

AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 2 ON EDUCATION FINANCE

Assembly Member Wilmer Amina Carter, Chair

THURSDAY, MAY 27, 2010
STATE CAPITOL, ROOM 444
9:00AM

PART 1

ITEMS TO BE HEARD

ITEM	DESCRIPTION	PAGE
6110	DEPARTMENT OF EDUCATION	
ISSUE 1	MAY REVISE LETTER: CALIFORNIA LONGITUDINAL PUPIL ACHIEVEMENT DATA SYSTEM (CALPADS)	2
ISSUE 2	MAY REVISE LETTER: CALIFORNIA SCHOOL INFORMATION SERVICES (CSIS)	5
6110/6360	DEPARTMENT OF EDUCATION/COMMISSION ON TEACHER CREDENTIALING	
ISSUE 3	MAY REVISE LETTER: CALIFORNIA LONGITUDINAL TEACHER DATA EDUCATION SYSTEM (CALTIDES)	7
6110	DEPARTMENT OF EDUCATION	
ISSUE 4	OPEN ISSUE – 4TH GRADE WRITING EXAM	9
ISSUE 5	MAY REVISE LETTER – JOINT REVIEW OF STANDARDIZED TESTING AND REPORTING (STAR) CONTRACT	11
ISSUE 6	OPEN ISSUES – CDE STATE OPERATIONS	12
ISSUE 7	OPEN ISSUES – CURRICULUM COMMISSION	15
ISSUE 8	OPEN ISSUES – ENHANCING EDUCATION THROUGH TECHNOLOGY (EETT)	16
ISSUE 9	OPEN ISSUES – TITLE I SET-ASIDE AND SCHOOL IMPROVEMENT GRANT FUNDS	19
ISSUE 10	SPECIAL DISABILITY ADJUSTMENT	23

ITEMS TO BE HEARD

6110 DEPARTMENT OF EDUCATION

ISSUE 1: MAY REVISE LETTER: CALIFORNIA LONGITUDINAL PUPIL ACHIEVEMENT DATA SYSTEM (CALPADS)

The issue for the Subcommittee to consider is the Governor's May Revision proposals for implementation and additional costs associated with the California Longitudinal Pupil Achievement Data System (CALPADS).

PANELISTS

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

BACKGROUND

Since January 2008, IBM has been working under contract with the California Department of Education (CDE) to develop the California Longitudinal Pupil Achievement Data System (CALPADS), a comprehensive, longitudinal, student-level data system that will enable the state and local school districts to track the progress of students throughout their academic career. The successful implementation of such a system is critical to increasing student achievement and better identifying and addressing our current achievement gap.

In the Fall of 2009, CALPADS went online but by February 2010, due to unacceptable system performance issues that occurred during the rollout of CALPADS, the Superintendent of Public Instruction halted system operations and directed IBM and CDE staff to focus all resources over the next two months on stabilizing the system. During this time, all previously scheduled CALPADS submittals from local educational agencies (LEAs) were put on hold. The system was scheduled to be back online by March 29, 2010.

SABOT Technologies Assessment. In December 2009 SABOT Technologies, an independent contractor hired by CDE, conducted an independent assessment of the CALPADS system architecture and technical processes. The assessment uncovered significant issues with the system and project which SABOT concluded represented a threat to the success of CALPADS from both an engineering and project standpoint. The SABOT report made several recommendations, most notably that IBM and CDE staffing on the project were less experienced than expected for a project of this size and complexity. Furthermore, they found the team was understaffed to handle the work while maintaining the schedule and quality. IBM was also behind schedule and had a backlog of work in new development, service desk, and defect remedy.

According to SABOT, during January 2010, IBM and CDE digested the report and CDE communicated to IBM their intention to hold IBM accountable for remedying the system's stability and getting the project back on track. They asked IBM to develop a plan to stabilize the system. IBM contract executives developed a high level plan to stabilize the system by March 29, 2010.

On April 26, stabilization software was released to the field to increase the efficiency of the current system. This is a 60 day testing period and according to CDE by mid-June the stabilization period should be finished.

Governor's May Revision Proposal. The Governor's May Revision provides an additional \$1.12 million in one-time federal Title II and Title VI funds to support additional vendor contract costs, software and hardware acquisition, as well as independent project oversight and independent validation and verification costs for the CALPADS. This would provide a total of \$5.9 million for the 2010-11 Fiscal Year. The Administration is also requesting the Legislature approve provisional language that makes the funding contingent upon several factors. The specific language is below.

Staff Comments. Last week, California was notified that it did not receive the Institute for Education Sciences (IES) grant. Staff recommends approval of the Department of Finance language with the following changes:

California Longitudinal Pupil Achievement Data System Implementation Costs (Issue 285)—It is requested that Item 6110-001-0890 be increased by a total of \$1,122,000 in one-time federal Title II and Title VI funds and that Item 6110-001-0001 be amended to support additional vendor contract costs, software and hardware acquisition, as well as independent project oversight and independent validation and verification costs for the CalPADS. It is further requested that provisional language be added to Item 6110-001-0890 as follows to conform to this action:

17.5. (a) Of the funds appropriated in this item, a total of \$1,122,000 in available Title II and Title VI funds is provided on a one-time contingency basis for additional implementation costs associated with the California Longitudinal Pupil Achievement Data System (CalPADS). No Title II or Title VI funds shall be expended for the purposes described in subdivision (b) of this provision until the following conditions have been met: (1) the Department of Education certifies to the Department of Finance that CalPADS system stabilization has been achieved so that data is able to be received and transferred reliably as a result of the release of system stabilization software on April 26, 2010, , and (2) the Department of Education provides a plan to the Department of Finance and the Legislature to make the system fully operational by the end of the 2010 calendar year.

