

Governor's 2001-02 Budget Proposal For: **EDUCATION**

Overall K-12 Funding

The Governor's proposed budget includes a total spending level of \$53.3 billion for K-12 education, including all funding sources. This represents a \$3.5 billion, or seven percent, increase over the spending level contained in the 2000 Budget Act (\$49.8 billion). This increase is greater than the \$2.9 billion increase proposed by the Governor last year in his proposed January budget. The Governor's proposed budget states that this total funding level of \$53.3 billion amounts to a per-pupil funding level of \$9,267.

The \$3.5 billion increase consists of \$500 million in current-year spending and a \$3 billion increase in spending in the budget year. Of the total \$3.5 billion increase over the 2000 Budget Act, \$3.2 billion is Proposition 98 funding, almost all of which is an increase in budget-year spending. Table 1 below summarizes the total revenue for K-12 in the current and budget years.

Table 1

TOTAL REVENUE FOR K-12 EDUCATION				
(Dollars in Millions)				
	2000-01	2001-02	Dollar change	Percent change
General Fund	\$29,961	\$32,190	\$2,229	7.4 %
Local Property Taxes*	11,014	11,923	909	8.3
Federal Funds	4,951	4,810	-141	2.9
Lottery Funds	827	827	0	0
Other Funds**	3,591	3,539	-52	-1.5
Total***	50,343	53,288	2,945	5.8
Total per-pupil****	\$8,850	\$9,267	\$417	4.7 %

Source: Department of Finance.

*As of print, the Legislative Analyst's Office estimated this figure to be approximately \$75 million lower in 2000-01 and \$75 million lower in 2001-02.

**Includes local debt service, local miscellaneous revenue and other state funds.

***Figures are rounded off and may not add up.

**** Department of Finance estimates this figure using unduplicated ADA, including attendance in ROC/P's and adult education programs.

Note: The figures for 2000-01 include slightly more than \$500 million in proposed increases to the spending level for that year. Therefore, the dollar change column does not reflect the two-year total of \$3.5 billion cited in the text above. Similarly, the per-pupil change reflects only the change in budget-year spending over the current year, and does not include additional funding proposed in the current year.

Proposition 98

Proposition 98, known as "The Classroom Instructional Improvement and Accountability Act," was passed by the voters in November, 1988. The initiative amended the State Constitution to provide

for an annual minimum guaranteed level of funding for K-12 and community college districts. This minimum annual funding guarantee is based on changes in statewide average daily attendance, the inflation rate, General Fund revenues, and annual changes in per capita personal income.

- ◆ **Two-year Increases.** The budget proposes a total Proposition 98 spending level of \$46.4 billion for 2001-02, with \$41.2 billion for K-12 and \$4.7 billion for community colleges (10.25 percent, if the CTA loan repayment is not included as part of the Proposition 98 total). This total includes an over-appropriation above the Proposition 98 minimum funding requirement of \$1.9 billion for 2001-02 and \$555 million for 2000-01. The proposed Proposition 98 spending level represents a two-year total increase of \$3.5 billion over the 2000 Budget Act, \$3.2 billion of which is for K-12 education, a 8.31 percent increase over the current year's K-12 Proposition 98 level. In per-pupil terms, the Governor's budget summary cites a proposed increase of \$479 in Proposition 98 K-12 spending, for a total of \$7,174 per pupil in 2001-02, up from \$6,695 per pupil in 2000-01. In per-pupil terms, this increase is a seven percent increase in Proposition 98 spending over the current-year level.

- ◆ **Governor proposes \$1.9 billion more than the law requires.** For the budget year, the Governor's budget estimates the minimum Proposition 98 funding level to be based on a "Test 3" calculation, under which the growth in the minimum is linked to the percentage change in per capita General Fund revenues plus 0.5 percent. For the budget year, this "Test 3" calculation is the minimum amount of funding that the budget must contain for K-14 education. The Governor is not required to spend above this level. However, given that this calculation usually occurs in recession years and only provides a low minimum increase in education spending, the Governor decided to provide a funding level equal to a "Test 2" calculation, which is \$1,869 million higher than the "Test 3" funding level required by law. Under a "Test 2" calculation, the growth in the minimum spending level is linked to the percentage change per capita personal income.

This proposed Proposition 98 spending level amounts to a \$3.5 billion increase in ongoing budget year funding, \$3.2 billion of which is designated for K-12. Of this increase, \$1 billion comes from an increase in property tax revenues and \$2.5 billion from the General Fund. (However, as of the print date of this document, the Legislative Analyst's Office had calculated that DOF's property tax estimates for the current and budget years are approximately \$75 million too low per year, which will automatically increase the General Fund contribution by \$150 million.) For the budget year, the budget proposes a per-pupil Proposition 98 spending level for 2001-02 of \$7,174, up from \$6,695 in 2000-01. Table 3 below summarizes Proposition 98 sources and expenditures as proposed in the Governor's budget for the budget year.

