFORNIA COMMUNITY COLLEGES

ISSUE 1: ASSEMBLY PLAN FOR USE OF PROPOSITION 98 AND FEDERAL FUNDS

The Assembly Proposition 98 plan provides \$52.4 billion of ongoing funding for Proposition 98 and \$1.25 billion of one-time funding in 2011-12. The major difference between the Assembly plan and the Governor's May Revision is the addition of \$1 billion in one-time Proposition 98 Settle Up funding that allows the Assembly to restore reductions to child care program enacted in March and pay down additional K-12 and Community College deferrals.

The detail of the Assembly plan will be handed out at the hearing, but the major changes are summarized below:

- Restores \$441.7 million of child care reductions made in the March Budget package. This restoration will protect early childhood education programs and avoid the needless loss of tens of thousands of jobs across the state.
- Backfills the projected loss of CCC funding from lower than expected student fee revenue. Reappropriates \$2 million from prior year SB 70/Career Technical Education (CTE) funds towards addressing the community college student fee revenue shortfall.
- Reduces K-12 and Community College Deferrals by an additional \$550 million combined.
- Funds Nutrition categorical growth funding at \$3.7 million, consistent with the Committee's actions in prior years.
- Provides \$679,000 to cover the expected shortfall in the Education Telecommunication Fund in 2010-11.
- Makes other technical changes reflecting updated expenditure projections for 2010-11 in Class Size Reduction and Basic Aid. Also conforms to previous actions of the committee, such as funding the \$41.2 million of 2011-12 mandates referred to the policy process.

FEDERAL TITLE I AND III

The May Revision requested \$21.3 million federal Title I Set Aside carryover funds for allocation to all Title I LEAs and schools using the state's standard Title I, Part A Basic Program distribution methodology. The Administration proposes distributing the one-time carryover to all Title I schools and LEAs is consistent with federal law and guidance and would provide additional resources to schools and LEAs at a time of limited General Fund resources. Item 6110-134-0890, Local Assistance, Federal Title I, Part A Basic Program (Issue 081).

The 2010 Budget Act provided \$56.5 million federal Title I Set Aside funds for the LEA Corrective Action Program. Only 58 LEAs in Cohort 3 will receive grants totaling \$35.2 million in 2010-11, resulting in \$21.3 million that could be carried over to 2011-12. Federal law and guidance authorizes the use of these funds for the LEA Corrective Action Program or the funds can be distributed to all Title I schools and LEAs for classroom and instructional support activities.

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

X. Of the funds appropriated in Schedule (4), \$7,000,000 is provided in one-time carryover funds for allocation to the Statewide System of School Support established pursuant to Section 52059 to provide professional development support on the Common Core Standards to school districts in program improvement pursuant to legislation enacted in the 2011-12 legislative session.

Item 6110-0001-00890 – Support, State Department of Education (Title III Carryover Funding)

It is requested that Item 6110-001-0890 be increased by \$250,000 (one-time federal Title III carryover funds) and that Item 6110-001-0001 be amended to reflect the availability of one-time carryover funds. These funds will support the review of the California English language development standards for alignment to the Common Core Standards in English language arts pursuant to legislation enacted in the 2011-12 legislative session.

FEDERAL FUNDS

The Department of Education and the Department of Finance conducted an analysis of federal funding allocations and has recommended a number of technical adjustments to the budget bill.

Staff recommends that these adjustments be adopted to the extent that these adjustments conform to any deliberative action of the committee.

STATE OPERATIONS

CDE requested \$734,000 non-Prop 98 General Fund funding for three positions to oversee charter schools. This issue was discussed at the May 24th Subcommittee hearing.

STAFF COMMENT

Staff recommends the following:

- Adopt Proposition 98 Plan Adjustments and Recommended Title I and III Provisional Language.
- Adopt placeholder language to allow for the use of 2010-11 reversion savings in 2011-12.
- Adopt \$734,000 non-Proposition 98 General Fund for State Chapter School Oversight staffing at CDE.
- Adopt federal funding adjustments—conforming to other actions taken.

Staff Recommendation: Adopt Staff Recommendation

**6110 DEPARTMENT OF EDUCATION
6360 COMMISSION ON TEACHER CREDENTIALING****ISSUE 1: CALPADS AND CALTIDES**

The May Revision proposes to eliminate funding for the CALPADS and CALTIDES systems. This action results in a savings to Proposition 98 of \$5.4 million and the loss of federal funds.

BACKGROUND

CALPADS: The California Longitudinal Pupil Achievement Data System (CALPADS) a longitudinal data system that was established in state statute in 2002. CALPADS is intended to maintain individual-level data including student demographics, course data, discipline, assessments, staff assignments, and other data for state and federal reporting. Three of five of the phases of CALPADS implementation have been completed—with local districts and the state already using data from the system as a core part of their reporting and operations.

