

AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 2 ON EDUCATION FINANCE

Assembly Member Wilmer Amina Carter, Chair

TUESDAY, MAY 5, 2009
STATE CAPITOL, ROOM 444
9:00 AM

ITEMS TO BE HEARD

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ITEMS TO BE HEARD

6110 DEPARTMENT OF EDUCATION

ISSUE 1: FISCAL CRISIS MANAGEMENT ASSISTANCE TEAM (FCMAT) ANNUAL PRESENTATION ON DISTRICT FINANCIAL HEALTH

This issue is informational and satisfies an education code requirement that the Fiscal Crisis and Management Assistance Team (FCMAT) provide an overview of the overall fiscal health of school districts to the budget subcommittees.

PANELISTS

- Joel Montero, Chief Executive Officer, FCMAT

BACKGROUND:

The Fiscal Crisis and Management Assistance Team (FCMAT), housed in the Kern County Office of Education, provide financial and management assistance to school districts per their request. FCMAT works particularly close with districts that have negative or qualified financial certifications.

Interim Reports and Certification. Under current law, local educational agencies (LEAs) are required to file two interim reports during a fiscal year on the status of the LEA's financial health. The first interim report is due December 15 for the period ending October 31. The second interim report is due March 17 for the period ending January 31. County superintendents are 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.

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 and are based on an LEA's self-certification. In addition, the SPI may reclassify any county office of education or appeal of a school district certification.

- 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 first interim report for the period ending October 31, 2008 shows that there were 16 districts that received a negative certification (last year, for the same period, seven districts had received a negative certification). Seventy four (74) districts received a qualified certification, compared to 29 districts during the same time period last year.

Preliminary numbers are available for the second interim report due March 17 for the period ending January 31. The preliminary numbers show 15 districts certifying as negative as compared to 14 for the same period last year. 85 districts are projected to receive a qualified certification, compared to 108 districts during this same period last year.

Emergency loan pending for King City Joint Union High School District. In 2007-08 the King City Joint Union High School District, located in Monterey County, had revenues of \$19 million and expenditures of \$20.7 million. A beginning balance of \$1.7 million allowed the district to end the year with a \$10,000 balance however by February of this year, the district became cash insolvent.

SB 130 (Denham), pending in the Senate Education Committee, specifies the terms for the state to provide an emergency loan to the district. The district is asking for a total of \$13 million from the state. It is estimated that the district only needs \$5 million to close out the 2008-09 fiscal and school year. Amendments are pending that would require the state to pay this initial \$5 million from the General Fund which would later be reimbursed with Infrastructure Bank financing. The additional \$8 million the district is requesting would then be financed directly through the Infrastructure Bank. The terms of this loan requires the SPI to assume all the legal rights, duties and powers of the district governing board. The SPI may appoint an administrator to act on behalf of the SPI and the district governing board becomes advisory to the administrator.

QUESTIONS:

- 1) What is the primary focus of FCMAT as they work with districts in the current fiscal climate? What are some trends/issues you can tell us about regarding overall district financial health?
- 2) Is King City the only insolvency that the state will need to address this year? Are there other districts on the horizon that may need emergency funding from the state and what is the potential impact on the state General Fund?
- 3) How has the fiscal flexibility provided in the 2009-10 Budget Act impacted local budgeting?
- 4) Is FCMAT advising districts on how they should budget for the federal American Recovery and Reinvestment Act (ARRA) funds?

ISSUE 2: APRIL DOF REVISIONS TO THE 2009-10 BUDGET ACT – CDE STATE OPERATIONS AND LOCAL ASSISTANCE

The issues for the Subcommittee to consider are various technical amendments proposed by the Department of Finance (DOF) to the 2009-10 Budget Act.

PANELISTS

- Department of Finance
- 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, since the 2009-10 Budget Act has already been enacted, the "April letter" contains amendments to the 2009-10 Budget Act. The proposed revisions are largely technical and include adjustments to state operations and local assistance funding.