Table 2

PROPOSITION 98 ALLOCATION				
(Dollars in Millions, except for per-pupil figures)				
Proposition 98 Revenues	2000-01	2001-02	Amount Change	Percent Change
General Fund	\$30,319	\$32,789	\$2,470	8.15%
Local Revenues	12,604	13,626	1,022	8.11
Total	42,923	46,415	3,492	8.14
Proposition 98 Expenditures	2000-01	2001-02	Amount Change	Percent Change

K-12 Education	38,087	41,250	3,163	8.3
Community Colleges	4,390	4,724	334	7.61
Other Departments	96	91	-5	-5.21
Loan Repayment	350	350	0	0
Total	\$42,923	\$46,415	\$3,492	8.14%
Total per-pupil K-12 (in dollars) *	\$6,695	\$7,174	\$479	7.15%

Source: Department of Finance, Legislative Analyst's Office

*Department of Finance calculates per-pupil figure using ADA, excluding ADA in ROC/P's and adult education

- ◆ **Prior-year increases.** The Governor's proposed budget includes a total increase of \$40 million in spending in the current year over the level approved in the 2000 Budget Act. This increase includes funding for a higher estimate of student attendance for the current year (\$8.6 million) and appropriations in legislation enacted at the end of last session after the budget was passed (\$8.5 million). The Governor's proposed budget also calculates an increase in the minimum Proposition 98 funding requirement for 2000-01 of approximately \$490 million, bringing funding for the current year in the Governor's proposed budget to \$555 million above this minimum.
- ◆ In addition, the proposed budget increases the total Proposition 98 funding level for the 1999-2000 year by \$270 million, by applying one-time payments that are part of the special education legal settlement toward Proposition 98 spending in that year. While one-time payments can be applied to the budget year or prior years, the Governor may have chosen to apply the \$270 million required payment to a prior year to minimize the payment's effect on the budget-year guarantee.
- ◆ **Proposition 98 Split Between K-12 and Community Colleges.** The budget proposes a total Proposition 98 spending level of \$46.4 billion for 2001-02, with \$41.2 billion for K-12 and \$4.7 billion for community colleges, and \$91 million for other agencies (10.25 percent, if the \$350 million loan repayment is not included as part of the total). The proportion of Proposition 98 going to community colleges in this year's proposed budget is the same as that proposed by the Governor last year in his January budget.
- ◆ **One-time expenditures from the Proposition 98 Reversion Account.** The Proposition 98 Reversion Account is made up of prior-year unused revenues that were counted towards the Proposition 98 minimum funding requirement and therefore must be used for Proposition 98 purposes. The budget proposes to spend approximately \$270 million in one-time expenditures from the Proposition 98 Reversion Account.

These expenditures are listed below:

- ◆ \$223.7 million to pay for prior-year mandate claims made by districts for compliance with the School Bus Safety II law, AB 1297 (Morrow), Chapter 739, Statutes of 1997. This bill instituted new requirements for transporting children to and from school in school buses, including a requirement that districts develop transportation safety plans.

- ◆ \$4.2 million to fund prior-year mandate claims made by districts for compliance with SB 85(Peace), Chapter 929, Statutes of 1997, Annual Parent Notification -- Staff Development mandate claims.
- ◆ \$1 million to the Fiscal Crisis and Management Assistance Team (FCMAT) to provide professional management assistance to the Emery Unified School District.
- ◆ \$200,000 to FCMAT to provide professional management assistance to school districts in West Contra Costa County.
- ◆ \$500,000 to FCMAT for the Student Friendly Services through Technology project.
- ◆ \$1 million to Alvord Unified School District for construction of the Center for Primary Education.
- ◆ \$100,000 to SDE to reimburse districts for the cost of substitute educators that take a leave of absence to work for a school district public employee organization.

The budget also proposes to spend Proposition 98 Reversion Account funds on other expenditures that are mentioned in more detail below, including \$13.6 million to fund a current-year special education deficit, \$2.1 million to fund prior-year deficiencies in the child nutrition program, \$10 million for equipment at regional occupational centers and programs, and \$12 million to FCMAT to implement the California School Information Services project (CSIS).

- ◆ For the above expenditures, the proposed budget reverts approximately \$170 million from the following sources:
 - ◆ \$56 million in unused funding from 1999 for the Elementary School Intensive Reading Program established by AB 2x (Mazzoni), Chapter 2, Statutes of 2000;
 - ◆ \$74 million in unused funding from 1999-2000 for remedial instruction programs; and
 - ◆ \$40 million in funding that is expected to go unused in the current year from an augmentation for general child care in last year's budget act.

In addition to the above reversions, an account balance of \$60 million as well as a \$43 million community college property tax savings are applied to the total amount of funds available for expenditures from the account.

