

## AGENDA

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

Assembly Member Susan Bonilla, Chair

TUESDAY, MAY 3, 2011

STATE CAPITOL, ROOM 444  
9:00 AM

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#### PUBLIC COMMENT

**CONSENT CALENDAR**

**6110 DEPARTMENT OF EDUCATION**

**ISSUE 1: DOF APRIL LETTERS – VARIOUS STATE OPERATIONS AND LOCAL ASSISTANCE ADJUSTMENTS**

The issues for the Subcommittee to consider are various technical amendments proposed by the Department of Finance (DOF) to the 2011-12 Budget Act.

**PANELISTS**

- Department of Finance
- California Department of Education
- Legislative Analyst's Office

**BACKGROUND:**

As part of the annual budget process, DOF submits a letter to the Legislature on April 1 that includes proposed changes to the Governor's January budget. This year these changes will be made to the 2010-11 Budget Act adopted by the Legislature in March. The proposed revisions are largely technical and include adjustments to state operations and local assistance funding.

<b>Consent Calendar</b>	
<b>Federal Funds – State Operations Items</b>	
1)	<p><b>Items 6110-001-0001 and 6110-001-0890, Support, State Department of Education, Reappropriate Carryover of Federal Funds for the California Modified Assessment Alignment Study (Issue 080).</b> It is requested that Item 6110-001-0890 be increased by \$600,000 (\$200,000 federal Title I carryover funds and \$400,000 federal Title VI carryover funds), and that Item 6110-001-0001 be amended to support an alignment study of the California Modified Assessment (CMA) by an independent contractor. As a result of a 2010 peer review, and to approve the CMA as meeting the requirements of the No Child Left Behind Act of 2001, the United States Department of Education requires an alignment study of the CMA to ensure validity, technical quality, inclusivity, and alignment to the state's content standards. The 2010 Budget Act provided these funds for this purpose, however, the Department of Education (SDE) reports they will be unable to complete the request for proposal process and encumber the funds in the current year, and therefore, the SDE requests to carryover the funds into fiscal year 2011-12.</p> <p style="text-align: center;">It is further requested that provisional language be added to Item 6110-001-0890 as follows to conform to this action:</p> <p style="text-align: center;">X. Of the funds appropriated in this item, \$200,000 federal Title I and \$400,000 federal Title VI funds are available on a one-time basis to conduct a validation study of the California Modified Assessment.</p>
2)	<p><b>Items 6110-001-0001 and 6110-001-0890, Support, State Department of</b></p>

	<p><b>Education, Add One-Time Carryover Authority for Document Translation Workload (Issue 278).</b> It is requested that Item 6110-001-0890 be increased by \$250,000 Federal Trust Fund and that Item 6110-001-0001 be amended to reflect the availability of one-time carryover funds. These funds will support the continued translation of parental notification and information forms in multiple languages to assist school districts in complying with the requirements of current law. The carryover is a result of delays in securing contracts with vendors to translate parental notification documents.</p> <p>The Governor’s Budget eliminated \$250,000 in one-time carryover funding available in 2010-11; however, the provisional language was not removed. Therefore, no change to provisional language is necessary to conform to this action.</p>
3)	<p><b>Items 6110-001-0001 and 6110-001-0890, Support, State Department of Education, Administration of Commodity Supplemental Food Program (Issue 721).</b> It is requested that Item 6110-001-0890 be increased by \$33,000 Federal Trust Fund and that Item 6110-001-0001 be amended to provide up to \$108,000 in administrative funds for the Commodity Supplemental Food Program, which supplements the diets of low-income mothers and children with nutritious commodity foods from the United States Department of Agriculture. This funding will support one analyst position, temporary help, and other costs associated with administering the program.</p> <p>We note that Provision 26 of Item 6110-001-0890 currently states that \$45,000 is available for the Administration of the program. However, \$75,000 is the actual amount of authority currently available.</p> <p>It is further requested that provisional language be amended in Item 6110-001-0890 to clarify and update the total amount of authority available for this program as follows to conform to this action:</p> <p>“26. Of the funds appropriated in this item, <del>\$45,000</del> up to \$108,000 is for the administration of the Commodity Supplemental Food Program, contingent on approval from the United States Department of Agriculture.”</p>
<p><b>Federal Funds – Various Local Assistance Items</b></p>	
4)	<p><b>Item 6110-102-0890, Local Assistance, Learn and Serve America Program (Issue 480).</b> It is requested that this item be increased by \$138,000 Federal Trust Fund to reflect the availability of \$200,000 in one-time carryover funds and a \$62,000 reduction to the federal grant for the Learn and Serve America Program, which provides opportunities for students to engage in academic-based, service-learning projects.</p> <p>It is further requested that provisional language be added as follows to conform to this action:</p> <p style="padding-left: 40px;">X. Of the funds appropriated in this item, \$200,000 is provided in one-time carryover funds to support the existing program.</p>
5)	<p><b>Item 6110-112-0890, Local Assistance, Public Charter Schools Grant Program (Issue 802).</b> It is requested that this item be increased by \$14,072,000 Federal Trust Fund to reflect an increase in the federal grant. The PCSGP provides planning and implementation grants to new startup and conversion charter schools. In 2011-12, it is anticipated that 117 new charter schools will receive grants through the PCSGP.</p>
6)	<p><b>Item 6110-119-0890, Local Assistance, Neglected and Delinquent Children Program (Issue 301).</b> It is requested that this item be decreased by \$692,000 federal Title I Neglected and Delinquent Children funds to reflect the anticipated</p>