(b) Funds allocated in accordance with subdivision (a) of this provision shall be available for the following specific purposes:

- (1) \$606,000 for vendor costs associated with systems integration activities.
- (2) \$277,000 for vendor project management costs.
- (3) \$214,000 for independent project oversight consultant and independent validation and verification costs.
- (4) \$4,000 for system hardware costs.
- (5) \$6,000 for system software costs.
- (6) \$15,000 for Department of General Services contract revision charges.

The Administration has also requested approval of the following technical adjustments associated with CALPADS funding.

Item 6110-113-0890, Local Assistance, Shift Federal Title VI Funds From the Standardized Testing and Reporting Program to the California Longitudinal Pupil Achievement Data System (Issue 005)—It is requested that Schedule (3) be decreased by \$13,000 to reflect a shift of federal Title VI funds from the Standardized Testing and Reporting (STAR) program to support the CALPADS. Because the STAR program is funded by both Proposition 98 General Fund and federal Title VI funds, any reduction of federal funds would result in the need for a comparable increase in Proposition 98 General Fund. This portion of the request represents the federal funds adjustment. Funding CALPADS activities with federal funds would save the state discretionary General Fund. (See related adjustments at Item 6110-113-0001, Issue 004 and Item 6110-001-0890, Issue 285.

Item 6110-113-0001, Local Assistance, Student Assessments (Issue 004)—It is requested that Schedule (2) of this item be increased by \$13,000 Proposition 98 General Fund to conform to a shift of federal Title VI funds from the STAR program to support the CALPADS. Because the STAR program is funded by both Proposition 98 General Fund and federal Title VI funds, any reduction of federal funds would result in the need for a comparable increase in Proposition 98 General Fund. This portion of the request represents the Proposition 98 General Fund adjustment. Funding CALPADS activities with federal funds would save the state discretionary General Fund. (See related adjustments at Item 6110-113-0890, Issue 005 and Item 6110-001-0890, Issue 285.

Staff recommendation: Approve Issues 004, 005 and 285 of the Department of Finance Letter with staff amendments.

ISSUE 2: MAY REVISE LETTER: CALIFORNIA SCHOOL INFORMATION SERVICES (CSIS)

The issue for the Subcommittee to consider is the Governor's May Revision proposals for implementation and additional costs associated California School Information Services (CSIS).

PANELISTS

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

BACKGROUND

California School Information Services (CSIS), housed in the office of the Fiscal Crisis and Management Team (FCMAT), is charged with building capacity of local education agencies (LEAs) to collect, maintain, and report granular level data to facilitate reporting to California Longitudinal Pupil Achievement Data System (CALPADS).

According to CSIS, some of their core functions include:

- Serving as subject matter experts to CDE and the CALPADS vendor, IBM, to support and facilitate the development of CALPADS.
- Providing training materials, in partnership with IBM. CSIS also assumed responsibility for CALPADS Fall 1 training when IBM's contractual obligations ended. In Fall 2010, CSIS will be responsible for all Fall 1 trainings as well as orientation of new staff.
- Responding to the majority of service requests. Between October 4, 2009 and April 4, 2010, 11,487 requests were received. CSIS was responsible for 73.3% of those requests, IBM 15.2%, and CDE 9.1%.

Once the CALPADS project is complete, all technical assistance and training to LEAs, system maintenance and system support desk functions will lie with CSIS. During this transition phase, CSIS has been working with IBM to gain the necessary technical and system architectural knowledge of the CALPADS solution in preparation to support the maintenance and operations of CALPADS.

Governor's January Budget. The Governor's January budget provided \$6 million from the Education Technology Fund for CSIS for 2010-11. In April, CSIS asked for an additional \$3,184,000 in local assistance to support workload costs associated with the transfer of CSIS data management responsibilities to CALPADS.

Governor's May Revision Proposal. The Governor's May Revision proposes to provide an additional \$1.7 million to CSIS in 2010-11. This results in a total funding level of \$7.7 million for CSIS for 2010-11. Of this amount, \$2.5 million of CSIS funding will be provided by the Education Telecommunication Fund (ETF). The remaining \$5.2 million is provided to CSIS from one-time Proposition 98 dollars. According to Department of Finance, the full request of \$3.1 million was not provided given the scarcity of one-time funds. Below are the technical adjustments necessary to achieve this increase.

Items 6110-140-0001 and 6110-699-0349, Local Assistance, California School Information Services Support (Issue 284)—It is requested that these items be adjusted to reflect a reduction of \$3,516,000 in funding support for the California School Information Services organization from the Educational Telecommunication Fund due to a projected drop in fund revenues. It is also requested that \$1,954,000 reappropriated from one-time current year savings to the Educational Telecommunication Fund be eliminated and instead directly reappropriated from Item 6110-485 for the support of the California School Information Services.

Items 6110-485, 6110-495, and 6110-605-0001, Local Assistance, Proposition 98 Reversion and Reappropriation for California School Information Services Support (Issue 284)—It is requested that Items 6110-485 and 6110-495 be increased to revert and reappropriate \$3,270,000 in one-time Proposition 98 savings for the support of the California School Information Services. Provisional language would conform to the increased support and specify eligible uses of these funds.