Growth and COLA

Growth and COLA. The budget proposes growth funding of \$323.6 million for apportionments to school districts and county offices of education and \$41.5 million for special education growth. The budget estimates K-12 Average Daily Attendance (ADA) for the 2001-02 year at 5,750,105, a 1.08 percent increase over the revised current year ADA of 5,688,675. The budget also provides \$1.18 billion for a 3.91 percent COLA for apportionments, special education and summer school. For categorical programs, the budget provides approximately \$140 million for growth, include special

education and \$381 million for a 3.91 percent COLA, including special education and summer school. The proposed COLA calculation is an estimate for the budget year and will most likely be revised in May, as in prior years.

Other than growth and COLA, the proposed budget provides no additional discretionary funds, such as deficit reduction or equalization. This is in contrast to the 2000 budget, which allocates \$1.8 billion for revenue limit deficit reduction. However, the budget does increase funding for programs that districts typically supplement with their discretionary funds, thereby freeing up more discretionary funds at the local level. For example, the budget provides \$100 million in ongoing funds to pay for districts' special education mandates and it provides an increase of \$97.9 million in federal funds to increase the base funding level for special education. "Discretionary funds" refers to funds that are not earmarked by the state for any particular expenditure and which school districts have complete flexibility over how to spend.

Major Proposals

The Governor's proposed budget includes a few new programs and several major augmentations. His proposed budget appears to build on priorities and programs he has put into place over the last two years as part of a larger K-12 education reform effort. His major proposals are as follows.

Longer School Year For Middle Schools

The Governor's proposed budget includes \$100 million in Proposition 98 (General Fund) as the first-year cost of a three-year effort to increase the school year for middle schools by 30 days. The proposed budget summary cites the total cost of the program at \$1.45 billion over three years, with first-year costs of \$100 million, second-year costs of \$450 million and ongoing costs of \$900 million by the third year. Under the proposal, districts could receive \$770 per student to increase the instructional year from the current 180 days to 210 days in grades 6-9.

Details: According to preliminary details provided by the Governor's office, districts that choose to participate would have to extend the year in grades 7 and 8 for all students, and then would have to extend the year in either grade 6 or grade 9 for some or all students. The Governor's office also indicated that it intends to grant waivers to districts with multi-track, year-round middle schools that would find it near impossible to extend the school year. These schools would be allowed to participate in the program by extending the instructional day for their existing instructional year, so that the number of additional instructional minutes would equal an additional 30 days. Districts would also have to have instructional materials aligned to the state academic standards before participating in the program.

Rationale: The Governor's budget summary cites low improvement in test scores in middle schools and the importance of helping children prepare to pass the high school exit exam as the reason behind focusing on middle schools. The Governor's office also states that research supports more instructional time as one approach to improving student achievement. They indicate that the Governor will sponsor legislation to put the program in place.

Funding: The Governor's office cites the ongoing cost of this program at \$900 million a year. However, ongoing costs would be closer to \$1.04 billion or more if all districts choose to extend their year for all students in all three grades, using enrollment estimates provided by the Governor's office. Also, the program's proposed funding level of \$770 per student appears to be based on 17 percent of an average revenue limit, in proportion to a 17 percent increase in the length of the instructional year that a 30-day increase would mean. Thus, the program's funding level would cover the costs that a district's revenue limit would normally cover, but would not necessarily cover the cost of categorical programs that districts run and receive funding for.

- ◆ **Issues to consider:** In considering this new proposal, the Legislature may wish to consider the following questions.
 - ◆ What does the research say regarding the effectiveness of this one strategy on improving student achievement? This question is particularly important given the high cost of the initiative and the importance of ensuring that such a large investment is well-spent compared to other options that the funding could be used for.
 - ◆ How practical is the implementation of this initiative? Even if the Legislature determines that this proposal is worth the high cost, implementation may be problematic, especially for multi-track, year-round schools. Implementation may also interfere with districts' efforts to implement mandatory summer school for students at risk of being retained or not passing the high school exit exam. Four years ago, the state embarked upon another expensive program to improve instruction which was also based on a single approach: reducing class size. While popular and meritorious, implementation of class size reduction caused problems that the state's schools are still suffering from, such as a shortage of credentialed teachers and facilities.
 - ◆ What other programs could the state fund with the \$900 million to \$1 billion that the program would ultimately cost? The Legislature may wish to consider what other initiatives it could fund at the same cost, such as:
 - ◆ Summer school (six-week session) for \$2.2 million students. (The budget currently provides enough money to fund a six-week summer school session for 1 million students);
 - ◆ A 12-week summer preparation course for 75 percent of high schools students to help them prepare for the high school exit exam (using current summer school funding rates);
 - ◆ Providing 360,000 children with before- and after-school programs that provide academic tutoring and mentoring. These programs help children who are behind in school achieve academic success;
 - ◆ An increase in discretionary funding of approximately \$151 per student; and

- ◆ Approximately ten additional staff development days for teachers, under the Staff Development Buy-Out Program, which districts could use for additional professional development according to local needs.