	<p>federal grant award for 2011-12. Local Education Agencies (LEAs) will use these funds for services to educate neglected and delinquent or incarcerated youth.</p>
<p>7)</p>	<p><b>Item 6110-125-0890, Local Assistance, Migrant Education Program and English Language Acquisition Program (Issues 291, 292, 297, and 298).</b> It is requested that Schedule (1) of this item be increased by \$333,000 federal Title I funds. This adjustment includes a decrease of \$1,367,000 to align the Migrant Education Program with the anticipated federal grant award and an increase of \$1.7 million to reflect the availability of one-time federal carryover funds. The LEAs will use these funds for educational and support services to meet the needs of highly-mobile children.</p> <p>It is also requested that Schedule (2) of this item be increased by \$5,173,000 federal Title III funds. This adjustment includes a decrease of \$6,327,000 to align the English Language Acquisition Program with the anticipated federal grant award and an increase of \$11.5 million to reflect the availability of one-time federal carryover funds. The LEAs will use these funds for services to help students attain English proficiency and meet grade-level standards.</p> <p>It is further requested that provisional language be added as follows to conform to this action:</p> <p style="padding-left: 40px;">X. Of the funds appropriated in Schedule (1), \$1,700,000 is provided in one-time carryover funds to support the following existing program activities: (1) extended day/week and summer/intersession programs to help prepare middle and secondary students for the high school exit exam, (2) investments aimed at upgrading curricula, instructional materials, educational software, and assessment procedures, (3) tutorials and intensified instruction, and (4) investments in technology used to improve the proficiency of limited English proficient students.</p> <p style="padding-left: 40px;">X. Of the funds appropriated in Schedule (2), \$11,500,000 is provided in one-time carryover funds to support the existing program.</p>
<p>8)</p>	<p><b>Item 6110-134-0890, Local Assistance, Federal Title I Basic Elementary and Secondary Education Act Program (Issue 085).</b> It is requested that Schedule (4) of this item be increased by \$2,413,000 federal Title I funds to align the Title I Basic Elementary and Secondary Education Act Program appropriation with the anticipated federal grant. LEAs will use these funds to support services that assist low-achieving students enrolled in the highest poverty schools.</p>
<p>9)</p>	<p><b>Item 6110-134-0890, Local Assistance, Federal Title I Set Aside for the Local Educational Agency Corrective Action Program (Issue <del>087</del> 086).</b> It is requested that Schedule (2) of this item be <del>decreased</del> <b>increased</b> by <del>\$962,000</del> <b>\$334,000</b> federal Title I Set Aside funds for the LEA Corrective Action Program to align the appropriation with the anticipated federal grant. The program provides funding for technical assistance to LEAs entering federal Corrective Action.</p> <p>It is further requested that provisional language be added as follows to identify available one-time carryover funds. This provisional language was omitted from the Governor's Budget:</p> <p style="padding-left: 40px;">X. Of the funds appropriated in Schedule (2), \$5,700,000 is provided in one-time carryover funds to support the existing program.</p>
<p>10)</p>	<p><b>Item 6110-134-0890, Local Assistance, Federal School Improvement Grant</b></p>

	<p><b>Program (Issue <del>086</del> 087).</b> It is requested that Schedule (3) of this item be <u>increased</u> <del>decreased</del> by <del>\$334,000</del> <del>\$962,000</del> federal School Improvement funds to align the appropriation with the anticipated federal grant. The School Improvement Grant Program provides grants to the lowest-achieving Title I schools identified for federal Program Improvement, Corrective Action, or Restructuring to implement evidence-based strategies for improving student achievement.</p> <p>It is further requested that provisional language be added as follows to identify available one-time carryover funds. This provisional language was omitted from the Governor’s Budget:</p> <p style="padding-left: 40px;">X. Of the funds appropriated in Schedule (3), \$226,000 is provided in one-time carryover funds to support the existing program.</p>
<p>11)</p>	<p><b>Item 6110-136-0890, Local Assistance, McKinney-Vento Homeless Children Education Program and Title I Even Start Program (Issues 293, 294, 295, and 296).</b> It is requested that Schedule (1) of this item be increased by \$565,000 federal Title I funds. This adjustment includes a decrease of \$35,000 to align the McKinney-Vento Homeless Children Education Program with the anticipated federal grant award and an increase of \$600,000 to reflect the availability of one-time federal carryover funds. The LEAs will use these funds to provide services to homeless students.</p> <p>It is also requested that Schedule (2) of this item be increased by \$1,013,000 federal Title I funds. This adjustment includes an increase of \$43,000 to align the Even Start Program with the anticipated federal grant award and an increase of \$970,000 to reflect the availability of one-time carryover funds. The LEAs will use these funds to improve the educational opportunities of low-income families and to support a unified literacy program that integrates early childhood education and parenting education.</p> <p>It is further requested that provisional language be added as follows to conform to these actions:</p> <p style="padding-left: 40px;">X. Of the funds appropriated in Schedule (1), \$600,000 is provided in one-time carryover funds to support the existing program.</p> <p style="padding-left: 40px;">X. Of the funds appropriated in Schedule (2), \$970,000 is provided in one-time carryover funds to support the existing program.</p>
<p>12)</p>	<p><b>Item 6110-137-0890, Local Assistance, Rural and Low Income Assistance Program (Issues 303 and 304).</b> It is requested that this item be increased by \$28,000 federal Title VI funds. This adjustment includes a decrease of \$34,000 to align the Rural and Low Income Assistance Program with the anticipated federal grant award and an increase of \$62,000 to reflect the availability of one-time federal carryover funds.</p> <p>It is further requested that provisional language be added as follows to conform to this action:</p> <p style="padding-left: 40px;">X. Of the funds appropriated in this item, \$62,000 is provided in one-time carryover funds to support the existing program.</p>
<p>13)</p>	<p><b>Item 6110-166-0890, Local Assistance, Vocational Education Program (Issue</b></p>