Item 6110-653-0001, 6110-698-0349, and 6110-751-0001, Local Assistance, Educational Telecommunication Fund Transfers (Issue 284)—It is requested that these items be adjusted to reflect an \$836,000 reduction in General Fund transfers to the Educational Telecommunication Fund associated with lower estimated audit recoveries.

Staff Recommendation: Approve Department of Finance May Revise proposal for CSIS funding.

**6110 DEPARTMENT OF EDUCATION/6360 COMMISSION ON TEACHER
CREDENTIALING****ISSUE 3: MAY REVISE LETTER: CALIFORNIA LONGITUDINAL TEACHER DATA
EDUCATION SYSTEM (CALTIDES)**

The issue for the Subcommittee to consider is the Governor's May Revision proposals for implementation and additional costs associated the California Longitudinal Teacher Data Education System (CALTIDES).

PANELISTS

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

BACKGROUND

The California Longitudinal Teacher Integrated Data Education System (CALTIDES) will provide longitudinal teacher data that will allow the state to meet the requirements of the federal No Child Left Behind Act of 2001. However, because CALTIDES will leverage the CALPADS system, the current performance and stability issues with CALPADS must be resolved prior to moving forward with the CALTIDES project.

Governor's May Revision Proposal. The Governor's January budget did not include funding for CALTIDES. As part of the May Revision, the Administration proposes to provide funding for CALTIDES to both the California Department of Education (CDE) and the Commission on Teacher Credentialing (CTC) as follows:

- CDE: \$3.86 million in federal funds and 3 two-year limited-term positions to the CDE to support the development of CALTIDES.
- CTC: \$84,000 from the CTC Test Development and Administration Account, Teacher Credentials Fund and one two-year limited-term position to the CTC. This funding and position will support the development of CALTIDES and provide subject matter expertise, help modify the CTC's existing databases, and work with the CDE to ensure data compatibility.

However, because it is unclear when the problems with the CALPADS system will be resolved, the Administration is also requesting the Legislature approve provisional language that makes expenditure of this augmentation contingent upon resolution off all the current performance issues with the CALPADS and subject to the written approval of the Department of Finance and the Office of the Chief Information Officer. The text of the May Revise Letters are below:

California Longitudinal Teacher Integrated Data Education System Development and Implementation Costs (Issue 150)—It is requested that Item 6110-001-0890 and Item 6110-001-0001 be amended to reflect an increase of \$3,860,000 federal funds and 3.0 two-year limited-term positions to support the development of the California Longitudinal Teacher Integrated Data Education System (CALTIDES). Of this amount, \$3,438,000 is for vendor contracts, project management and project oversight contracts, \$277,000 is for personnel costs, \$98,000 is for Department of Technology Services support, \$27,000 is for general operating expenses, \$13,000 is for Department of General Services support, and \$7,000 is for software licensing. The 3.0 positions represent an extension of 3.0 limited-term positions that expire on June 30, 2010. Funding for this increase is proposed from Title II funds and a new \$6.0 million federal Statewide Longitudinal Data System grant from the Institute of Education Sciences for the CALTIDES system integration received in March 2009. The new grant is available for four years and is limited to systems integration of state-level development of educational longitudinal databases. It is further requested that provisional language be added to Item 6110-001-0890 as follows to conform to this action:

X. Of the funds appropriated in this item, \$3,000,000 is provided from federal Statewide Longitudinal Data System funds and \$860,000 is provided from federal Title II funds, on a one-time contingent basis, to support 3.0 two-year limited-term positions and other development costs for the California Longitudinal Teacher Integrated Data Education System (CALTIDES). No funds may be expended until the California Longitudinal Pupil Achievement Data System (CALPADS) has been determined to receive and transfer data reliably and upon the written approval of the Department of Finance and the Office of the Chief Information Officer. The 3.0 limited-term positions shall expire on June 30, 2012.

Amendment to Budget Bill Item 6360-001-0408, Support, Commission on Teacher Credentialing. It is requested that Item 6360-001-0408 be increased by \$84,000 Test Development and Administration Account, Teacher Credentials Fund, and that one two-year limited-term position be added to support the development of the California Longitudinal Teacher Integrated Data Education System (CALTIDES). The position would provide subject matter expertise, help modify the Commission on Teacher Credentialing's existing databases, and work with the State Department of Education to ensure data compatibility. It is further requested that provisional language be added to conform to this action as follows:

X. Of the funds appropriated in this item, \$84,000 and 1.0 two-year limited-term position are available upon the successful implementation of the California Longitudinal Pupil Achievement Data System (CALPADS) and the written approval of the Department of Finance and the Office of the Chief Information Officer. These resources are for the purposes of providing subject matter expertise and support in the development of the California Longitudinal Teacher Integrated Data Education System (CALTIDES) with the State Department of Education. The limited-term position shall expire on June 30, 2012.

Staff Recommendation: Approve Department of Finance May Revise proposal for CALTIDES funding.

ISSUE 4: OPEN ISSUE – 4TH GRADE WRITING EXAM

The issue for the Subcommittee to consider is the elimination of the 4th grade writing assessment and the Governor's May Revision proposal to reinstate the exam.