Federal Funds Adjustments. The Administration proposes the following federal funds adjustments. These adjustments reflect updated estimates of both a) how much money California will receive from various federal programs and b) unused funds (carryover) from prior years that are available for re-appropriation.

Consent Items	
Federal Funds Adjustments – State Operations	
1	<p>Special Child Nutrition Grants (Issue 490)—It is requested that Item 6110-001-0890 be increased by \$1.1 million Federal Trust Fund and that Item 6110-001-0001 be amended to reflect the anticipated receipt of Direct Certification, Team Nutrition, and Administrative Review and Training grants awarded by the United States Department of Agriculture. These funds would be used to develop and implement school district training needed to implement federal requirements associated with the Child Nutrition Program, which is an entitlement program that reimburses local educational agencies (LEAs) for serving meals and snacks to eligible students in the Child and Adult Care Food Program, the School Nutrition Program, and the Summer Food Service Program.</p> <p>It is further requested that provisional language be added to Item 6110-001-0890 as follows to conform to this action:</p> <p>X. Of the funds appropriated in this item, \$1,100,000 is provided on a one-time basis, contingent on the receipt of Direct Certification, Team Nutrition, and Administrative Review and Training grants from the United States Department of Agriculture to develop and implement school district training needed to implement federal requirements associated with the Child Nutrition program.</p>
2	<p>Federal Child Nutrition Direct Certification and Verification Carryover Funds (Issue 492)—It is requested that Item 6110-001-0890 be increased by \$320,000 Federal Trust Fund and that Item 6110-001-0001 be amended to reflect the availability of one-</p>

	<p>time carryover funds resulting from the delay in fully spending the Federal Child Nutrition Direct Certification and Verification Grant that SDE received in 2008-09. These funds would be used to improve and expand current state-level processes for directly certifying and verifying students eligible for free and reduced-price meals through service contracts with the California School Information Services, California Department of Social Services, and Department of Health Care Services.</p> <p>It is further requested that Provision 24 of Item 6110-001-0890 be amended as follows to conform to this action:</p> <p>“24. Of the funds appropriated in this item, \$112,000^{\$432,000} is available on a one-time basis to improve and expand the direct certification and verification processes of students in child nutrition programs.”</p>
Federal Funds Adjustments – Local Assistance	
3	<p>Item 6110-119-0890, Local Assistance, Neglected and Delinquent Children Program (Issue 248)—It is requested that this item be increased by \$43,000 federal Title I Neglected and Delinquent Children funds to reflect the availability of one-time carryover funds. LEAs will use these funds for services to educate neglected and delinquent or incarcerated youth.</p> <p>It is further requested that provisional language be added as follows to conform to this action:</p> <p>X. Of the funds appropriated in Schedule (4), \$43,000 is provided in one-time carryover funds to support the existing program.</p>
4	<p>Item 6110-125-0890, Local Assistance, English Language Acquisition Program (Issue 250) - It is requested that this item be increased by \$1,683,000 federal Title III Language Acquisition funds to reflect the availability of one-time carryover funds. 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>X. Of the funds appropriated in Schedule (3), \$1,683,000 is provided in one-time carryover funds to support the existing program.</p>
5	<p>Item 6110-134-0890, Local Assistance, Title I Basic Program (Issue 251)—It is requested that this item be increased by \$4.0 million federal Title I funds to reflect the availability of one-time carryover funds. LEAs will use these funds to support services that assist low achieving students enrolled in the highest poverty schools.</p> <p>It is further requested that provisional language be added as follows to conform to this action:</p> <p>X. Of the funds appropriated in Schedule (4), \$4,000,000 is provided in one-time carryover funds to support the existing program.</p>
6	<p>Item 6110-136-0890, Local Assistance, McKinney-Vento Homeless Children Education Program and Title I Even Start Program (Issues 247 and 249)—It is requested that this item be increased by \$400,000 federal Title I McKinney-Vento Homeless Children Education funds to reflect the availability of one-time carryover funds. LEAs will use these funds to provide services to homeless students.</p> <p>It is also requested that this item be increased by \$683,000 federal Title I Even Start funds to reflect the availability of one-time carryover funds. LEAs will use these funds for services to improve the educational opportunities of low-income families and for a</p>