	<p><b>484).</b> It is requested that this item be increased by \$6,284,000 federal Title I carryover funds for the Vocational Education Program, which develops the academic, vocational, and technical skills of students in high schools, community colleges, and Regional Occupational Centers and Programs.</p> <p>It is further requested that provisional language be added as follows to conform to this action:</p> <p style="padding-left: 40px;">X. Of the funds appropriated in this item, \$6,284,000 is provided in one-time carryover funds to support the existing program.</p>
<p>14)</p>	<p><b>Item 6110-180-0890, Local Assistance, Education Technology, (Issues 299 and 300).</b> It is requested that this item be decreased by \$255,000 Federal Trust Fund. This adjustment includes a decrease of \$748,000 to align the Education Technology program with the anticipated federal grant award and an increase of \$493,000 to reflect the availability of one-time federal carryover funds. A decrease of \$827,000 would be applied to competitive grants and formula grants, while a base increase of \$79,000 would be made available to support the California Technology Assistance Project. One-time carryover funds would be distributed to both competitive and formula grants, as well as the California Technology Assistance Project.</p> <p>It is further requested that a new schedule and provisional language be added as follows to conform to this action:</p> <p>(3) 20.10.025.013–California Technical Assistance Project          ..... 309,000</p> <p>X. Of the funds appropriated in Schedule (3), \$309,000 is provided for the California Technology Assistance Project to provide technical assistance and support to the program. Of the funds appropriated in this schedule, \$230,000 is provided in one-time carryover funds.</p> <p>It is further requested that provisional language be amended as follows to conform to this action:</p> <p>“1. The funds appropriated in Schedule (1) shall be allocated as formula grants to school districts pursuant to the federal Enhancing Education Through Technology program. <u>Of the funds appropriated in this schedule, \$258,000 is provided in one-time carryover funds.</u></p> <p>2. The funds appropriated in Schedule (2) are available for competitive grants pursuant to Chapter 8.9 (commencing with Section 52295.10) of Part 28 of Division 4 of Title 2 of the Education Code and the federal Enhancing Education Through Technology program. The eligibility criteria for these grants shall be consistent with federal law and target local educational agencies with high numbers or percentages of children from families with incomes below the poverty line and one or more schools either qualifying for federal school improvement or demonstrating substantial technology needs. <u>Of the funds appropriated in this schedule, \$5,000 is provided in one-time carryover funds.</u>”</p>
<p>15)</p>	<p><b>Item 6110-193-0890, Local Assistance, Mathematics and Science Partnership Program (Issue 563).</b> It is requested that this item be increased by \$4,065,000 federal Title II funds to reflect \$4.0 million in one-time carryover and a \$65,000 increase in the federal grant. The Mathematics and Science Partnership Program provides competitive grant awards to partnerships of low-performing schools and institutes of higher education to provide staff development and curriculum support to mathematics and science teachers.</p> <p>It is further requested that provisional language be added as follows to conform to</p>

	<p>this action:</p> <p>X. Of the funds appropriated in this item, \$4,000,000 is provided in one-time carryover funds.</p>
<p>16)</p>	<p><b>Item 6110-195-0890, Local Assistance, Improving Teacher Quality Grant Program and Administrator Training Program (Issues 561 and 562).</b> It is requested that Schedule (1) of this item be increased by \$866,000 federal Title II funds to reflect \$454,000 in one-time carryover and a \$412,000 increase in the federal grant. The Improving Teacher Quality Grant Program funds LEAs on a formula basis for professional development activities focused on preparing, training, and recruiting highly-qualified teachers.</p> <p>It is also requested that Schedule (2) of this item be increased by \$612,000 federal Title II funds to reflect one-time carryover funds. The Administrator Training Program provides K-12 school principals and vice-principals instruction and coaching on leadership skills, financial and personnel management, the inter-relation of academic standards, instructional materials, and curriculum frameworks, and the effective use of pupil assessments.</p> <p>It is further requested that Provisions 4 and 5 be amended as follows to conform to these actions:</p> <p>“4. Of the funds appropriated in Schedule (1), <del>\$21,000</del> <u>\$475,000</u> is provided in one-time carryover for Improving Teacher Quality Local Grants. None of these funds shall be used for additional indirect administrative costs.</p> <p>5. Of the funds appropriated in Schedule (2), <del>\$495,000</del> <u>\$1,107,000</u> is provided in one-time carryover for the Administrator Training Program. None of these funds shall be used for additional indirect administrative costs.”</p>
<p>17)</p>	<p><b>Item 6110-240-0890, Local Assistance, Advanced Placement Fee Waiver Program (Issue 724).</b> It is requested that this item be increased by \$1,000 Federal Trust Fund to align the appropriation with the federal grant award for the Advanced Placement (AP) Fee Waiver Program, which reimburses school districts for specified costs of AP test fees paid on behalf of eligible students. The AP program allows students to pursue college-level course work while still in secondary school.</p>

<b>General Fund and Other Adjustments</b>	
18)	<p><b>Item 6110-001-0001, Support, State Department of Education, Restore Positions Removed in Error (Issue 486).</b> It is requested that 3.5 limited-term positions that were removed in error be restored to the State Department of Education. Specifically, 1.5 expiring limited-term positions for the Green Technology Partnership Academy Program and 2.0 expiring limited-term positions for the Enhancing Education for Technology Program were removed twice from the Governor’s Budget. The correct amount of funding was removed.</p>
19)	<p><b>Item 6110-170-0001, Local Assistance, Add Carryover for the Career Technical Education Program (Issue 485).</b> It is requested that this item be increased by \$3,486,000 to reflect one-time reimbursement carryover for the Career Technical Education Program, which would allow the completion of four projects that could not be completed in the current year due to contract delays.</p> <p style="padding-left: 40px;">It is further requested that provisional language be added as follows to conform to this action:</p> <p style="padding-left: 80px;">X. Of the funds appropriated in this item, \$3,486,000 is provided in one-time reimbursement carryover funds to support the existing program.</p>
20)	<p><b>Item 6110-001-3170, Support, Provide Authority to Fund Heritage School Registration (Issue 471).</b> It is requested that expenditure authority of \$40,000 in fee revenue from the Heritage Enrichment Resource Fund be approved to partially address costs incurred in the current year and to cover costs estimated for the budget year related to the registration of heritage schools, pursuant to Chapter 286, Statutes of 2010 (SB 1116). Heritage schools offer foreign language education or cultural education relating to a foreign country to school-age children.</p> <p style="padding-left: 40px;">It is further requested that Item 6110-001-3170 be added as follows to conform to this action:</p> <p style="padding-left: 40px;">6110-001-3170—For support of Department of Education, payable from the Heritage Enrichment Resource Fund.....40,000</p> <p style="padding-left: 40px;">Provisions:</p> <p style="padding-left: 80px;">X. The funds appropriated in this item shall be available to the State Department of Education to process payments for the registration of heritage schools and to provide necessary technical assistance, pursuant to Chapter 286 of the Statutes of 2010. Of the amount appropriated in this item, \$16,200 may be used to mitigate costs incurred in the 2010-11 fiscal year to develop and administer the registration process.</p> <p style="padding-left: 80px;">X. The department shall ensure that the registration fee for the 2011-12 fiscal year not exceed the costs of registering heritage schools pursuant to Section 33195.5 of the Education Code.</p>