Training All Teachers In The Statewide Math And Reading Standards

The budget proposes \$335 million in Proposition 98 (General Fund) as the first-year cost of a three-year effort costing \$830 million to train all 252,000 of the state's teachers involved in math and reading and 22,000 instructional aides in the statewide math and reading standards. The proposal would cost \$335 million for each of the first two years and \$160 million in the third year. As proposed, this program would have no ongoing costs after the third year.

Under the program, school districts would receive \$2,500 per teacher trained and \$1,000 per instructional aide. Districts could then use the money to develop training programs, as long as training programs meet criteria developed by the University of California. Programs would have to provide 40 hours of training and 80 hours of follow-up training and in-class coaching. As with the extended year in middle school program above, districts would have to ensure that they have standards-aligned textbooks available in order to participate.

This program is modeled after professional development institutes introduced by the Governor two years ago to improve elementary school teachers' instructional methods in reading. The institutes are housed at the University of California and were expanded four-fold last year at the behest of the Governor to include more teachers, more grades and training in math. School districts received \$1,000 per teacher attending the institutes and UC received \$1,000 per teacher to run the training. According to the Governor's office, budgets for the last two years provided enough funding for 95,000 teachers to attend these institutes. Last year's budget funded these institutes at a total of \$110 million in non-Proposition 98 funds (\$49 million for stipends).

Last year the professional development institutes came under some criticism because of the lack of local flexibility they provide to districts in designing professional development programs to meet local needs and because of the difficulty of some rural districts to access the out-of-town training programs. This year's proposal addresses those concerns, by giving schools the option of attending the existing UC professional development institutes or developing their own program. This year's proposal also provides more funding per teacher (\$2,500 per teacher) than the professional development institutes (\$2,000 per teacher).

The proposed budget also includes a \$10 million increase for the existing Professional Development Institutes for teacher stipends. (The budget does not increase UC's funding to support the institutes.) The Governor's budget proposes this increase to correct an imbalance in the funding levels between teacher stipends and funding to UC to provide the training, since the funding level in last year's budget for UC was \$10 million higher than the funding level for stipends.

Attracting Algebra Teachers

The budget proposes \$30 million for a new program to help schools attract and retain algebra teachers. Under the proposal, schools would receive \$50 per each student in grades 7-12 who took algebra and the standards-based algebra test in 1999-2000. The program would also provide \$100

for each student in grades 7-12 who takes algebra and the standards-based algebra test in subsequent years. Schools could then use this money on a number of incentives to attract algebra teachers, including salary incentives, training, smaller class sizes or pre-algebra training for students having trouble with math.

Leadership Training For Principals

The budget proposes \$15 million in Proposition 98 funds as the first-year cost of a three-year effort to train all 15,000 school site administrators in the state on management strategies to improve student academic performance. The proposal would include \$15 million each year to train 5,000 principals, and would provide school districts with \$3,000 per each principal trained, to be matched by \$1,000 from the district. Training would have to be at least 10 full days. Districts could use existing leadership programs or develop their own training programs, if approved by the State Board of Education.

This proposal is similar in concept to a bill from last session that was funded by the budget. AB 1892 (Steinberg) would have created the California New Administrator Support program to provide support to first and second-year principals in low-performing schools. The Legislature provided \$3 million in last year's budget to support AB 1892, but the funding was vetoed by the Governor because of his desire to focus on teachers in the 2000 budget.

Special Education

The budget includes an increase of \$160 million (General Fund) for special education. This total includes \$126.5 million for a COLA, \$41.5 million for program growth, \$13.6 million to continue the correction of a current-year deficiency, all offset by a \$22 million reduction due to increased property taxes. The budget also contains \$13.6 million in one-time Proposition 98 Reversion Account funds, to pay for a current-year deficiency. In addition, the budget proposes the following augmentations for special education.

- ◆ **Special Education Mandate Settlement.** The budget proposes a total of \$395 million to pay for a lawsuit the state recently settled with school districts over the cost of compliance with state special education mandates over the past twenty years. This amount includes \$270 million in one-time funds that are applied to the 1999-2000 Proposition 98 total, \$100 million in ongoing funds and \$25 million as part of a plan to provide \$250 million over 10 years. These amounts comply with the terms of the legal settlement.
- ◆ **Increase in federal special education funds.** The proposed budget includes a total increase of \$130 million in federal special education funds. The budget proposes to apply the majority of this increase, \$97.9 million, as a permanent increase to the base funding level for special education programs. This increase helps free up an equal amount of discretionary funds at the local level. The remainder is spent for special education equalization (\$6.9 million), an adjustment to districts with higher than average populations of students with low incidence disabilities (\$5.8 million), an expansion of the Workability I Program to provide special education students with workforce skills (\$14 million) and an offset to General Fund (\$5.6 million).

Student Testing

The budget proposes a total increase of \$109 million for student testing programs, which include the English Language Development test, the statewide STAR test for grades 2-11 and the high school exit exam. The total funding level in the budget for statewide testing programs is now proposed at \$221 million. The total \$109 million augmentation includes the following.

