

AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 2 ON EDUCATION FINANCE

ASSEMBLYMEMBER SARAH REYES, CHAIR

MONDAY, MAY 17, 1999
STATE CAPITOL, ROOM 126
4:00 P.M.

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CONSENT CALENDAR – HIGHER EDUCATION

Item	Description	Amount
University of California		
6440-001-001	May Revise Finance Letter regarding Additional Enrollment Growth	18,656,000
6440-001-001	May Revise Finance Letter regarding Industry-University Cooperative Research	5,000,000
6440-001-001	May Revise Finance Letter regarding Cooperative Extension plus Budget Bill Language	2,000,000
6440-001-001	May Revise Finance Letter regarding Math/Science Summer School (Shift from CDE to UC) and Trailer Bill Language plus Budget Bill Language	1,000,000
6440-001-001	May Revise Finance Letter regarding International Thermonuclear Experimental Reactor research (ITER) project plus Budget Bill Language	800,000
6440-001-0234	May Revise Finance Letter regarding Tobacco Research Program – increase in Prop. 99 funds.	735,000
6440-001-0890	May Revise Finance Letter regarding Gaining Early Awareness and Readiness for Undergraduate Programs. (GEAR UP) (Federal funds)	5,000,000
California State University		
6610-001-001	May Revise Finance Letter regarding Additional Enrollment Growth	14,870,000

6440 UNIVERSITY OF CALIFORNIA

ISSUE 1: FEE REDUCTION

The May Revise proposes to decrease student fees at the UC by five percent – and provide \$23 million to backfill the loss of student fee revenue.

BACKGROUND:

The 1998-99 budget provided \$22.5 million pursuant to AB 1318 (Ducheny), Chapter 853, Statutes of 1997, which reduced student fees by five percent.

With this additional rollback, students would pay \$3,609 for student fees in 1999-00 – ten percent less than 1997-98 levels.

From 1991 to 1996, student fees increased by 134 percent at the University of California, from \$1,624 per year in 1991 to \$3,709 per year in 1996.

ISSUE 2: CORE FUNDING

The May Revise proposes to augment the budget by \$39.6 million for "core funding".

The UC states that these funds would go toward employee compensation, deferred and ongoing maintenance, and instructional technology and equipment.

BACKGROUND:

On May 12, 1999, the Subcommittee augmented the budget by \$45.1 million for these "core needs". The actions were as follows:

Action	Amount (in millions)
Employee Compensation	25.8
Deferred Maintenance	6.0
Ongoing Maintenance	4.0
Instructional Technology	6.0
Instructional Equipment	3.3
TOTAL	45.1

ISSUE 3: UC MERCED

The May Revise proposes to augment the budget by \$400,000 for local planning efforts in Merced County related to the development of the 10th UC campus.

BACKGROUND:

The 1999-00 Budget includes \$9.9 million in support funding for the 10th UC campus. Funding provided in the budget act is being used to continue the development of academic programs; site planning including development of the campus Long Range Development Plan and associated environmental analyses; support for initial campus staff and faculty; and other one-time program development costs.

The 1998-99 Budget additionally contained \$1.5 million in one-time funds to establish distributed learning centers at the Merced Tri-College Center, in Modesto, and in Bakersfield. These centers will be used for both on-site and distance learning instruction.

6610 CALIFORNIA STATE UNIVERSITY

ISSUE 1: FEE REDUCTION

The May Revise proposes to decrease student fees at the CSU by five percent – and provide \$20 million to backfill the loss of student fee revenue.

BACKGROUND:

The 1998-99 budget provided \$19.4 million pursuant to AB 1318 (Ducheny), Chapter 853, Statutes of 1997, which reduced student fees by five percent.

With this additional rollback, students would pay \$1,428 for student fees in 1999-00 – ten percent less than 1997-98 levels.

From 1991 to 1996, student fees increased by 104 percent at the University of California, from \$780 per year in 1991 to \$1,584 per year in 1996.

ISSUE 2: CORE FUNDING

The May Revise proposes to augment the budget by \$16 million for “core funding”.

The CSU states that these “core” funds would go primarily toward employee compensation.

BACKGROUND:

On May 12, 1999, the Subcommittee augmented the budget by \$47.9 million for employee compensation. Of these funds, \$28.4 million is to increase the employee compensation pool for all CSU employees by an additional two percent and \$19.5 is to increase compensation for faculty by an another two percent.

ISSUE 3: OUTREACH

The May Revise proposes to augment the budget by \$9 million to expand student academic programs at CSU.

BACKGROUND:

The Finance Letter request of \$9 million would dedicate \$5 million for the CSU-High School Faculty-to-Faculty Alliance Program and \$4 million for Learning Assistance Program.

On May 12, 1999, the Subcommittee augmented the budget by \$6 million to expand student academic programs at CSU. Of these funds, \$2 million was to expand the Educational Opportunity Program (EOP), \$1 million to expand the Pre-collegiate Academic Development Program (PAD), \$1 million to expand the California Academic Partnership Program (CAP), and \$2 million for other CSU outreach programs.