**STAFF COMMENTS:**

Staff recommends approval of all of the DOF April Letter proposals listed above, including staff revisions highlighted for some issues. These revisions provide corrections to the April Letter requested by both CDE and DOF. No issues have been raised for any of these issues.

**QUESTIONS:**

- 1) Does the Department of Finance have any technical revisions to these proposals?

## ITEMS TO BE HEARD

### 6110 DEPARTMENT OF EDUCATION

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#### ISSUE 1: FEDERAL STRIVING READERS COMPREHENSIVE LITERACY PLAN UPDATE

This issue will provide the Subcommittee with 1) an update on the status of the development of the State Literacy Plan, and, 2) an overview of the state application for the competitive grant available under the federal Striving Readers Comprehensive Literacy (SRCL) Program.

#### PANELISTS

- California Department of Education
- Legislative Analyst's Office
- Department of Finance

#### BACKGROUND:

The federal Striving Readers Comprehensive Literacy (SRCL) Program was authorized as part of the FY 2010 Consolidated Appropriations Act under federal Title I. The federal government included a total of \$200 million in FY 2010 for the program as follows:

- \$10 million for formula grants to State Education Agencies (SEAs) for State Literacy Teams.
- \$178 million for competitive grants to SEAs.
- Five percent for National Activities (\$10,000,000).
- One-half percent set-asides for Bureau of Indian Education (BIE) and Outlying Areas (\$1,000,000 each).

**Update on the Striving Readers Formula Grant.** Of the \$200 million nationwide that is available for this program, \$10 million in formula grants have been awarded to states to assist in creating or maintaining a State Literacy Team with expertise in literacy development and education for children from birth through grade 12 and to assist states in developing a comprehensive literacy plan.

When the Subcommittee heard this issue in February, California received \$841,329 in formula grant funds and the State Board of Education (SBE) had just begun the process of assigning members to the Striving Readers State Literacy Team (SRSLT) to develop the California Striving Readers Literacy Plan.

The SRSLT has been meeting since mid-February to develop the state plan. A draft plan was submitted to the United States Department of Education (ED) on April 1, 2011. At the same time, the California Department of Education (CDE) and the SBE solicited public comment however these comments were not incorporated into the April 1 draft sent to ED.

According to CDE and SBE staff, public comments are currently being reviewed for inclusion in the next draft to the federal government. It is not clear when that next draft will be sent to ED.

**Background on the SRCL Competitive Grant Program.** On March 10, 2011, ED posted the Request for Applications for the federal SRCL competitive grant program. According to the federal application, ED will provide anywhere from three to 18 awards to states in the range of \$3 million to \$70 million. California and Texas are the only states eligible for \$70 million based on national poverty rates. Grants under this competition will be awarded to SEAs to provide subgrants to LEAs and early learning providers.

Use of Grant Funds. States may use up to five percent of their grant awards for state level activities. The remaining 95 percent is required to go directly to LEAs and early learning providers as follows:

- 15% for birth to pre-K;
- 40% for grades K-5; and,
- 40% for grades 6-12, with equitable distribution between middle and high school.

Early learning providers include LEAs or other nonprofit providers of early childhood education that partner with a public or private nonprofit organization or agency with a demonstrated record of effectiveness in improving the early literacy development of children from birth through kindergarten entry and in providing professional development in early literacy, giving priority to such agencies or other entities serving great numbers of percentages of disadvantaged children. Such partners may include libraries, Head Start Centers, health care providers, or other community-based organizations if they meet the statutory requirements.

Subgrantees must serve high-need children and youths, limited-English-proficient students, and students with disabilities with effective literacy instruction. Activities should align with a comprehensive State literacy plan designed to improve student outcomes and have the characteristics of an effective literacy program such as professional development, screening, and assessment, targeted interventions for students reading below grade level, and other research-based methods of improving classroom instruction and practice.

Application criteria. The federal application includes two “absolute priorities” that must be met:

- *Priority 1: Improving Learning Outcomes.* To meet this priority, an applicant must propose a project that is designed to improve school readiness and success through grade 12 in the area of language and literacy development for disadvantaged students.

- *Priority 2: Enabling More Data-Based Decision-Making.* To meet this priority, an applicant must propose a project that is designed to collect, analyze, and use high-quality and timely data, especially on program participant outcomes, in accordance with privacy requirements, to improve instructional practices, policies, and student outcomes in early learning settings and in elementary and secondary schools

Applications will be scored based on the following: 1) The quality of state-level activities (37 points); 2) The quality of the state subgrant competition (28 points); 3) Project management (15 points); and, 4) Adequacy of resources (20 points).

Additionally, the federal government includes a competitive preference priority for "effective use of technology". An SEA can be awarded up to an additional five points if the application meets this priority. To meet this priority, an applicant must: (1) propose to use technology—which may include technology to support principles of universal design for learning (as defined in this application)—to address student learning challenges; and, (2) provide, in its application, an evidence-based (as defined in this application) rationale that its proposed technology program, practice, or strategy will increase student engagement and achievement or increase teacher effectiveness.

Grant Award Timeframe. The federal government plans to approve competitive grant applications by August 2011 for a project period of up to 60 months. If California receives a grant, CDE will need to request expenditure authority from the Legislature.