- ◆ A \$45.6 million increase for the administration of the high school exit exam. This augmentation is intended to allow for three administrations of the exam by 10th graders. The increase brings the total funding level to \$61 million.
- ◆ \$27.5 million for a new proposal to provide workbooks to students to help them prepare for the STAR and high school exit exams.
- ◆ \$20 million for a new proposal to help districts purchase software to analyze state testing results. DOF states that it will provide details for this proposal in the trailer bill.
- ◆ \$12 million for test development costs related to the high school exit exam and the STAR. This funding continues \$12 million in funding that was provided on a one-time basis in last year's budget for test development.

Issues to consider. Funding for testing issues will be very important in this year's budget because two new tests will be unveiled and administered in the Spring of 2001: the English Language Development (ELD) Test, which assesses the English language skills of English learners on an ongoing basis, and the High School Exit Exam, which all high school students will be required to pass in order to receive a high school diploma, beginning with those scheduled to graduate in 2004. In particular, there may be funding and policy issues related to the need to ensure that high school students have the opportunity to learn the material that the high school exit exam will contain. Ensuring that students have adequate opportunity to learn will make the exam more legally defensible in the event that the state is sued for requiring passage of the exam.

The proposed budget bill contains budget control language that would require the State Board of Education to annually establish the amount of funding to be apportioned to school districts for the high school exit exam and the ELD. SDE estimates approximately \$1.50 per student for the ELD test. This amount appears to be lower than the per-student amount for the STAR, yet the administration of the ELD may require more time and resources by school districts than the STAR. The Legislature may wish to evaluate the funding level for the ELD test to ensure that districts receive adequate resources and support to administer it. The Legislature may also wish to explore ways to ensure that results from the ELD test are included in the State's accountability system, so that schools are held accountable for improving the English language skills of English learners.

The proposed budget also contains \$3 million in one-time current year funds for an independent evaluator to determine whether the standards-aligned portion of the state STAR test adequately measures the state standards. This funding is also set aside for the evaluator to define performance measures for the STAR test and the high school exit exam.

Rewards Funding

The budget proposes a total \$219 million increase for the Governor's Performance Award program, bringing total funding for this program to \$350 million. The Governor's Performance Award program provides rewards funding of up to \$150 per ADA for schools that meet statewide targets in student improvement, pursuant to SB 1x (Alpert) of 1999. Schools that have fewer than 100 students participating in the testing program are not eligible to receive awards.

Ninety-six million dollars of this increase is to backfill leftover funding that was used for the program last year but was only available on a one-time basis, and \$123 million of the increase is intended to bring the rewards funding up to \$150 per ADA. The Department of Finance bases this total funding level on an assumption that there will be 2.3 million students that qualify their schools for rewards funding.

The Governor also proposes the following changes to the program, which it intends to carry out in the trailer bill.

- ◆ Rewards funding for each school will be based on the number of test takers in grades 2-11, rather than on the total ADA at the school.
- ◆ In order to receive rewards funding, all subgroups at a school must meet the statewide target, rather than the school's population as a whole.
- ◆ In order to receive rewards funding, a school must increase its API score by 5 percent of the difference between its prior-year score and the statewide goal of 800 points, or five points, whichever is greater. This is in contrast to current practice under which a school may qualify for rewards funding with a one-point gain if it has already achieved an API score of 800.
- ◆ In order to receive rewards funding, elementary and middle schools must have 95 percent of eligible test takers take the statewide STAR exam. High schools must have 90 percent of eligible test takers take the STAR exam, with the Governor's office stating its intent that the participation rate in high schools eventually reach 95 percent. Currently, there is no participation rate requirement in order to be eligible for rewards funding.

In addition, the budget proposes continued funding for the Certificated Staff Performance Act, which provides monetary awards of up to \$25,000 per teacher in schools that meet statewide performance targets, pursuant to AB 1114 (Steinberg), Chapter 52, Statutes of 1999. This program is funded at \$100 million per year, as it was last year. The budget does not continue the School Site Employee Performance Bonus Program, which was created last year in the budget to provide awards to all employees at schools that met performance targets. That program was funded at \$350 million last year with one-time funding.

FUNDING FOR UNDERPERFORMING SCHOOLS

The Governor's proposed budget includes a \$88 million increase for the Immediate Intervention/Underperforming Schools Program, which provides assistance to underperforming

schools pursuant to SB 1x (Alpert), Chapter 3, Statutes of 1999. The increase brings total funding for this program to \$114 million. This program provides one-year planning grants and three-year implementation grants to schools in the bottom 50 percent of the statewide API ranking, to implement reforms to improve academic achievement and performance. Planning grants approximate \$50,000 per school and implementation grants are up to \$200 per student. (The first cohort of schools received implementation grants equal to \$168 per pupil.)