7890 CALIFORNIA STUDENT AID COMMISSION

ISSUE 1: CAL GRANT PROGRAM

The May Revise proposes to redirect \$21.4 million in savings from the Student Aid Commission to expand the Cal Grant program.

BACKGROUND:

The May 14, 1999 Finance Letter specifies that these new funds will come from \$14.7 million in savings from the baseline Cal Grant Program and \$6.7 million in savings from the Cal Grant program due to the proposed decrease in UC and CSU student fees.

The May Revise request proposes the following redirection of the \$21.4 million:

- \$19 million to expand the number of new Cal Grant awards, and
- \$2.4 million to increase the maximum awards for private school recipients.

Over the past several months, the Subcommittee has taken several actions to augment programs within the Student Aid Commission – focusing on Cal Grant expansion. The Subcommittee actions are as follows:

Action	Amount (in millions)
Cal Grant A/B expansion	10
Cal Grant T expansion	5
Cal Grant C expansion	1
Work-Study expansion	1
Cal-Soap expansion	1
Cal Grant Maximum Award	2.4
TOTAL	21.4

ISSUE 2: APLE

The May Revise proposes to expand the APLE program by 1,000 awards.

BACKGROUND:

The Governor's 1998-99 budget authorizes the Student Aid Commission to grant 4,500 new Assumption Program of Loans for Education (APLE) awards – an increase of 4,100 from 1997-98.

APLE is a state-only loan forgiveness program, which provides loan assumption payments toward outstanding student loans for individuals entering the teaching profession. To receive the maximum award amount, individuals must teach at least four years in designated subject shortage areas or in under-served communities. The maximum loan assumption is \$11,000, with \$2,000 paid after the first year of teaching and \$3,000 a year after the second, third and fourth year of teaching.

On May 12, 1999, the Subcommittee further expanded the APLE program by 100 awards – to focus on students who agree to teach in rural area schools.

6110 DEPARTMENT OF EDUCATION

ISSUE 1: STATE OPS. AUGMENTATION FOR INTENSIVE READING PROGRAM

The issue for the Subcommittee to consider is a proposed increase of \$68,000 in state operations (General Fund) to SDE to administer the Elementary School Intensive Reading Program.

BACKGROUND:

The Governor's May Revision letter proposes an increase of \$68,000 in state operations funding to SDE to fund one Associate Government Program Analyst position to administer the Elementary School Intensive Reading Program, which was established by special session legislation approved earlier this year.

ISSUE 2: FEDERAL TITLE VI GRANT INCREASE

The issue for the Subcommittee to consider is a proposed increase of \$3 million in federal Title VI money.

BACKGROUND:

The Governor's May Revision letter proposes an increase of \$3,011,000 in federal Title VI funds to be distributed as local assistance. Federal Title VI funds are provided as part of the federal Improving America's Schools Act and support staff development for teachers. The letter also proposes the addition of the following language regarding these funds:

"1. It is the intent of the Legislature that schools be encouraged to use the funds appropriated in this item to enhance, expand and further the accountability system established by Chapter 3, Statutes of 1999. "

ISSUE 3: DEFERRED MAINTENANCE

The issue for the Subcommittee to consider is a proposed augmentation of \$143.7 million for deferred maintenance.

BACKGROUND:

The Governor's May Revise letter proposes an augmentation of \$143,700,000 in Proposition 98 General Fund support for deferred maintenance, with the following provisional language:

1. The funds appropriated in this item shall be transferred to the State School Deferred Maintenance Fund and shall be available for funding applications received by the Office of Public School Construction for the purpose of payments to districts for deferred maintenance projects pursuant to Education Code Section 36919.
2. The funds appropriated in this item shall also be available for remediation of problems related to lead in drinking water at public schools. Expenditures for this purpose shall be considered a priority.

COMMENTS:

On May 11, this Subcommittee approved a \$115 million expenditure for deferred maintenance, to restore the funding for this program to its current year funding level. It also placed approximately \$20 million on a Proposition 98 checklist of funding priorities.

The augmentation proposed by May Revise is \$28.7 million above the level approved by the Subcommittee, and would fully fund the state's match requirements of ½ percent for deferred maintenance projects. Staff recommends approval of the difference and approval of the proposed provisional language.

ISSUE 4: FEDERAL CLASS SIZE REDUCTION PROGRAM**BACKGROUND:**

May Revise proposes an increase of \$129,142,000 in federal funds from the new Federal Class Size Reduction program, and the following corresponding provisional language to express intent that districts use the money for 10th grade class size reduction:

1. The Superintendent of Public Instruction shall allocate funds to local educational agencies in accordance with the federal class size reduction program funding formula.
2. Local educational agencies shall expend the funds appropriated in this item consistent with the Department of Education Appropriations Act, 1999, as enacted by Public Law 105-277, and as modified by the Secretary of Education's Waiver Decision dated April 2, 1999.
3. To the maximum extent allowable by the federal class size reduction program, local educational agencies are strongly encouraged to reduce class sizes in up to two grade 10 classes, including one English course, to an average size of 20 students per certificated teacher.