PANELISTS

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

BACKGROUND:

In April, the Subcommittee heard the issue of the elimination of the 4th grade writing assessment and took action to hold the issue open until the May Revision but directed the California Department of Education (CDE) and the Department of Finance (DOF) to provide the Legislature with options for restoring the exam in the 2010-11 fiscal year.

As the Subcommittee heard in April, the exam was eliminated as part of the Governor's 19.8% across-the-board reductions to categorical programs in 2009-10. The 4th grade writing exam accounted for \$2 million of the total \$17.1 million reduction. At the Subcommittee hearing, CDE identified an additional \$650,000 in costs associated with restoring the exam. This cost included revision of all paper and electronic processes as well as costs for a delayed range finding session held with a representative group of California teachers and assessment review panel members active in grade four writing.

Governor's May Revise Proposal. According to the DOF May Revise letter, as a result of negotiations between the Administration and the STAR contractor, the contractor has agreed to absorb all costs associated with the administration of the 4th grade writing component for the 2010-11, 2011-12 and 2012-13 administrations. Below is the text of the letter:

Item 6110-113-0001, Local Assistance, Restore Fourth Grade Writing and Develop a Longitudinal Academic Growth Model (Issue 006)—It is requested that provisional language be added to direct the State Department of Education (SDE) to restore the writing component of the fourth grade English/language arts California Standards Test (CST) and California Modified Assessment (CMA) without the need to increase the appropriation for the STAR program. As a result of negotiations between the Administration and the STAR contractor, the contractor has agreed to absorb all costs associated with administration of the fourth grade writing component for the 2010-11, 2011-12, and 2012-13 administrations. The writing component was eliminated in 2009-10 in an effort to save costs.

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

X. The State Department of Education (SDE) shall ensure the administration of fourth grade writing for the English/language arts California Standards Test and the California Modified Assessment commencing with the 2010-11 school year. The SDE shall ensure that, as a condition of extending the existing contractor agreement for the Standardized Testing and Reporting program, the agreement shall require the contractor to absorb the costs of administering fourth grade writing and the development of a longitudinal academic growth measure.

LAO Alternative. The LAO expressed concern with the contractor's ability to completely absorb all costs for reinstating the 4th grades component. Therefore the LAO recommends an alternative to the Administration's proposal. The Department of Finance had no position on the LAO alternative at the time this agenda was written.

Item 6110-113-0001, Local Assistance, Restore Fourth Grade Writing (Issue 006), LAO-Modified Version

X. The State Department of Education (SDE) shall restore the writing component of the fourth grade English/language arts California Standards Test and California Modified Assessment. By September 30, 2010, SDE and the test contractor shall submit a proposal to the Department of Finance, Legislative Analyst's Office, and legislative fiscal and education committees that identifies any offsetting contract savings deemed necessary for such reinstatement.

Staff Recommendation. Staff recommends the Subcommittee approve the following:

- 1) Approve Governor's May Revise proposal to restore Fourth Grade Writing Test in 2010-11 with assessment contractor savings.
- 2) Approve LAO budget language to require the test contractor to submit a proposal to the Department of Finance, Legislative Analyst's Office, and the fiscal and policy committees of the Legislature that identifies any offsetting contract savings deemed necessary of reinstatements.

ISSUE 5: MAY REVISE LETTER – JOINT REVIEW OF STANDARDIZED TESTING AND REPORTING (STAR) CONTRACT

The issue for the Subcommittee to consider is the Governor's May Revise proposal to approve provisional budget bill language to allow for a joint review of the STAR contract.

PANELISTS

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

BACKGROUND:

Issues around the 4th grade writing elimination have highlighted the need for transparency with regard to the state's testing contract. The Department of Finance recommends the Legislature approve the following provisional budget language.

Item 6110-113-0001, Local Assistance, Joint Review of the Standardized Testing and Reporting Contract (Issue 008)—It is requested that provisional language be added to direct the Legislative Analyst's Office and Finance to jointly review the STAR contract with Educational Testing Service (ETS) and report to the Governor and Legislature on current components, costs, and program improvement recommendations. A joint review will provide fresh oversight of this significant contract, improve transparency, and facilitate informed contract development now and in the future.

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

X. The Legislative Analyst Office and the Department of Finance shall jointly review the current Standardized Testing and Reporting contract and report to the Governor and Legislature on current components, costs, and program improvement recommendations by April 10, 2011.

LAO Alternative. The Legislative Analyst's Office offers the following more detailed alternative to the Administration's language. The Department of Finance had no position on the LAO alternative at the time this agenda was written.

Item 6110-113-0001, Local Assistance, Joint Review of the Standardized Testing and Reporting Contract (Issue 008), LAO-Modified Version

x. The Legislative Analyst's Office, Department of Finance, State Department of Education, State Board of Education, and the vendor(s) of the state's Standardized Testing and Reporting contract and California High School Exit Exam contract shall meet on an annual basis every October and April to review detailed fiscal information regarding the current components and costs of each contract. The group also shall explore ways to make annual improvements to the state's assessment system and/or achieve related savings. In addition, at the October 2010 meeting, the group shall review options for developing and implementing a student growth measure, with the goal of identifying the most cost-effective, reliable, robust growth measure. By April 1, 2011, the group shall recommend to the Governor and Legislature a student growth measure that meets the above criteria.

Staff Recommendation. Approve LAO alternative language.