During the first two years of the program, the state provided planning grants to two cohorts of schools. The Governor's summary states that the increase is intended to fund implementation grants for these first two cohorts, as well as planning grants for a third cohort of 430 schools, which represents approximately 5 percent of the total number of schools in the state.

Expansion of After-School Programs

The proposed budget provides a \$20 million augmentation for existing after-school programs, which provide homework assistance and enrichment activities. This proposed increase represents half-year costs, such that full implementation would result in a \$40 million ongoing cost by 2002-03. The Governor proposes to earmark this increase for middle schools that have high academic assistance standards, giving them priority in applying for the new grants. According to the Governor's budget summary, the proposed augmentation would fund all remaining middle schools who meet the statutory requirement criteria of having 50 percent or more students on free or reduced price lunches. The proposed funding could serve an additional 44,000 students. The budget also provides \$2 million in one-time funds for resource centers across the state that provide technical assistance to participating schools. The budget also provides \$240,000 for two positions in SDE for workload increased related to administering the program.

Kindergarten Readiness Pilot Program

The proposed budget provides \$13.9 million to implement the first year of the Kindergarten Readiness Pilot Program, established by AB 25 (Mazzoni), Chapter 1022, Statutes of 2000. This program provides funding to school districts that raise the minimum entry age for kindergarten by three months and provide 110 to 150 hours of pre-kindergarten readiness instruction for half of the kindergarten pupils in the district. \$2.8 million of the proposed funding would be for funding the readiness instruction and \$10.6 million would go to participating districts to hold them harmless for funding they will lose as a result of lower enrollment caused by an increase in the minimum entry age. The budget also includes \$500,000 for an evaluation of the pilot.

California School Information Services

The budget proposes a total funding level of \$16.45 million for the California School Information Services (CSIS), which amounts to an increase of \$3.6 million over last year's funding level. CSIS is a multi-year project to develop, implement and manage a statewide student-level database that will eventually allow school districts to electronically transfer student records and simplify and improve the data that they report to the state. This project is managed by The Fiscal Crisis and Management Assistance Team (FCMAT). The \$16.45 million total is made up of \$12 million in ongoing incentive funds to school districts to encourage their participation, \$4.2 million to FCMAT to manage the program, and \$250,000 for project management consulting.

The proposed budget also contains a \$5 million augmentation to the Office of the Secretary for Education to establish a statewide student tracking system for the Academic Performance Index. According to Department of Finance officials, the details of this proposal would be worked out over the spring and finalized in the May Revision. The Governor's budget summary also states that it is the Governor's goal to use this funding to build an incentives-based system to enable schools to track student performance as students move across districts. It is unclear how this proposal relates to the California School Information Services, which is a long-term project intended to also develop a statewide tracking system to track student information over time as students move around.

Other Augmentations

- ◆ **Fisac Crisis and Management Assistance Team.** In addition to the above funding to FCMAT for administration of CSIS, the budget provides the following augmentations for FCMAT: \$1 million in one-time Proposition 98 Reversion Account funds to support FCMAT's intervention in Emery Unified School District, \$200,000 in one-time funds from the Proposition 98 Reversion Account for FCMAT's management assistance to school districts in West Contra Costa County, \$900,000 for FCMAT's basic assistance budget and \$38,000 for FCMAT's Ed-Data website which provides state assessment data and other public-friendly information. The budget also continues \$1 million in funding for FCMAT to review personnel practices in low-performing schools.
- ◆ **Goals 2000 backfill.** In prior years, the state received federal Goals 2000 funding and used it to fund a variety of activities and programs designed to improve student achievement. This funding sunsetted last year, and the budget provides \$29 million in Proposition 98 (General Fund) to continue to fund some of these programs with federal funds, as follows:
 - ◆ \$8 million for a Secondary School Reading Program that provides grants to school districts to develop professional development programs that improve reading.
 - ◆ \$10 million for the Student Academic Partnerships Program, which provides stipends to college students who tutor K-12 students in math and English.
 - ◆ \$11 million for the Advancement Via Individual Determination (AVID) program, a college preparatory program for underachieving secondary students.
- ◆ **Federal Facilities Funding.** California is expected to receive approximately \$133 million in new federal funding for facilities renovation. Although this funding is not included in the Governor's January budget, the funding may be incorporated into revisions that the Governor makes over the spring.
- ◆ **Miscellaneous Proposals.** In addition to the above, the budget contains the following proposals:
 - ◆ \$57.6 million in federal funds for a new Reading Excellence Act grant program to help districts improve their reading programs.