**Status of California's Competitive Grant Application.** The State Literacy Team reviewed an initial draft outline of the grant at the April 19, 2011 meeting. The draft outline specified that California will focus their efforts on infusing the California Common Core Standards (CCCS), the Infant Toddler Learning and Development Foundations, and the Preschool Learning Foundations PLF into the education system through a feeder pattern of schools within the LEAs and early learning centers sub-grantees. These efforts will be focused on addressing the language and literacy needs of the economically disadvantaged students. The grant will stress the building of early literacy skills, moving students from early literacy to advanced literacy through a Response to Instruction and Intervention (RtI<sup>2</sup>) approach, and assisting educators with infusing the literacy skills into the secondary content courses.

At the April 21 SBE meeting, the SBE gave the state board president the authority to submit the competitive grant application directly to ED on or before May 9, 2011. CDE has set forth the following timeline for the competitive application:

May 3, 2011	Literacy Team review of Grant Application and Public Comments
May 4, 2011	All Comments due to the CDE
May 6, 2011	Final draft of plan completed and all documents uploaded to grants.gov site
May 9, 2011	Review and submit by 4:00 p.m.
August 2011	Anticipated Announcement of state SRCL grant recipients
Late Sept 2011	Anticipated State Sub-grant application released
Nov 2011	Anticipated Applications due from Sub-grantees
Mid to late Jan 2011	Grant award letters to Sub-grantees

**STAFF COMMENTS**

According to CDE, the grant application continues to be developed and revised. At the time, this agenda was written, no detail had been provided on California's specific plan for administering competitive grants. It is not clear how grant funding would be used for state-level activities, how the subgrantee's would compete for funding; how much funding each subgrantee would receive; or what criteria would be used for selecting subgrantee awardees. These are all components required by the federal government as part of the grant application.

**SUGGESTED QUESTIONS**Question about the State Literacy Plan:

- 1) The draft state literacy plan sent to the federal government on April 1 did not address any of the public comments and concerns submitted to CDE or SBE. Will the SRSLT amend the state plan to address these concerns? If so, when will the plan be amended and resubmitted to the federal government?

Questions about the SRCL Competitive Grant Application:

- 1) What is the relationship between the state literacy plan and the competitive grant?
- 2) CDE has indicated the State will meet the grant's absolute priorities by "infusing the California Common Core Standards (CCCS) into the education system". Given that there are no frameworks in place, how will subgrantees meet this task?
- 3) How will the state issue funds to subgrantees? Who will be eligible? What criteria will be used to evaluate grantees?
- 4) How will the State use the 5 percent set-aside for state level activities? What technical support will be provided to subgrantees?
- 5) The federal government recently cut funding for this program for FY 2011. Therefore, the \$70 million that California may receive for FY 2010 would be one-time program funding. Will California's competitive application reflect the one-time nature of this funding? What specific one-time activities will be funded? Are there any state cost pressures in the out years?

**ISSUE 2: ANNUAL UPDATE FROM THE FISCAL CRISIS MANAGEMENT ASSISTANCE TEAM (FCMAT): PRESENTATION ON DISTRICT FINANCIAL HEALTH**

Current law requires the Fiscal Crisis and Management Assistance Team (FCMAT) to provide an annual overview of the overall fiscal health of school districts to the budget Subcommittees.

FCMATs assessment of the fiscal health of school districts has been particularly helpful in recent years, providing this Subcommittee with crucial information on the local effects of state reductions in education spending.

**PANELISTS**

- Joel Montero, Chief Executive Officer, FCMAT

**BACKGROUND:**

In 1991, AB 1200 (Eastin), Chapter 1213 created an early warning system to help avert financial crisis in local education agencies (LEAs), such as bankruptcy and/or the need for an emergency loan from the state. The formal review and oversight process, often referred to as the "AB 1200 process" requires the county superintendent to approve the budget and monitor the financial status of each school district and JPA in its jurisdiction. County Offices of Education (COEs) perform a similar function for charter schools. The California Department of Education (CDE), in turn, reviews the finances of county offices.

In 2004, fiscal accountability provisions were strengthened with the passage of AB 2756. The law made immediate changes in the process county offices use to review district budgets and interim reports. It also called for the state to update the standards and criteria used for the fiscal oversight of LEAs, effective in 2006-07.

**Fiscal Crisis and Management Assistance Team (FCMAT).** When AB 1200 was developed, the state also recognized the need for a statewide resource focusing on fiscal and management guidance to assist monitoring agencies in the performance of their tasks and to assist LEAs that request help in school business management and related areas. Therefore, AB 1200 called for the creation of a Fiscal Crisis and Management Assistance Team (FCMAT). The bill specified that one county office of education would be selected to administer the team. Through a competitive process, the office of the Kern County Superintendent of Schools was selected to administer FCMAT in June, 1992.

The mission of FCMAT is to help LEAs fulfill their financial and management responsibilities by providing expedient fiscal advice, management assistance, training and other related school business services. This can occur under several different circumstances. For example, if a county office reviews and disapproves a school district's annual budget, that county office may call upon FCMAT to examine the district's financial records, develop an approvable budget, and/or provide other operational recommendations that will ensure fiscal stability. In addition, FCMAT can respond directly at the request of a

school district or county office that may seek advice to improve management practices, business policies and procedures or organizational structure. The state, in its monitoring role, also could ask for FCMAT's assistance. The 2011-12 budget passed by the Legislature provides \$9.16 million for FCMAT functions and oversight activities.

**Interim Reports and Certification.** Current law requires districts to file two interim reports during a fiscal year on the status of the districts financial health.

For the first interim report, districts self certify their budgets to their COE by December 15 (for the period ending October 31). COEs are then required to report the certification for all districts in their county to the Superintendent of Public Instruction (SPI) and the State Controller within 75 days after the close of the reporting period (generally by March 1).

For the second interim report, districts self certify their budgets to their COE by March 17 (for the period ending January 31). COEs are then required to submit their certification of these results to the SPI and the State Controller within 75 days after the close of the reporting period (generally by June 1).