ISSUE 6: OPEN ISSUES – CDE STATE OPERATIONS

The issue for the Subcommittee to consider is the Governor's 2010-11 proposed reductions for the California Department of Education (CDE) state operations budget and the LAO proposal to further reduce state operations in light of categorical program flexibility.

PANELISTS

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

BACKGROUND:

CDE's administrative branch (state operations) include both state headquarters and the State Special Schools (SSS). When the Subcommittee heard this issue in April, the focus was only on the state headquarters budget. CDE state operations are funded with a mix of non-Proposition 98 General Fund and federal funds. Approximately 64% of CDE state operations are funded with federal funds. The Governor's 2010-11 budget provides 1,553 authorized positions and \$213 million funding (all funds) for CDE headquarters staff.

Governor's 2010-11 proposed reductions. In 2010-11, the Governor proposes to make permanent approximately \$19.8 million (all funds) in base reductions implemented in previous years for the CDE headquarters staff, including \$7.9 million in General Funds.

In addition, the Governor is proposing additional General Fund reductions of approximately \$4.3 million in 2010-11 that are tied to two of three compensation adjustments for state employees proposed as a part of the Governor's "5/5/5" package. Specifically a five percent employee compensation reduction and a five percent employee retirement contribution increase. The CDE budget will conform to overall actions taken in Subcommittee 4 on these proposals.

A third component of the Governor's package is tied to a "workforce cap" achieved through a five percent increase in salary savings; however, it does not apply to Constitutional officers. The CDE has not been required to participate in the workforce cap reduction plan because reductions taken as a part of the Governor's veto of funding from the 2009-10 Budget Act are deemed to satisfy those proposed savings.

LAO recommends the Legislature align CDE staff levels with categorical flexibility decisions. When the Subcommittee heard this issue in April the LAO recommended the Legislature reduce CDE's budget by \$10 million and eliminate roughly 150 positions.

The rationale was that, given the state’s decision last year to essentially eliminate the programmatic and funding requirements associated with roughly 40 state categorical programs, CDE should make corresponding changes to their staffing of those programs. When the LAO developed their initial estimates the did not have detailed information on all general fund headquarter positions by branch, division, unit nor the number of positions that CDE had defunded through internal actions as part of the changes to categorical programs.

The Subcommittee requested CDE provide a complete listing of all General Fund headquarter positions by branch, unit and division as well as positions that have been de-funded as a result categorical program flexibility prior to action on the Governor’s May Revision. According to CDE, 22.1 positions have been unfunded as a result of the change in categorical program funding but no positions have been eliminated and no layoffs have occurred.

Given this information, the LAO recommends the following Budget Bill Language be added to the CDE state operations budget item as follows:

State Operations Budget Bill Language 6110-001-0001
 Add Schedule (8.5) Categorical Positions Reduction.....-5,200,000

Add Provision:

23. The reduction in Schedule (8.5) shall, to the extent possible, be achieved by eliminating 70 positions related to administering programs associated with the categorical programs listed in Section 42605 of the Education Code. Within 30 days after the enactment of this act, the department shall submit a plan to the Department of Finance, Legislative Analyst’s Office, and Joint Legislative Budget Committee on how the savings in Schedule (8.5) will be achieved, including a list of positions eliminated by branch and division.

April Letter Adjustments. The Administration proposes the following adjustments to CDE state operations.

1)	<p>Items 6110-001-0001 and 6110-001-0890, State Operations, State Department of Education–American Recovery and Reinvestment Act-Related Monitoring and Reporting (Issue 004). It is requested that Item 6110-001-0890 be increased by \$1,982,000 one-time federal carryover funds and that Item 6110-001-0001 be amended to implement various education-related accountability, reporting, and technical support provisions of the federal American Recovery and Reinvestment Act (ARRA) of 2009. The ARRA provided billions of dollars in one-time funding to jumpstart school reform efforts, serve special populations, save and create jobs, and stimulate the economy. The ARRA and related federal regulations require that nearly all federal ARRA funds be disbursed to local educational agencies (LEAs) and that a limited amount of these funds may be used by states for monitoring, reporting, and technical support of LEA activities during the three-year availability of ARRA funds. According to the SDE, federal special education and Title I guidance suggest that a portion of these base grants may be used for ARRA state administrative activities and the SDE has identified one-time carryover funds from these base grants that could be used for these purposes.</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 provided in this item, \$1,982,000 in one-time federal carryover funds is available for the State Department of Education to satisfy all fiscal monitoring, reporting, technical assistance, and other oversight activities as required by the</p>
----	---

	American Recovery and Reinvestment Act of 2009 (Public Law 111-5) and related federal guidance.
2)	Items 6110-001-0001, State Operations, State Department of Education Remove Limited-term Position and Funding for the Chief Business Officer Training Program (Issue 145). It is requested that this item be decreased by \$76,000 General Fund and that the limited-term associate governmental program analyst position that supported the Chief Business Officer Training Program be removed. The Chief Business Officer Training Program was a three-year project that offered incentives to school districts and county offices of education to provide instruction and training to chief business officers on school finance, operations, and leadership. However, the program became inoperative July 1, 2009, pursuant to Education Code Section 44519.2. The Governor's Budget removed provisional language allocating \$1.0 million for the local assistance portion of the program and shifted the \$1.0 million to the Administrator Training Program. Although the local assistance funding was appropriately addressed, associated state operations costs were not removed.
3)	Items 6110-001-0001, State Operations, State Department of Education Charter Schools Division Positions (Issue 722). It is requested that 3.0 positions be added to the Charter Schools Division to provide support for increased workload due to growth in statewide charter school petitions and charter school appeals. These positions would enable the SDE to complete statutorily required charter school-related activities.