COMMENTS:

Earlier this year, California received a waiver from the federal requirements for receiving federal money under this program, which requires that classes be at a ratio of 18 students per teacher. SDE plans to distribute the funding on a per-ADA basis. The waiver provisions allow school districts to use the funding as follows:

- Districts that have reduced classes in grades 1-3 to 20-1 or less and have appropriately credentialed teachers in these classes can use the funds for recruiting, hiring and training teachers.
- Districts that have reduced classes in grades 1-3 to 20-1 or less, but have teachers in these classes that are not fully qualified, must describe their plan to ensure that such teachers become properly credentialed, and may use the funds to support their plans or for recruiting or professional development.
- Districts that have not reduced their classes in grades 1-3 to 20-1 must use funds to reduce class sizes and may use up to 15 percent for professional development.
- Districts that do not serve grades 1-3 can use the funds for teacher recruitment and training to reduce class sizes, and may use up to 15 percent for professional development unless all high school classes are reduced.

ISSUE 5: PROPOSED TRAILER BILL LANGUAGE: HIGH RISK YOUTH PROGRAMS

The issue for the Subcommittee to consider is a proposal to amend current law so that grant recipients under the High-Risk Youth Education and Public Safety Program can use a portion of their state grant for start-up expenses.

BACKGROUND:

The Governor's May Revise proposes trailer bill language to allow grant recipients under the High-Risk Youth Education and Public Safety Program to apply for and receive up to 15 percent of their total grant award in the first year as start-up funding. The start-funds would then be deducted from the recipients' grant award in the third year. Funding for the program is based on the enrollment of participants.

The program addressed by this proposal was created by legislation, SB 1095 (Lockyer), Chapter 340, Statutes of 1997. The Budget Act of 1997 also contained funding to implement the new program, the High-Risk Youth Education and Public Safety Program, which targets first-time juvenile offenders and youths transitioning from juvenile ranches and camps. The program allows school districts and county offices of education to apply for grants. Participating agencies receive \$3,000 per average daily attendance (ADA), in addition to regular funding levels per ADA, for serving targeted youth with programs of at least six hours a day, and \$1,500 per ADA for five-hour days. The program was modeled after the Targeted Truancy and Public Safety Grant Program, which provided three-year grants to county offices and school districts to target services to first-time juvenile offenders that exhibit certain risk factors.

The program also requires participating educational agencies and probation departments to collect data on the following outcome measures: a) annual number of referrals to probation during participation in the program and during the two subsequent years; b) annual number of sustained petitions while participating in the program and during the two subsequent years; c) attendance; d) suspensions and expulsions; and e) academic performance and achievement. Participating agencies must submit this data to SDE, which is required to annually summarize this data, develop a final analysis of the program, and present it to the Legislature with recommendations by March 1, 2002.

COMMENTS:

A large proportion of the money appropriated for this program went unspent in the current year. The proposed language might assist school districts in applying for the program, by providing them with start-up funding. The proposed trailer bill language does not increase the total grant award that an applicant would receive, because it deducts the amount of the start-up grant from applicants' third year grants. Consequently, it does not increase the cost of the program.

CONSENT CALENDAR – 6110 EDUCATION

Issue	Description	Amount (\$000)
42	Reduction in non-Prop. 98 General Fund from SDE state ops. to reflect transfer of administration of the California State Summer School for Math and Science from SDE to the University of California	-\$1,000
167, 172	Increase of \$843,000 in federal funds to fund four two-year limited-term positions in SDE to implement a new Special Education Focused Monitoring Pilot Program.	843
181	Increase of \$36,000 in federal funds to support the new Federal Class Size Reduction program.	36
2, 4	Net increase of \$176,000 in Prop. 99 revenues for SDE state operations.	176
2,4	Net increase of \$1,793,000 in Prop. 99 revenues for local assistance to county offices, in Tobacco Use Prevention and Education.	1,793
2,4	Net decrease of \$868,000 in Prop. 99 revenues for local assistance to school districts, in Tobacco Use Prevention and Education.	-868
33	Technical adjustment of -\$12 million to the Matrix Sampled Test schedule of the testing item. Adjustment is due to inadvertent inclusion of this amount in the schedule, even though the budget contains the same amount of one-time funds set aside for this purpose (test development).	-12,000
2	Increase reimbursement authority by \$60,000 for SDE to develop a data collection system to obtain information on education and job training services provided to welfare recipient students.	60
34	Increase of \$160,000 to reflect increase in growth for instructional materials for students in grades 9-12	160
226	Increase of \$75 million in federal funds for free and reduced price lunches, due to growth.	75,000
6	Increase of \$40.6 million in one-time funds from the Proposition 98 Reversion Account for mandate claims.	40,600
2	\$10,635,000 set-aside in ongoing Proposition 98 funds for mandate claims.	10,635