The interim reports must include a certification of whether or not the LEA is able to meet its financial obligations. The certifications are classified as positive, qualified, or negative.

- A **positive certification** is assigned when the district will meet its financial obligations for the current and two subsequent fiscal years.
- A **qualified certification** is assigned when the district may not meet its financial obligations for the current or two subsequent fiscal years.
- A **negative certification** is assigned when a district will be unable to meet its financial obligations for the remainder of the current year or for the subsequent fiscal year.

**First and Second Interim Status Reports.** The most recent available report is the 2010-11 First Interim report published by CDE in March, 2011.

2010-11 FIRST INTERIM NEGATIVE CERTIFICATION			
Number	County	Local Educational Agency	Total Budget (\$)
1	Alameda	Hayward Unified	194.56 million
2	Kern	Southern Kern Unified	25.15 million
3	Los Angeles	Inglewood Unified	128.32 million
4	Merced	Dos Palos-Oro Loma Unified	19.14 million
5	Monterey	King City Joint Union High	19.40 million
6	Riverside	Banning Unified	41.76 million
7	Sacramento	Natomas Unified	68.61 million
8	San Benito	Hollister Elementary	40.21 million
9	Solano	Travis Unified	40.21 million
10	Solano	Vallejo City Unified	138.19 million
11	Sonoma	Cloverdale Unified	11.80 million
12	Sonoma	Cotati-Rohnert Park Unified	50.02 million
13	Sonoma	Healdsburg Unified	17.52 million

2010-11 FIRST INTERIM QUALIFIED CERTIFICATION			
Number	County	Local Educational Agency	Total Budget (\$)
1	Alameda	Emery Unified	11.41 million
2	Alameda	Oakland Unified	432.80 million
3	Amador	Amador County Office	9.65 million
4	Amador	Amador County Unified	29.71 million
5	Butte	Chico Unified	104.82 million
6	Contra Costa	John Swett Unified	13.50 million
7	Contra Costa	Mt. Diablo Unified	300.20 million
8	El Dorado	Black Oak Mine Unified	13.25 million
9	El Dorado	Gold Oak Union Elementary	4.58 million
10	El Dorado	Gold Trail Union Elementary	3.66 million
11	El Dorado	Rescue Union Elementary	27.70 million
12	Fresno	Raisin City Elementary	3.15 million
13	Fresno	Sierra Unified	16.76 million
14	Glenn	Willows Unified	12.73 million
15	Humboldt	Mattole Unified	1.94 million
16	Humboldt	Scotia Union Elementary	1.60 million
17	Kern	El Tejon Unified	9.26 million
18	Kern	Muroc Joint Unified	18.63 million
19	Kern	Panama-Buena Vista Elementary	126.60 million
20	Lake	Kelseyville Unified	14.50 million
21	Los Angeles	Antelope Valley Union High	210.64 million
22	Los Angeles	Bellflower Unified	109.51 million
23	Los Angeles	El Rancho Unified	87.20 million
24	Los Angeles	Lawndale Elementary	51.59 million
25	Los Angeles	Los Angeles Unified	6.369 billion
26	Los Angeles	Lynwood Unified	129.81 million
27	Los Angeles	Newhall Elementary	52.20 million
28	Los Angeles	Norwalk-La Mirada Unified	186.97 million
29	Los Angeles	William S. Hart Union High	170.37 million
30	Madera	Yosemite Unified	18.62 million
31	Mendocino	Round Valley Unified	3.86 million
32	Mendocino	Ukiah Unified	28.61 million
33	Monterey	North Monterey County Unified	38.68 million
34	Napa	Napa Valley Unified	115.23 million
35	Orange	Anaheim City Elementary	157.79 million
36	Orange	Centralia Elementary	36.56 million
37	Orange	Fullerton Elementary	106.91 million
38	Orange	Fullerton Joint Union High	140.92 million
39	Orange	Garden Grove Unified	455.94 million
40	Orange	Saddleback Valley Unified	229.31 million



41	Orange	Santa Ana Unified	523.39 million
42	Orange	Westminster Elementary	76.14 million
43	Placer	Colfax Elementary	3.09 million
44	Placer	Loomis Union Elementary	16.64 million
45	Placer	Placer Hills Union Elementary	6.81 million
46	Riverside	Alvord Unified	157.45 million
47	Riverside	Coachella Valley Unified	179.33 million
48	Riverside	Desert Sands Unified	228.32 million
49	Riverside	Nuview Union (Elementary)	13.62 million
50	Riverside	Riverside Unified	344.63 million
51	Sacramento	Elk Grove Unified	477.27 million
52	Sacramento	Folsom-Cordova Unified	145.41 million
53	Sacramento	Sacramento City Unified	397.54 million
54	Sacramento	San Juan Unified	361.38 million
55	Sacramento	Twin Rivers Unified	262.94 million
56	San Bernardino	Bear Valley Unified	21.75 million
57	San Bernardino	Chino Valley Unified	232.27 million
58	San Bernardino	Colton Joint Unified	189.97 million
59	San Bernardino	Cucamonga Elementary	19.51 million
60	San Bernardino	Fontana Unified	342.94 million
61	San Bernardino	Mt. Baldy Joint Elementary	1.03 million
62	San Bernardino	Victor Union High	88.77 million
63	San Bernardino	Yucaipa-Calimesa Joint Unified	72.17 million
64	San Diego	Borrego Unified	5.65 million
65	San Diego	Mountain Empire Unified	17.01 million
66	San Diego	Ramona Unified	53.95 million
67	San Diego	San Marcos Unified	141.10 million
68	San Joaquin	Stockton Unified	344.97 million
69	San Luis Obispo	Atascadero Unified	37.49 million
70	San Luis Obispo	Lucia Mar Unified	85.15 million
71	San Luis Obispo	Paso Robles Joint Unified	54.90 million
72	San Luis Obispo	Pleasant Valley Joint Union Elementary	1.10 million
73	San Luis Obispo	San Miguel Joint Union (Elementary)	4.53 million
74	San Luis Obispo	Shandon Joint Unified	3.59 million
75	Santa Clara	Berryessa Union Elementary	61.28 million
76	Santa Clara	East Side Union High	198.19 million
77	Santa Clara	Franklin-McKinley Elementary	76.52 million
78	Santa Clara	Gilroy Unified	88.45 million
79	Santa Clara	Los Altos Elementary	43.05 million
80	Santa Clara	Orchard Elementary	6.67 million
81	Santa Cruz	Santa Cruz City Elementary	62.66 million*
82	Santa Cruz	Santa Cruz City High	*
83	Shasta	Anderson Union High	16.66 million
84	Shasta	Cascade Union Elementary	12.39 million