- ◆ Continuation of \$119 million for the Teaching as a Priority block grant, which provides low-performing schools with funding for incentives to recruit credentialed teachers. Last year's budget contained \$119 million in one-time funding for this program. This year's budget continues this funding on an ongoing basis.
- ◆ A \$10 million decrease for the Healthy Start program. This decrease is due to the sunsetting of a program that set aside \$10 million for Healthy Start centers that focus on teenage pregnancy prevention.
- ◆ A \$10.6 million augmentation for the community day school program, including \$9 million for growth, for a total funding level of \$41.4 million. This program provides school districts with supplementary funding to run schools for students that have been expelled or have disciplinary problems.
- ◆ \$12 million to provide growth for the Beginning Teacher Support and Assessment Program, which provides mentoring support and training to beginning teachers and is credited with increasing retention among this population. This growth funding will allow an additional 3,700 teachers to participate in the program, for a growth rate of 14 percent, bringing the total number of teachers served to 30,200.
- ◆ \$10 million in one-time Proposition 98 reversion account funds for equipment at regional occupational centers and programs (ROC/P's), which provide vocational education. Last year the legislature provided \$20.6 million in one-time funds to ROC/P's and adult education programs for one-time purposes, including purchasing equipment. The Governor vetoed this funding, however, citing other funding sources that were provided in last year's budget.
- ◆ A 50 percent tax credit for employers who lend their employees to teach math and science in public schools. The cost of this proposal is \$1 million in reduced revenues.
- ◆ \$2.4 million in increased funding for partnership academies.
- ◆ \$1.9 million to increase training hours provided by apprenticeship programs.
- ◆ An increase of \$828,000 and 12.8 positions for the State Special Schools, which serve hearing- and visually-impaired students.
- ◆ \$1 million to continue support for the Home Instruction Program for Preschool Youngsters program, which provide home visits to low-income parents and information on good early childhood activities.
- ◆ The Governor's budget also proposes new budget control language for all categorical programs. It reads, "If growth funds are insufficient, the State Department of Education may adjust the per-pupil growth rates to conform to available funds." According to the Department of Finance, this language is intended to clarify procedures for the Department of Education in the event that growth funds are insufficient.

Child Care

SDE administers "Stage 2" childcare programs for CalWORKs participants who need childcare. It also administers "Stage 3" childcare programs for former CalWORKs participants and non-CalWORKs working poor families in need of childcare. The Governor's budget initiatives for these programs are highlighted below.

- ◆ **Childcare policy review.** Last year, the Governor initiated a review of the state's entire child care system, with the goal of proposing a restructuring that could provide more services with existing resources. Last year's budget provided \$300,000 to the State Consumer Services Agency for this review. This year's budget summary states that the review will continue throughout the spring, with results and recommended changes anticipated in the spring, in time for the May Revision. The summary states that the review is considering changes to eligibility standards, the family fee schedule and federal and state subsidy levels.

Last year, the Legislature approved supplemental report language requiring the administration to submit progress reports to the Legislature regarding the review. To date, the administration has not been able to provide any information to the Legislature on its progress. While the state's system may merit a systemic review, a comprehensive reform proposal also merits a thorough review and analysis by the Legislature and the public, with allowances for time to negotiate changes through the policy process.

- ◆ **CalWORKs childcare.** Prior budgets have contained funding for a Stage 3 "set-aside" to provide child care to former CalWORKs participants who are now working but still in need of subsidized child care. The proposed budget only funds this set-aside for the first month of the budget year, citing the pending results of the policy review and stating that this population's needs will be addressed upon the conclusion of the review. If the proposed funding shortfall for the Stage 3 "set-aside" were to go forward as budgeted, it is possible that these former CalWORKs participants would be unable to find child care through the non-CalWORKs working poor child care system. However, the administration states its intent to revisit this issue in the May Revision and upon the conclusion of the child care review.

In addition, the budget includes a \$98 million decrease for Stage 2 childcare, due to a lower estimate of the number of CalWORKs participants transitioning from Stage 1 childcare, which is administered by the Department of Social Services. The budget contains a corresponding increase in Stage 1 funding.

- ◆ **Non-CalWORKs, Stage 3 childcare** Last year, the Legislature approved a \$133 million package to increase funding for non-CalWORKs childcare for the working poor. This package included a \$40 million increase in full-day, full-year general childcare programs for children ages 0-5, \$33 million to increase standard reimbursement rates for center-based child care programs, \$15 million in incentive grants to help programs retain child care workers, and \$3 million in childcare for migrant farmworkers. The Governor vetoed \$42 million of this package over concerns about the ongoing costs of the program, and restored some of this funding on a one-time basis in a clean-up bill.

The Governor proposes to continue the funding on a full-year basis for these augmentations in the budget year. However, the budget assumes \$66.8 million in one-time savings in the current year because SDE will not be able to administer some of the augmentations provided in last year's budget, either because of administrative difficulties (\$40 million for expansion of full-day, full-year general childcare and \$3 million for migrant child care) or because they did not receive enough responses to their request for proposals (\$24 million for expansion of preschool programs). The budget proposes to spend this \$66.8 million in child care savings on some child care programs, such as the child care facilities revolving loan fund, but spends \$40 million of the total on other one-time K-12 purposes not related to child care.