	<p>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 this action:</p> <p>X. Of the funds appropriated in Schedule (1), \$400,000 is provided in one-time carryover funds to support the existing program.</p> <p>X. Of the funds appropriated in Schedule (2), \$683,000 is provided in one-time carryover funds to support the existing program.</p>
7	<p>Item 6110-166-0890, Local Assistance, One-time Carryover for Federal Vocational Education (Issue 401)—It is requested that this item be increased by \$10,784,000 federal Vocational Education funds to reflect one-time carryover available to support Vocational Education Programs, which develop 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>X. Of the funds appropriated in this item, \$10,784,000 is provided from one-time carryover funds for Vocational Education Programs.</p>
8	<p>Item 6110-183-0890, Local Assistance, Safe and Drug Free Schools Program (Issue 493)—It is requested that this item be increased by \$2.3 million federal Safe and Drug Free Schools funds to reflect the availability of one-time carryover funds. These funds will be used to support programs that prevent violence in and around schools and prevent the illegal use of alcohol, tobacco, and drugs.</p> <p>It is further requested that language be added as follows to conform to this action:</p> <p>X. Of the funds appropriated in this item, \$2,300,000 is provided from one-time carryover funds for the Safe and Drug Free Schools Program.</p>
9	<p>Item 6110-193-0890, Local Assistance, Mathematics and Science Partnership Program (Issue 086)—It is requested that this item be increased by \$6,561,000 federal Title II funds to reflect the availability of one-time carryover funds. 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 this action:</p> <p>X. Of the funds appropriated in this item, \$6,561,000 is provided in one-time carryover funds to support the California Mathematics and Science Partnership Program.</p>
10	<p>Item 6110-197-0890, Local Assistance, Adjust Federal Funds for 21st Century Community Learning Centers (Issue 331)—It is requested that this item be increased by \$40.0 million federal 21st Century funds to provide one-time carryover authority for unspent prior-year funds for the 21st Century Community Learning Centers program to be spent in a manner consistent with the existing program. Further, it is proposed that reporting language be added to determine the reasons for carryover and how these funds are utilized. This program provides grants to support the establishment of community learning centers that offer academic enrichment opportunities during non-school hours</p>

	<p>for students, particularly those who attend high-poverty and low-performing schools.</p> <p>It is further requested that provisional language be added as follows to conform to this action:</p> <p>X. Of the funding provided in this item, \$40,000,000 is available from one-time carryover from prior years.</p> <p>X. The State Department of Education shall provide a report to the Department of Finance and the Legislative Analyst that includes but is not limited to, allocation and expenditure data for all programs funded in this item in the past three years, the reasons for carryover, and the planned uses of carryover funds by March 1, 2010.</p>
	Other April Adjustments
11	Item 6110-001-0001, State Operations, Schedule Correction (Issue 012) —It is requested that \$1,250,000 be shifted from Program 20 to Program 30 in Item 6110-001-0001 to correct a scheduling error contained in the Budget Act of 2009.
12	Item 6110-001-0001, State Operations, Extend Limited-Term Positions for the Enhancing Education Through Technology (EETT) Grant Program (Issue 244) —It is requested that position authority for 2.0 limited-term Education Program Consultant positions in the Education Technology Office be extended for an additional two years, to June 30, 2011. These positions will support workload associated with the EETT program, including tracking grant awards and providing technical assistance to the 58 county offices of education receiving local assistance funds.