CALTIDES: In 2006, the Legislature passed legislation to develop the California Longitudinal Teacher Integrated Data Education System (CALTIDES) to facilitate teacher assignment monitoring through automation and enable monitoring of Highly Qualified Teacher requirements under NCLB. Development of CALTIDES will follow successful implementation of CALPADS. The federal government has provided \$6 million to implement CALTIDES.

CSIS: California School Information Services (CSIS) is the agency charged with building the capacity of local education agencies (LEAs) to collect, maintain, and report granular level data to facilitate reporting to CALPADS. Once the CALPADS project is complete, all technical assistance and training to LEAs, system maintenance and system support desk functions will lie with CSIS.

RATIONALE TO ELIMINATE

The Administration proposes to eliminate funding for the CALPADS system because of a concern that testing and data management by schools are uncoordinated, redundant, and distracting focus from the classroom. The Administration wants to “pause” these systems to allow a policy discussion to take place regarding the use of data and testing before moving forward on funding.

CDE PAUSE OPTION

At the Subcommittee's request, CDE provided the following option to "Pause" development of the CALPADS system that would have fewer negative impacts on district operations than the Governor's proposal:

1. Fully fund the CALPADS project for 2011-12. This would include the CDE oversight and OTech funds, as well as the CSIS funds in the May Revise.
2. Let IBM develop and complete the system for the State with CDE oversight.
3. However, CDE would "Pause" implementing any new data collections for the LEAs. This would mean that CDE would finish the CALPADS infrastructure w/ IBM and conduct knowledge transfer to own the system, but CDE would not have LEAs upload their "end of year" data, and CDE would not upload the testing data. No new uses of CALPADS would become operational.
4. Finally, CDE would suspend all discussions on the envisioned pre-K and higher ed data components we are conducting with our agency partners, including an end to the CALTIDES project, until Policy discussions surrounding what parts of the system to implement are completed.

This allows the State to get a final project it paid for from IBM, and continue the current unfinished system operating for services like dropout data and direct certification while policy discussions happen.

CDE COMMENT ON THIS APPROACH

While CDE provided the "Pause" option at the request of the Subcommittee, they still believe full funding and continued development of the system is the correct course of action. The cite the following drawbacks to the proposed pause:

First, we would lose our \$6 million CALTIDES grant if we do not begin project implementation in the budget year. This competitive grant will go to another state and CA will have to find another way to pay for this project if we decide, post-discussion, to pursue it.

Second, there could be increased project costs to CALPADS if we pause the LEA use of the system until after IBM has exited the project. And of course, we would lose the local benefits of the testing links in CALPADS during the interim.

STAFF COMMENT

The Governor makes a compelling case to re-examine the policy direction of state testing and data collection. The future of CALPADS and CALTIDES may be linked to that discussion as these systems could eventually be used to measure more than basic information contained in these systems now. However, having a data system with student-level data is an important foundation to preserve no matter which direction the state moves in this policy discussion. CALPADS as it exists today allows for accurate reporting of basic school information, like attendance, and allows paper-based bureaucratic process to be automated so districts have less administrative expenses. The CDE Pause option allows districts to continue to see the benefits from better and cheaper reporting, without prejudging the outcome of an important policy discussion regarding the role of testing and data monitoring in our schools and classrooms.

Staff Recommendation: Adopt CDE Pause for CALPADS and CALTIDES

6110 DEPARTMENT OF EDUCATION
4440 DEPARTMENT OF MENTAL HEALTH
5180 DEPARTMENT OF SOCIAL SERVICES

ISSUE 1: AB 3632

The May Revision proposes to shift responsibility for AB 3632 Services to schools and provides \$221.7 million of Proposition 98 funding to pay for these services. The proposal would repeal the sections of AB 3632 that drive the existing mandate on county mental health agencies and instead rely on Special Education Local Plan Areas (SELPA's) operating under existing federal mandates to meet the needs of these children. The May Revision also proposes to rebench Proposition 98 to reflect the new ongoing financial responsibility for schools.

This proposal diverges dramatically with the Governor's January approach, which envisioned that counties would continue to provide AB 3632 services. The Governor's January budget included AB 3632 services in the realignment proposal, which would have been redefined as a local program responsibility.

Both proposals follow a chaotic year for AB 3632 Services due to Schwarzenegger's veto of funding for the mandate in the 2010-11 budget.

The chart below captures the different funding approaches:

	Federal Special Education	Local Funds	Proposition 63	2011 Realignment	Prop. 98		Total
2010-11	76				81	a	157
2011-12 Governor's January Proposal	69	100	99	72			340
2011-12 Governor's May Proposal	69		99		222		390

(a) Legislature provided \$81 million in one-time Proposition 98 funds through SB 70 in the March 2011 budget package.