Staff Recommendation:

1. Approve the LAO budget bill language to reduce General Fund for CDE state operations by \$5.2 million and associated positions, including 20 authorized positions already defunded per CDE.
2. Approve of April letter adjustments.

ISSUE 7: OPEN ISSUES – CURRICULUM COMMISSION

The issue for the Subcommittee to consider is the cost for completing the History/Social Science and Science Frameworks.

PANELISTS

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

BACKGROUND:

The 2009-10 Budget Act provided local fiscal flexibility to districts by suspending the requirement that local education agencies (LEAs) purchase new instructional materials within 24 months of adoption through 2012-13 and prohibited the State Board of Education (SBE) from adopting new materials or following procedures for adoptions. When the Governor signed the budget act, he also vetoed \$705,000 for the Curriculum Commission and fundamentally halted any further activities of the Commission until 2013-14 or until an agreed upon process is developed for resumption of the Commission.

Prior to enactment of the 2009-10 Budget Act, the Curriculum Commission had begun the process of updating the History/Social Sciences (H/SS) framework for the 2011 H/SS primary adoption. On July 17, 2009, the Curriculum Commission approved the draft update of the H/SS framework for field review, but due to the budget action, the field review was suspended. CDE also suspended work related to the revision of frameworks for science, health, and mathematics. Science, like History/Social Science, was particularly close to development. Legislation is pending to allow the Commission to resume limited activities and sets forth a timeline for full resumption. According to CDE there would be minimal costs to complete the History/Social Science framework and costs of about \$144,000 to complete the Science framework.

Staff recommendation. Approve \$144,130 in one-time General Fund costs for the Curriculum Commission to resume activities on the H/SS and Science frameworks.

ISSUE 8: OPEN ISSUES – ENHANCING EDUCATION THROUGH TECHNOLOGY (EETT)

The issues for the Subcommittee to consider are the options for appropriating \$72 million in *one-time* American Recovery and Reinvestment Act (ARRA) EETT funds provided to California in 2009-10 and the \$9.4 million in *ongoing* EETT funding provided for 2010-11.

PANELISTS

- Lexi Shankster - Legislative Analyst's Office
- Thomas Todd - Department of Finance
- Carol Bingham - Department of Education

BACKGROUND:

The Enhancing Education Through Technology (EETT) program was established in 2002 under No Child Left Behind (NCLB) to provide funding to Title I schools or schools that could demonstrate “a substantial need for assistance in acquiring or using technology.” According to the US Department of Education (USDOE), the primary goal of the EETT program is to “improve student achievement through the use of technology in elementary and secondary schools.” Local activities include the support of continuing, sustained professional development programs; use of new or existing technologies to improve academic achievement; the acquisition of curricula that integrate technology and are designed to meet challenging state academic standards; the use of technology to increase parent involvement in schools; and the use of technology to collect, manage, and analyze data to enhance teaching and school improvement.

ARRA EETT Grant Allocations. Consistent with previous federal requirements, *at least* 95 percent of the \$72 million in one-time ARRA EETT funds must be allocated as grants to local education agencies (LEAs) – school districts, county offices of education, and charter schools. Up to five percent of ARRA EETT funds can be used for state administration and state level activities.

The EETT program authorizes both formula grants and competitive grants for LEAs:

- **Competitive Grants:** At a minimum, 50 percent of the amount available for local grants must be used for competitive grants – although up to 100 percent may be used for this purpose. The U.S. Department of Education (USDE) strongly encourages states to award all of the funds competitively. USDE believes that larger competitive grants potentially will have a greater impact than smaller formula grants awarded across all of a state’s districts.
- **Formula Grants:** Up to 50 percent of local grants may be provided per formula grants allocated on the basis of Title I student counts for LEAs.

At least 25 percent of the funds for both competitive and formula grants must be used to provide professional development.

LAO Proposal. Consistent with their testimony at the Subcommittee hearing on May 4, the LAO recommends all \$82.3 million EETT funds be distributed on a competitive basis to grades 8 through 12. The LAO further recommends intent to fund up to half of all eligible LEAs with the specification that no single district shall receive more than \$250 per pupil or a total of \$15 million. The LAO would base the priority for grants on LEAs' percentage of students eligible for free or reduced price lunches (consistent with federal guidelines).

With regard to specific competitive application requirements, the LAO suggests the following:

- Require LEA applicants to submit plans that focus on using education data to improve college- and career-readiness or improve the high school graduation rate.
- Require LEA applicants to have a plan for analyzing the effectiveness of their instructional techniques, intervention strategies, and other support programs in achieving program goals.
- In selecting grant recipients, CDE shall consider the following application criteria, including but not limited to: the quality and scope of the LEA proposal, the ability of the LEA to support successful implementation of the proposal, and the likelihood the LEA proposal could provide statewide benefit.
- Require LEA applicants to have a plan for establishing effective data management practices for college- and career-readiness data. Specifically, require LEAs to establish processes for collecting, maintaining, accessing, and using college- and career-readiness data. Ensure classroom teachers have access to these data and are provided professional development in how to analyze these data.
- Allow LEA grant recipients to use up to 10 percent of grant funds to contact for technical assistance and program support.
- Require LEA grant recipients to share their findings regarding which instructional practices appear most effective in preparing high school students for college and careers. Specifically, require report to be submitted to CDE no later than October 1, 2012.