April Adjustments – Vote Only	
1	<p>California High School Exit Exam Equivalence Assessment (Issue 011)—It is requested that Item 6110-001-0890 be increased by \$1,050,000 federal special education funds and that Item 6110-001-0001 be amended to undertake the activities required, pursuant to Chapter 666 of the Statutes of 2008, which directed the State Department of Education (SDE) to form an independent panel to examine and provide recommendations to the State Board of Education (Board) on an equivalent assessment. The Budget Act of 2008 provided \$1.25 million federal funds on a one-time basis for this purpose; however, the SDE reports that it will not expend \$1,050,000 of the 2008-09 funds because most of the required work of the panel and the Board will occur in 2009-10.</p> <p>It is further requested that provisional language be added to Item 6110-001-0890 as follows to conform to this action:</p> <p>X. Of the funds appropriated in this item, \$1,050,000 is provided from one-time funds for activities described in Chapter 666 of the Statutes of 2008.</p>
2	<p>Item 6110-166-0001, Local Assistance, One-time Carryover for “Green” California Partnership Academies (Issue 403)—It is requested that Schedule (2) of this item be amended by increasing Reimbursements by \$438,000 federal trust fund to reflect one-time carryover of reimbursement authority to support “Green” Partnership Academies. This amount, coupled with \$4.0 million currently budgeted for 2009-10, will allow the SDE to fully fund 61 academies in 2009-10. LEAs receiving funding create partnership academies with local private interests that focus on clean technology such as energy conservation, renewable energy, and pollution reduction.</p> <p>It is further requested that provisional language be added as follows to conform to this action:</p> <p>X. Of the funds appropriated in Schedule (2) of this item, \$438,000 in reimbursements is provided on a one-time basis to support “Green” Partnership Academies.</p>

QUESTIONS:

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

ISSUE 3: STATE SPECIAL SCHOOLS – CAPITAL OUTLAY

The issue for the Subcommittee to consider is the Governor's 2009-10 budget proposals for two capital outlay projects for the State Special Schools.

PANELISTS

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

BACKGROUND:

The California Department of Education (CDE) administers three residential facilities and three diagnostic centers known as the State Special Schools. The residential facilities include the California School for the Blind in Fremont, the California School for the Deaf in Fremont and the California School for the Deaf in Riverside. The three diagnostic centers are located in Los Angeles, Fresno, and Fremont. The schools and diagnostic centers are state operated programs and are funded through a mix of Proposition 98 General Fund and non-98 General Fund monies.

Governor's 2009-10 Budget Proposal. The Governor's 2009-10 budget proposed two capital outlay projects for the State Special Schools totaling \$31,528 million. The projects are funded with lease-revenue bonds.

When the Legislature passed the 2009-10 Budget Act in February, the Act did not include these capital outlay projects. This was done so that the issues related to funding these projects could be heard through the Subcommittee process. The two projects for the Subcommittee to consider are as follows:

- 1) Football Field and Track, California School for the Deaf, Fremont.** This proposal requests \$14,568,000 to renovate the football field and surrounding track and to add athletic locker room space at the California School for the Deaf, Fremont. The project includes the addition of an artificial turf football/soccer field, synthetic running track, field access, raised bleachers, press box, concession and restroom facilities, storage, equipment, fencing, parking, athletic locker rooms, stadium field lighting, drinking faucets, sideline team benches, and cable for the public address system and scoreboard.

Last year, the Governor's 2008-09 budget proposed the same project at a cost of \$14,371,000. The Subcommittee rejected this proposal.

2) Athletic Complex, California School for the Deaf, Riverside. This proposal requests \$16,960,000 to design and construct an athletic complex at the California School for the Deaf, Riverside to ensure the safety of participants and spectators and maximize the use of the fields available for interscholastic sports, physical education classes, school functions, and recreational activities for residential students. The complex will be utilized for different sporting events including soccer, baseball, softball, track and field, football, and intramural activities for all students. The complex will improve accessibility, safety and convenience for those attending and participating by adding bleachers, lighting, restrooms, concession stand, electronic scoreboard with message boards, drinking fountains, storage, security, fencing, and accessible pathways.