- ◆ **Childcare facilities.** The budget proposes \$53.8 million in one-time Proposition 98 savings for the Child Care Facilities Revolving Loan Fund, which provides loans to child care providers for child care facilities purchase and renovation. Last year's budget provided \$11 million in one-time funding for this program.
- ◆ **Minimum Wage Increases.** The budget proposes \$5.4 million to increase reimbursement rates for child care programs to cover increased staff costs due to an increase in the minimum wage.
- ◆ **Pre-kindergarten guidelines.** The budget proposes a \$4 million increase in one-time Proposition 98 funds for the distribution of pre-kindergarten guidelines to subsidized child care programs. Two million of the total \$5 million for this program is for continued training on how to use the guidelines and \$3 million is earmarked to bring the guidelines to family child care homes and child care providers exempt from state licensing requirements.

OFFICE OF THE SECRETARY FOR EDUCATION

MAJOR PROPOSALS

- ◆ \$20 million in one-time funds are proposed for a new High Tech High Grant Program to create ten high-tech high schools in different areas of the state.
- ◆ \$5 million for a new Math and Science Challenge Grant program for public-private partnerships is proposed to increase at-risk students' interest in math and science careers. The budget also provides \$120,000 (General Fund) and one position to administer this new program.
- ◆ A \$5 million increase is proposed to the Academic Volunteer and Mentor Service Program, for a total funding level of \$15 million. This is a local assistance program already administered by the Office of the Secretary for Education.
- ◆ \$2 million is proposed to continue funding for the School-to-Career Partnership Grants, established by AB 612 (Jackson), Chapter 793, Statutes of 2000.
- ◆ \$5 million is proposed to establish a statewide student tracking system for the Academic Performance Index. According to Department of Finance officials, the details of this proposal would be worked out over the spring and finalized in the May Revision. They state that this system would be intended to track students' test scores over time as students transfer from one

school to another. The Governor's budget summary also states that it is the Governor's goal to use this funding to build an incentives-based system to enable schools to track student performance. It is unclear how this proposal relates to the California School Information Services (CSIS), which is a long-term project intended to also develop a statewide tracking system to track student information over time as students move around.

CALIFORNIA STATE LIBRARY

The California State Library provides services to the legislative and executive branches of state government, to members of the public and to California's public libraries and runs local assistance literacy programs.

Table 3

Revenue sources for the California State Library				
(Dollars in Thousands)				
Fund	2000-01	2001-02	\$ Change	Percent Change
General Fund	\$113,344	\$109,337	-\$4,007	-3.54%
California State Law Library Special Account	755	797	42	5.56
California Library Construction and Renovation Fund	208	208	0	0
Federal Trust Fund	15,033	15,235	202	1.34
Reimbursements	3,910	577	-3,333	-85
California Public Library Construction and Renovation Fund	2,069	352,127	350,058	169.2
Total	\$135,319	\$478,281	\$342,962	253%

MAJOR PROPOSALS

- ◆ \$3.2 million is proposed for the Library of California program, which promotes resource sharing among public and private libraries in California.
- ◆ \$500,000 is proposed to expand participation in the Families for Literacy Program, which provides literacy skills to students at risk of failing in school because their parents or guardians are illiterate.
- ◆ \$2 million is proposed for the Public Library Foundation program, which allows local public libraries to purchase new and updated library materials.
- ◆ \$41,000 is proposed to add new public libraries to the California Library Services Act system.
- ◆ \$1.25 million is proposed for the Transaction Based Reimbursement Program, which facilitates inter-library loans.
- ◆ \$106,000 and two redirected positions are proposed for increased workload.

COMMISSION ON TEACHER CREDENTIALING

The Commission on Teacher Credentialing is charged with developing and enforcing standards for the preparation and licensing of California's teachers.

Table 4

REVENUE SOURCES FOR THE COMMISSION ON TEACHER CREDENTIALING				
(Dollars in Thousands)				
Fund	2000-01	2001-02	\$ change	Percent change
General Fund *	\$59,180	\$58,830	-\$350	-0.6%
Teacher Credentials Fund	14,580	13,193	-1,387	-9.5
Test Development and Administration Account	11,251	9,422	-1,829	-0.16
Federal Trust Fund	3,953	3,853	-100	-2.5
Reimbursements	0	0	0	0
Total	\$88,964	\$85,298	-\$3,666	-4.12%

MAJOR PROPOSALS

- ◆ \$184,000 from the Teacher Credentials Fund for two staff in the Division of Professional Practices. This augmentation is also for CTC to contract with the Office of the Attorney General for the provision of legal assistance.
- ◆ \$160,000 from the Teacher Credentials Fund to make two positions in the Information Technology and Support Management Division permanent. Two years ago, the Legislature provided funding for a management review of CTC's system for processing teaching credentials. The review made a number of recommendations for improvement. CTC is in the process of implementing those recommendations. The Legislature may wish to provide oversight of CTC's implementation of these recommendations as part of the budget hearings.