STAFF COMMENTS

When this issue was heard in Subcommittee on May 4, several districts testified that they had already expended funding they anticipated they would receive due to a CDE advisory that went out to the field last August. Although CDE did not have budget authority to appropriate the funds, CDE told the field they would “*distribute the funds by the end of the year to school districts in two ways: half determined by formula and half through grants. The first half would go to local educational agencies that already have approved Ed Tech Plans and will be based on their proportion of the Title I, Part A funds distributed in California. The other half would go to local educational agencies and direct-funded charter schools after they fill out applications being offered in August and are selected through a competitive process.*” Despite the Legislature’s concerns and lack of appropriation authority, CDE has continued to keep the advisory posted on their website and has not notified the field that the funding would be distributed any differently.

The actions of CDE have caused confusion among districts and put the Legislature in a difficult position. However, given the tough fiscal times, it is apparent that these funds should be appropriated as soon as possible. Staff has been working with the Department of Finance to determine options for distributing funding to the field in a timely manner. The Department of Finance has agreed to send \$34 million of the EETT funds to the field in the form of formula grants through the Section 28 letter process. This will ensure that these funds will get to the field as soon as possible.

Staff recommends the remaining \$47.4 million be scheduled in the 2010-11 Budget Act to be distributed by CDE on a competitive basis per the LAO recommendation.

Staff recommendation.

- 1) Approve \$34 million in ARRA EETT funds for formula grants via Section 28 Letter.
- 2) Approve the \$37.6 million in ARRA EETT funds and \$10.15 million in 2010-11 EETT funds for competitive grants to K-12 school districts, without regard to funding regions in 2010-11, via the state budget.
- 3) Approve LAO language specifying statewide purposes for the competitive grants in 2010-11.
- 4) Approve \$450,000 for CDE administration of EETT for 2010-11.

ISSUE 9: OPEN ISSUES – TITLE I SET-ASIDE AND SCHOOL IMPROVEMENT GRANT FUNDS

The issues for the Subcommittee to consider are options for appropriating \$485.1 million in unobligated federal School Improvement Grant (SIG) and Title I set aside funds.

PANELISTS

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

BACKGROUND:

Federal Funding for School Improvement. The federal government provides two streams of funding to states to be used to improve student achievement in Title I schools identified for improvement, corrective action, or restructuring so as to enable those schools to make adequate yearly progress (AYP) and exit PI status.

- **Federal Title I Set-Aside.** NCLB requires states to set aside four percent of their total Title I grant to help schools and districts improve their performance.
- **School Improvement Grant (SIG).** The state also receives federal funding under the School Improvement Grant (SIG). The federal government established the SIG program in 2008 to provide technical assistance for Title I schools in PI under NCLB.

In 2009, the federal American Recovery and Reinvestment Act (ARRA) also provided one-time funding to California under the Title I set-aside and the SIG program on top of the base funding provided to California.

The state has a total of \$550 million in Title 1 Set-Aside and SIG funding combined. After funding existing program obligations, the state has a total of \$485.1 million in unobligated SIG and Title I set aside funds combined.

Federal SIG guidance. In January 2010 the federal government issued new regulations for the SIG program that will influence how the state decides to allocate these funds. For example, states are required to use SIG resources to turn around the bottom 5 percent of schools in PI (frequently referred to as the "persistently lowest achieving schools"). Schools can receive up to \$2 million per year for three years. As a condition of receiving funds, schools must implement one of four intensive intervention strategies.

Federal feedback on State Department of Education (SDE) SIG application. In March 2010, the State Board of Education (SBE) approved the SDE's federal SIG application. The application was contingent upon approval of five waiver requests. The application also included a methodology developed by SBE to identify the state's 5 percent "persistently low performing" schools. Under the CDE methodology, out of 2,708 eligible Title I schools, 139 were identified as "Tier I" schools. Forty nine schools (of the 968 secondary schools that are eligible for, but do not receive, Title I funds) were identified as "Tier II." While states have the option of identifying a third tier of schools, the SDE application did not include these schools because the SDE plan "anticipates the funds that will be available to California through the SIG award will fund only the lowest-achieving Tier I and a limited number of Tier II schools."

Two weeks ago, CDE was required to resubmit their application to the federal government based on feedback from the US Department of Education. Three changes were sought by federal officials:

- A scoring system for LEA applications was added in the Selection Process section.
- New forms were added for School Budget Plans and Narratives.
- School Implementation Charts to allow LEAs to show projected costs at both the school and LEA level.

CDEs application is still pending with the federal government although it is staff's understanding that LEA applications are still due to the CDE by June 1.

AB 519 program. The AB 519 program is an important program in that it specifically targets funding to districts in PI so that funds may be used for all schools in the district. For example, if a district falls into PI due to low achievement of specific subgroups (ie. English learners or special education students), this program allows the district to provide professional development, training in the use of data or instructional coaches that could benefit the subgroup across all schools in the district. Given the large amount of funding targeted to specific schools through SIG, staff recommends the Legislature continue to provide funds to assist with interventions for districts in PI.

The Subcommittee took action when this issue was heard in April to continue funding this program per existing law.