Last year, the Governor's 2008-09 budget proposed the same project at a cost of \$17,123,000. The Subcommittee rejected this proposal.

Issues raised last year. Last year, testimony revealed health and safety concerns with regard to the existing facilities. For example, at the Fremont school, the football field has become infested with rodents and geese leading to unsafe conditions. According to CDE, in just half a day, Canadian geese leave 150 pounds of feces on the football field and 13,500 pounds over a 3 month period. They also site problems with holes made by ground squirrels which have caused nine students and three staff to be injured in 2008-09.

CDE proposes to replace the existing natural turf with artificial turf. Last year, the Subcommittee raised issues related to the cost, health and safety of using artificial turf. High levels of lead have been found in some products, injuries have been higher in some cases and high temperatures can cause the grounds to be unusable. CDE attempted to address these concerns by suggesting artificial turf will result in lower maintenance costs and they would also require the turf provider to certify that the product does not contain lead or other hazardous materials.

LAO Recommendation. The LAO recommends against approving the athletic complex and football field/track for the State Special Schools given that these are non-academic projects being proposed in a difficult budget year. The LAO however, acknowledges that the existing fields are in bad shape and pose potential health and safety risks. They would suggest a modified proposal that only addresses the health and safety issues, such as replacing the grass on both football fields but not adding any bleachers or facilities.

QUESTIONS:

- 1) CDE/DOF: How are these proposals different than the proposals heard by the Subcommittee last year?
- 2) Does LAO have suggestions for a modified proposal? What are the potential cost savings?
- 3) What are CDE's thoughts on a modified proposal? DOF, what are your thoughts?

ISSUE 4: APRIL DOF REVISIONS TO THE 2009-10 BUDGET ACT : STATE SPECIAL SCHOOLS – CAPITAL OUTLAY REAPPROPRIATIONS

The issue for the Subcommittee to consider is the request to reappropriate the unencumbered balances of bond funded appropriations for three projects at the California School for the Deaf, Riverside.

PANELISTS

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

BACKGROUND:

April Letter – Reappropriation. The Department of Finance submitted an April letter requesting the reappropriation of funds for three State Special Schools projects.

In December 2008, the Pooled Money Investment Board (PMIB) voted to freeze all disbursements from the Pooled Money Investment Account (PMIA). The PMIB took this action to preserve cash resources during the budget crisis. The April letter requests the following reappropriations so the projects can resume as authorized:

- ◆ \$14.4 million reappropriation for a Career and Technical Education Complex and Service Yard. The original authorizations for these funds were through the Budget Acts of 2005 and 2007.
- ◆ \$22.5 million reappropriation for a Gymnasium and Pool Center. The original authorization for the project was through the Budget Act of 2006.

The request also asks for budget authority to expend \$12.3 million for a Kitchen and Dining Hall Renovation. The original authorization for these funds was through the Budget Acts of 2006 and 2008.

Addition of Budget Bill Item 6110-490, Capital Outlay, Department of Education. It is requested that Item 6110-490 be added to reappropriate the unencumbered balances of bond funded appropriations for three Department of Education (DOE) projects at the California School for the Deaf, Riverside. The projects are the Career and Technical Education Complex and Service Yard, the New Gymnasium and Pool, and the Kitchen and Dining Hall Renovation. The appropriations were included in the Budget Acts of 2005, 2006, 2007, and 2008.

Pursuant to Budget Letter 08-33, departments were directed to suspend any projects that require cash disbursement from Pooled Money Investment Account loans. In order to comply with this, DOE suspended project activities for bond funded projects. Therefore, it is necessary to reappropriate the unspent balances of the requested funds to allow DOE to fulfill its obligation for the bond funded projects once they are able to restart.