Rebenching Proposition 98 and Emergency Contingency. The proposal would rebench Proposition 98 by \$221.7 million in 2011-12, increasing to \$300.9 million in subsequent years. This amount would be adjusted for Proposition 98 growth.

The Department of Finance has stated a willingness to restrict this funding to Special Education purposes only.

The May Revision also includes a \$3 million extraordinary cost pool allocation to address unexpected and unusually high costs associated with mental health services provided by smaller districts.

Background on AB 3632. Under federal law, known as Individuals with Disabilities Education Act (IDEA), children with disabilities are guaranteed the right to receive a free appropriate public education (FAPE). This includes special education and related services, such as mental health care, necessary for the child to benefit from his or her education. These educationally related mental health services may include therapy and counseling, day treatment, medication management and, for the children with the most severe needs, 24-hour therapeutic residential programs with on-site schools.

Until 1984, California schools provided mental health services to special education pupils who needed the services in order to benefit from their Individualized Education Plans (IEP). The Legislature became aware of the school system's failure to adequately provide these services and in 1984 passed AB 3632 (W. Brown), Chapter 1747, Statutes of 1984, which assigned county mental health departments the responsibility for providing students these services [except students placed out of state]. In 1996, the Legislature expanded county responsibilities to include services to students placed in out-of-state schools [AB 2726 (Woods), Chapter 654, Statutes of 1995]. This program is generally known as the "AB 3632 Program." Approximately 20,000 special education pupils receive mental health services under the AB 3632 program.

While AB 3632 was written in response to federal IDEA requirements, state law is more specific than federal law in articulating all allowable mental health services. AB 3632 tasks mental health professionals, in consultation with educators, with deciding what services should be included in the student's IEP. Once a service is included in the IEP, it is deemed an "educationally necessary" service. Some argue this practice has led to an increasingly large grey area about which services are educationally necessary and which are medically necessary.

Rationale for Moving AB 3632 to Schools. The Administration believes that transferring the responsibility to schools is a better option on both a policy and fiscal basis. The Administration cites the fact that other states use this model for meeting these needs for children and families.

The Legislative Analyst's Office (LAO) believes that the current AB 3632 mandate structure is flawed. The mechanism lacks oversight for cost-control because county costs are not linked to the individual's assessment. In addition, the LAO points out that the Special Education programs operated by SELPA's are subject to robust outcome measures and reporting, while AB 3632 services are not tracked in this manner and are not necessarily linked to the IEP.

Additional CDE Request. CDE has requested \$800,000 federal funds for state operations to assist in transition activities that were not included in the May Revision.

STAFF COMMENT

Staff recommends that the Subcommittee adopt the concept of the Governor's May Revision, but continues the existing mandate until January 1, 2012 to allow time for a transition process. This would be achieved through the following actions:

1. Maintain AB 3632 Mandate until January 1, 2012.

As of January 1, 2012, repeal the state reimbursable mandate for counties to provide mental health services, including out-of-home residential services, required under the federal Individuals with Disabilities Education Act (IDEA).

- Allocate \$98.586 million Proposition 63 funds to County Mental Health and County Welfare Agencies to provide mental health services to pupils with disabilities, as specified above. Require these funds to be used **only** for this purpose.
- Adopt placeholder trailer bill language to facilitate the continuation of the mandate for the six month period.
- Make necessary conforming changes to other budget items to reflect the costs

2. Shift the responsibility to provide mental health services to schools, beginning January 1, 2012.

As of January 1, 2012, shift the responsibility to provide mental health services, including out-of-home residential services, required under IDEA from county (where it has been funded as a reimbursable state mandate) to school districts.

- Allocate \$69 million in federal IDEA funds to special education local plan areas (SELPA's) to provide mental health services to pupils, as specified above.
- Allocate the \$221.786 million, adjusted for the delayed implementation as necessary, Proposition 98 General Fund to SELPA's to provide mental health services to pupils, as specified above (which would require rebenching Proposition 98).
 - Require SELPA's to use the funding allocated above only for mental health services, including out-of-home residential services, required under IDEA. It is the intent of the Legislature that these allocations be utilized only for mental health services provided by SELPA's in the 2011-12 fiscal year (FY) and the 2012-13 FY.
 - Require the State Department of Education to collect data regarding the use of these funds, including the number of pupils who receive mental health services and the types of services.

3. Legislation to enact transition, implementation, and process plan

Implementation, transition, and process activities related to schools being responsible for mental health services, including out-of-home residential services, required under IDEA for pupils are to be determined pursuant to legislation enacted in the 2011-12 Legislative session.

- Adopt CDE proposal for \$800,000 for State operations necessary to oversee the transition.
- Adopt placeholder Trailer Bill Language to create an State AB 3632 Implementation Task Force and require a public stakeholder process to discuss implementation issues and plan.

Staff Recommendation: Adopt Staff Recommendation.