85	Shasta	Cottonwood Union Elementary	7.58 million
86	Shasta	Pacheco Union Elementary	4.88 million
87	Solano	Dixon Unified	26.76 million
88	Solano	Fairfield-Suisun Unified	161.44 million
89	Sonoma	Geyserville Unified	3.00 million
90	Sonoma	Sebastopol Elementary	5.90 million
91	Sonoma	West Sonoma County Union High	21.37 million
92	Stanislaus	La Grange Elementary	.27 million
93	Stanislaus	Stanislaus Union Elementary	23.90 million
94	Stanislaus	Waterford Unified	18.43 million
95	Tehama	Reeds Creek Elementary	1.11 million
96	Tulare	Citrus South Tule Elementary	.57 million
97	Ventura	Santa Paula Elementary	31.28 million

A comparison of first interim certifications over the years shows that the number of qualified and negative status districts moved up sharply in 2008-09 and again in 2009-10 as a result of deep cuts to education. It is anticipated that the numbers will move up even more sharply in 2011-12 if further reductions are made to education.

Fiscal Year	Negative Certification First Interim	Qualified Certification First Interim
1991-92	1	19
1992-93	2	18
1993-94	3	24
1994-95	2	57
1995-96	1	12
1996-97	0	11
1997-98	0	12
1998-99	1	13
1999-00	2	13
2000-01	2	24
2001-02	8	32
2002-03	5	39
2003-04	7	50
2004-05	10	54
2005-06	5	32
2006-07	3	19
2007-08	7	29
2008-09	16	74
2009-10	12	114
2010-11	13	97

**Second interim preliminary numbers.** Although the 2010-11 second interim report will not be published by CDE until June, FCMAT will provide preliminary second interim information to the Subcommittee during their presentation.

**Emergency loans.** In most cases the oversight, advice, and assistance provided by county offices of education and FCMAT under the AB 1200 process is sufficient to pull LEAs out of immediate financial trouble. The option of last resort for LEAs that have insufficient funds is to request an emergency loan from the state.

A loan (technically referred to in the Education Code as an emergency appropriation) from the State requires that one of the district's local representatives to the State Legislature sponsor a bill through the legislative process. Accepting a state loan is not without consequence. The SPI assumes all legal rights, duties, and powers of the district governing board and an administrator is appointed to the district. Several conditions must be met before control is returned to the district.

State loans are typically set up for repayment over 20 years and state control remains over the school district until the loan is fully repaid. The State loan is sized to accommodate the anticipated shortfall in cash that the district will need during the life of the loan in order to meet its obligations. In addition, all of the costs of ensuring a fiscal recovery are the responsibility of the district and are added to the amount of the state loan. Therefore, a state loan will be much larger than what the district would otherwise need to borrow locally if it had been able to solve its own fiscal crisis. A district that receives a state loan needs to make more expenditure cuts and/or take longer to pay the loan back.

Below is a chart of all state emergency loans issued since 1991.

CALIFORNIA STATE EMERGENCY LOANS TO SCHOOL DISTRICTS, 1991 to 2010 <i>Updated July 2, 2010</i>									
District	Tenure of State Administrators and State Trustees	Date of Issue	Amount of Original State Loan	Interest Rate	Date/Amount of I-Bank Refinance & Remaining General Fund Loan	Outstanding Balance of I-Bank and General Fund Loans	Amount of Annual Loan Payment; Due Date	Amount Paid By District Including Principal & Interest	Pay Off Date
King City Joint Union High School District	Administrator 7/23/09 – Present	7/22/09 <u>3/11/10</u>  4/4/10	\$2,000,000 <u>\$3,000,000</u>  \$13,000,000	1% <u>1%</u>  5.44%	7/22/09 \$2,000,000 GF <u>3/11/10 \$3,000,000 GF</u>  I-Bank refinanced GF loan, drew \$8 million plus expenses.	\$5,000,000 total GF as of <u>3/11/10</u>  \$14,395,000	\$110,831 due starting 7/22/10 <u>\$166,246 due starting 3/11/11</u>  I-Bank: \$1.2 million due during the period July through October starting in July 2010.	\$0 <u>\$0</u>  \$0	7/22/29 <u>3/11/30</u>  8/15/29
Vallejo Unified	Administrator 6/22/04 – Present Trustee 7/13/07 - Present	6/23/04 8/13/07	\$50,000,000 <u>\$10,000,000</u> 0 \$60,000,000	1.5%	12/1/05 \$20,642,992 refinanced by sale of I-Bank bonds of \$21,205,000 (principal and accrued interest) \$25,000,000 – GF 8/13/07 2 <sup>nd</sup> draw of \$10,000,000 - GF	\$45,480,517 as of 7/2/10	I-Bank: \$1.3 million total due during the period July through January, 2006-2024; GF: \$1.6 million due each June, 2007 – 2024; GF: \$670,797 due each August, 2008- 2024	\$18,691,921	6/24/24 GF
Oakland Unified	Administrator 6/16/03 – 6/28/09 Trustee 7/1/08 - Present	6/4/03 6/28/06	\$65,000,000 <u>\$35,000,000</u> 0 \$100,000,000	1.77%	12/1/05 \$50,830,859 refinanced by sale of I-Bank bonds of \$59,565,000 (principal and accrued interest) 6/28/06 2 <sup>nd</sup> draw of \$35,000,000 – GF	\$73,754,847 as of 7/2/10	I-Bank: \$3.9 million total due during the period July through January, 2006-2023; GF: \$2.1 million due each June, 2007-2026	\$35,613,350	January 2023 I-Bank  6/29/26 GF
West Fresno Elementary	Administrator 3/19/03 – Present Trustee 8/26/08 – 12/4/09	12/29/03	\$1,300,000 (\$2,000,000 authorized)	1.93%	N/a	\$549,988 as of 7/2/10	\$144,195 due each December, 2004-2013	\$865,170	12/30/13 GF
Emery Unified	Administrator 8/7/01-6/30/04; Trustee 7/1/04 - Present	9/21/01	\$1,300,000 (\$2,300,000 authorized)	4.19%	N/a	\$902,924 as of 7/2/10	\$97,273 due each September, 2002-2021	\$778,184	9/30/21 GF
Compton Unified	Administrators 7/93-12/10/01 Trustee 12/11/01-6/2/03	7/19/93 10/14/93 6/29/94	\$3,500,000 7,000,000 <u>9,451,259</u> \$19,951,259	4.40% 4.313% 4.387%	N/a	-0-	N/a	\$24,358,061	6/30/01 GF
Coachella Valley Unified	Administrators 5/26/92-9/30/96 Trustee 10/1/96-12/20/01	6/16/92 1/26/93	\$5,130,708 <u>2,169,292</u> \$7,300,000	5.33% 4.49%	N/a	-0-	N/a	\$9,271,830	12/20/01 GF