LAO Recommendation. The LAO proposes an approach that funds primarily Tier I and II schools and if, after making year-one Tier I and II grant awards, the state finds it will not expend all available SIF funds over three years, the LAO recommends the Legislature direct CDE to award funds to Tier III schools. These Tier III schools would include the remaining neediest PI schools excluding any PI school with more than 50 percent of its students proficient and/or a school that has achieved 100 or more points of growth on the Academic Performance Index over the last three years.

The LAO further recommends the Legislature direct CDE to develop a School Improvement Fund (SIF) scale for evaluating proposed school budgets that treats schools consistently based on: (1) school enrollment and (2) implementation model/associated activities. They also recommend Legislative intent for CDE to provide SIF grants to all the persistently lowest-achieving schools that have quality applications.

The LAO also suggests that funds be released to LEAs only after SBE approval and contingent upon specific reporting language that would require, within 15 days of submitting the list of approved grants to the State Board of Education, CDE to report the following information to DOF, LAO, and the legislative fiscal and education committees: 1) A copy of the cost scale used to evaluate district budgets; 2) number of applications received and approved (grouped by tier) and 3) specific data for each school funded and each school rejected (grouped by tier).

STAFF COMMENTS

The following chart provides funding for existing program obligations (AB 519) and the Statewide System of School Support. The chart also provides an estimate of program costs for 2010-11 based on the LAO methodology for providing funds to Tiers I, II and III.

Federal School Improvement Budget - Staff Recommendation

(In Millions)

	2009-10	2010-11
Funds		
Carryover	\$78.2	\$415.9
Set Aside	\$65.0	\$66.6
School Improvement Grant (SIG)	\$64.1	\$69.2
ARRA - Set Aside	\$45.0	\$0.0
ARRA - SIG	\$351.8	\$0.0
Total	\$604.1	\$551.7
Expenditures		
Existing Program Costs		
District Intervention - AB 519 ^a	-\$25.0	-\$56.6
Statewide System of School Support	-\$10.0	-\$10.0
QEIA ^b	-\$153.2	\$0.0
New Program Costs^c		
Tiers I, II and III - Persistently lowest-achieving per the LAO methodology	\$0.0	-\$160.5
Total Costs	-\$188.2	-\$227.1
Remaining		
Set Aside	\$0.0	\$0.0
SIG	\$64.1	\$133.3
ARRA - Set Aside	\$0.0	\$0.0
ARRA - SIG	\$351.8	\$191.3
TOTAL Amount Remaining After 2010-11 for base program	\$415.9	\$324.6
TOTAL Remaining After Three-Year Grant Period		\$3.6

a. Continues funding entirely from set aside. Assumes funds prorated beginning in 2010-11.

b. state funding shall be offset for QEIA schools receiving these set-aside pursuant to ABX3 56.

c. New program costs listed in order of priority. Grants for each tier will only be provided if funding not already awarded to higher-priority tiers.

Staff Recommendation: Approve the LAO School Improvement Plan as outlined in the agenda and schedule available funding pursuant to the chart in the agenda.

ISSUE 10: SPECIAL DISABILITY ADJUSTMENT

The issue for the Subcommittee to consider is whether to provide budget authority for the Department of Education to provide the Special Disability Adjustment for 2009-10 and 2010-11.

PANELISTS

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

BACKGROUND:

The AB 602 special education funding formula, implemented beginning in 1998, created a system designed to fund all Special Education Local Planning Areas (SELPA) based on the total number of average daily attendance (ADA) in the area, regardless of the number of students receiving special education services. This total-ADA approach was intended to eliminate fiscal incentives for identifying students for special education. However, some argued that the "one size fits all" AB 602 formula failed to account for the fact that the need for special education services might differ across SELPAs. Based on the findings of an American Institutes for Research (AIR) study, beginning in 1998 the Legislature provided an additional Special Disabilities Adjustment (SDA) appropriation to certain SELPAs found to have higher incidences of severe and/or high-cost special education students residing in their attendance areas in 1997. An attempt to update the study was made in 2004 however, because of concerns with the data, the adjustment continues to be based on 1997 factors

The 2009-10 Budget Act included SDA funding but no provisional language. The 2009-10 Budget Act included funding for the SDA but did not include provisional language granting CDE authority to allocate the funds. (Although CDE has begun allocating the funds on the assumption that such authority will be provided.) Absent further action from the Legislature, CDE would need to pull back these funds or adjust funding going forward. However, because the SDA payments have been counted toward the state's federally required special education maintenance-of-effort level, the funds likely need to continue to be spent for special education purposes.

In 2008-09, the last year SDA funding was provided, a total of \$74 million was distributed to 31 of the state's 121 SELPAs. Los Angeles Unified received \$24 million, or 32 percent of the total SDA allocation. San Diego Unified received \$9 million, or 13 percent, and Garden Grove Unified received \$6 million, or 8 percent. Most SELPAs that received SDA funding got less than \$2 million, or under 2 percent of the total.

STAFF COMMENTS

While there appears to be merit in revisiting the SDA formula given the data for the current formula is likely outdated, it is not clear how that data would be updated. In the absence of an alternative plan and given that the close of the 2009-10 fiscal year is fast approaching, staff recommends the Subcommittee approve placeholder language to provide CDE the authority to allocate both the 2009-10 and 2010-11 special education funds per the current SDA formula.

Staff recommendation: Approve placeholder language to provide CDE the authority to allocate both the 2009-10 and 2010-11 special education funds per the current SDA formula.