Richmond / West Contra Costa Unified	Pre-AB 1200 Trustee 7/1/90 - 5/1/91; Administrator 5/2/91-5/3/92; Trustee 5/4/92-Present	8/1/90 1/1/91 7/1/91	\$2,000,000 7,525,000 <u>19,000,000</u> \$28,525,000	1.53% 2004 refi rate	12/1/05 \$15,475,263 refinanced by sale of \$15,735,000 in I-Bank bonds (principal plus accrued interest)	\$10,627,181 as of 7/2/10	\$1.4 million total due during the period July through January, 2006-2018	\$36,714,809	January 2018 I-Bank
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Source: California Department of Education

**QUESTIONS:**

- 1) What is the primary focus of FCMAT as they work with districts in the current fiscal climate? What are the measures or factors used by FCMAT to assess fiscal solvency?
- 2) How have districts planned their budgets given the uncertainty around the state budget and the extension of tax revenues?
- 3) Why aren't more districts going bankrupt given that the number of districts that are certified as negative or qualified has increased over the years? Are there any districts that are of particular concern? Any that may need emergency funding from the state and if so, what is the potential impact on the state General Fund?
- 4) How have deferrals affected local budgeting? What are some of the borrowing issues local education agencies are facing?
- 5) Our next issue on the agenda relates to school district consolidation. Does FCMAT have any comments on this issue?

**ISSUE 3: 2010 SUPPLEMENTAL REPORT LANGUAGE: SCHOOL DISTRICT CONSOLIDATION**

The Legislative Analyst's Office (LAO) will present their report on School District and County Office Consolidation and offer recommendations to the Subcommittee.

**PANELISTS**

- Rachel Ehlers - Legislative Analyst's Office

**BACKGROUND:**

According to background provided by the LAO, the state has a very low threshold for minimum district size—average daily attendance (ADA) of six for an elementary district and 11 for a high school or unified district. As a result, the state has an exceptional number of small districts. Almost three-quarters of all California school districts have fewer than 5,000 ADA. However, together these 688 districts contain just 15 percent of total ADA in the state. Moreover, 230 of the state's districts contain only a single school. At the other extreme, 15 “very large” districts with over 40,000 ADA educate about one-quarter of all students in the state, with one district—Los Angeles Unified—representing about 10 percent of total state ADA.

Although California continues to have many small school districts, the total number of districts in the state has declined over time. The state has about half as many districts as it did 50 years ago (963 in 2009-10 compared to 2,091 in 1950-51). Throughout the 1950s and 1960s, the state provided a series of fiscal incentives for consolidation, including increasing the per-pupil funding rate for unified districts and paying for excess costs of student transportation associated with merging school districts. The pace of consolidation has slowed in recent decades since the state stopped providing explicit incentives for districts to unify.

The state delegates most district configuration decisions to the local level. Local stakeholders must initiate the process of consolidating school districts and ultimately a majority of the local electorate must vote to approve the consolidation.

**2010-11 Supplemental Report Language.** The Supplemental Report of the 2010-11 Budget Package contains statements of legislative intent that were adopted during deliberations on the 2010-11 budget package. Included in this report was the requirement that the LAO provide an analysis to the fiscal committees of the Legislature regarding options for consolidating small school districts and consolidating county offices of education within statewide regions in order to achieve greater cost efficiencies.

The report was due April 1, 2011, however, at the time this agenda went to print the report had not yet been released. The report is scheduled to be released May 2, 2011.

According to the LAO, the report investigates the competing claims made in support and opposition of district consolidation. Proponents of consolidation claim that small districts lack economies of scale and, as a result, inherently face higher costs per pupil and are unable to offer the range of curricular opportunities available to students who attend larger districts. As such, some argue that combining smaller districts into larger, consolidated districts would lead to savings, more overall efficiency, and a better academic experience for students. In contrast, opponents of consolidation suggest that small districts not only find ways to operate efficiently but also offer an enhanced and personalized educational experience for students. Moreover, because many small districts are located in rural areas, some argue they are important and necessary components of those local communities.

The Legislative Analyst's Office will present an overview of their report and provide recommendations for the Subcommittee at today's hearing.

**QUESTIONS:**

- 1) How much funding would the state save if the Legislature adopted all of the LAO's recommendations?
- 2) If the state were to increase the minimum size requirement for school districts, what would happen to all of the districts that fall below the new cut-off?
- 3) Is there any contradiction between the state looking to consolidate small school districts at the same time that it is authorizing new charter schools?
- 4) Why do small school districts get more funding per pupil compared to larger districts?