

THE 2002-2003 STATE BUDGET

K-12 EDUCATION

DEPARTMENT OF EDUCATION

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 school and community college districts. This minimum annual funding guarantee is based on changes in statewide average daily attendance, changes in per capita General Fund revenues, and changes in per capita income from one year to the next.

Total Proposition 98 funding for K-12 and community colleges. The total Proposition 98 spending level for the 2002-2003 budget year includes spending for K-12 education, community colleges and certain education activities carried out by other agencies. The 2002-03 Budget includes a total of \$46.5 billion in total Proposition 98 expenditures for the 2002-03 fiscal year, including \$41.6 billion for K-12 education, \$4.8 billion for community colleges and \$88.5 million for other agencies. Of the total spending level, \$14.9 billion is made up of property tax revenues, and the remaining \$31.56 billion is General Fund. The community college share of the total Proposition 98 funding level for the 2002-03 fiscal year is approximately 10.4 percent. *These totals assume that a \$143 million "education reserve" is eventually appropriated for education purposes during the 2002-03 year (see below).* The total Proposition 98 funding level meets the minimum K-14 funding level required by Proposition 98, at a "Test 2" level, and retires \$3.2 billion of the \$3.9 billion maintenance factor.

Proposition 98 funding for K-12 education. As noted above, the budget includes \$41.6 billion in Proposition 98 funding for K-12 education (including the education reserve). On a per-pupil level, Proposition 98 spending for 2002-03 is approximately \$7067, up roughly one percent from the 2001-02 Budget Act as signed by the Governor. (The Governor's budget summary cites a percentage increase in per-pupil funding of 6.9percent over the 2001-02 funding level. However, the 2001-02 funding level cited by the Governor is somewhat deflated due to a 2001-02 to 2002-03 deferral of \$1.7 billion in Proposition 98 payments, which reduced the 2001-02 funding level by \$1.7 billion relative to the 2001-02 Budget Act as signed by the Governor.)

Education "reserve." Of the total funding level cited above for Proposition 98, \$143 million is money that was vetoed by the Governor to create an "education reserve." The total funding level assumes that the Legislature will eventually appropriate all of this education reserve for education purposes. Of the \$143 million vetoed, \$132 million was from K-12 education programs, and \$11 million was from community college programs. Regarding the need for the set-aside, the Governor states that it is "to be appropriated later in the fiscal year for any increased costs in existing programs such as enrollment or other necessary funding

adjustments." However, if the Governor and the Legislature *do not* appropriate this amount sometime during 2002-03, total Proposition 98 funding will fall to \$46.34 billion, with \$41.4 billion for K-12 education. The Proposition per-pupil funding level for K-12 education will fall to \$7,045 per pupil, \$22 per pupil lower than the per-pupil amount in the version of the budget that the Legislature sent to the Governor, less than a 1percent increase over the 2001-02 Budget Act as signed by the Governor

2001-02 to 2002-03 Deferral. The budget includes a deferral of \$1.15 billion in 2001-02 Proposition expenditures to the 2002-03 fiscal year, to help meet the minimum Proposition 98 funding requirements in the budget year. The deferral was carried out by separate legislation, AB 3008 and AB 3011 already approved by the Legislature and the Governor. The intended effect of the deferral is to allow the state to take advantage of its over-appropriation of the Proposition 98 minimum funding level in 2001-02, in order to help it meet its minimum obligation in 2002-03, without severely impacting school districts. The deferral involved a number of programs, and effectively delayed payments from 2001-02 to August, 2002.

2002-03 to 2003-04 Deferral. Total K-12 Proposition 98 funding for 2002-03 (including the \$143 million reserve) is \$687 million less than the level proposed by the Governor in his May Revision, and this mostly reflects a \$681 million deferral of specific categorical programs from 2002-03 to 2003-04. For the most part, the deferral effectively delays by a few months appropriations that are distributed in the final months of 2002-03, and appropriates those same amounts for the same purposes in the first two months of 2003-04. The intended effect of the deferral is to allow the state to take advantage of its over-appropriation of the Proposition 98 minimum funding level in 2002-03, in order to help it meet its minimum obligation in 2003-04, without severely impacting school districts. The deferrals for this period are contained in AB 2781, and the programs and amounts that are deferred are summarized in the table below:

Program and description of deferral	Amount to be deferred
School Improvement: The May, June and 69% of the April apportionment's for School Improvement. This amounts to 20.7% of the total amount originally appropriated for the program in 2002-03.	\$115.3 million
Home-to-School Transportation: The May, June and 69% of the April apportionment's for this program. This amounts to 20.7% of the total amount originally appropriated for the program in 2002-03.	\$139.6 million
Targeted Instructional Improvement Grants (formerly desegregation programs): The last apportionment for this program, which is scheduled to be distributed after July, 2003. The deferred amount is 25% of the total amount originally appropriated for this program in 2002-03.	\$184.4 million
Supplemental Grants. 100% of the amount originally appropriated for this program in 2002-03.	\$241.7 million
Total	\$681 million

Note: Both the School Improvement Program and Home-to-School Transportation, (along with a third program, Economic Impact Aid) are part of the special purpose apportionment that is distributed in ten equal monthly installments from September through June of any fiscal year. AB 2781 (Oropeza) contains language that 1) divorces Economic Impact Aid from the special purpose apportionment, so that it continues to be distributed as usual, and 2) specifies that the Controller must distribute the remaining amounts for School Improvement and Home-to-School transportation in equal installments through the first 7 payments of the year. The amount per payment would be approximately \$99.2 million statewide.

MAJOR PROVISIONS

The major provisions of the K-12 budget (Department of Education) include:

Restoration of Independent Study Cuts. The budget includes \$38 million in Proposition 98 funding to restore a cut proposed by the Governor in January to independent study programs run by school districts and county offices of education. The Governor had proposed to reduce funding for independent study programs run by non-charter schools, by 10 percent. He had also proposed this same cut for independent study programs run by county offices, as well as to eliminate the additional "Type C" funding that county offices receive for serving expelled students and students on probation, for independent study programs. The Legislature rejected the statutory changes necessary to make these cuts, and restored the funding.

2 percent COLA for revenue limits and categorical programs. Provides \$25.4 million in Proposition 98 funds above the Governor's proposed May Revise spending for cost-of-living adjustments, to bring the COLA rate for categorical programs up to 2 percent, the same rate proposed by the Governor for revenue limits and special education in the May Revision.

High Priority Schools Grant Program. Includes \$217 million in Proposition 98 funds for a new High Priority Schools Grant Program to serve low-performing schools, as proposed by the Governor in January. (\$197 million of this amount was approved in last year's budget, but was mostly eliminated as part of the mid-year, current-year reductions to address the budget deficit in the 2001-02 year.) Of the total appropriation, \$197 million is explicitly for implementation grants for the lowest performing 10 percent of schools. The budget sets forth a priority system for the remaining \$20 million, giving first priority to implementation grants for the lowest 10 percent that applied to the program but were not promised a grant due to lack of funding, second priority for the lowest 10 percent that did not originally apply for the program, and third priority for planning grants for schools between the lowest-performing 10 and 20 percent (second decile).

Performance Awards. Eliminates funding for the following types of awards for the 2002-03 fiscal year: Governor's Performance Awards (\$157 million), Certificated Staff Performance Awards (\$50 million) and the Governor's Reading Awards (\$4 million). These cuts were proposed by the Governor in his May Revise. However, the budget contains \$144 to fund Governor's Performance Awards earned in 2001-02. (Note --\$77 million of the funding is contained in the budget, and \$67 million of the funding is contained as an appropriation in AB 3011, as part of the Proposition 98 deferral from 2001-02 to 2002-03.)

Immediate Intervention/Underperforming Schools Program. Contains \$184.6 million in Proposition 98 funds for this program, which supports the lowest performing 50 percent of schools. This funding supports existing grantees, but does not provide funding for a new cohort of schools to participate. The budget also provides \$39.7 million in federal Comprehensive School Reform Demonstration funds for this program, to support new grantees.

School Library Materials. Contains \$32.8 million in Proposition 98 funds for school library materials to be distributed pursuant to current law, with the intent that the funding be ongoing. This is in contrast to the Governor's May Revise proposal of library funding on a one-time basis, with the intent that in the future school districts pay for library materials out of a new instructional materials block grant. The amount for libraries in this year's budget is a substantial decrease from the amount in last year's budget, \$158.5 million, and is expected to result in delays in replacing library materials.

Instructional materials. Approved the following Proposition 98 amounts for instructional materials, as proposed by the Governor: \$150 million in one-time funds for standards-aligned instructional materials, and \$250 million for a new Instructional Materials Block Grant, pursuant to AB 1781 (Hertzberg).

Math and Reading Professional Development Program. Includes \$31.7 million in Proposition 98 funding for the Math and Reading Professional Development Program, as proposed by the Governor in the May Revise. The budget also includes \$31.7 million in one-time Proposition 98 reversion account funds for prior-year costs related to this program.

Professional Development Institutes. Eliminates \$48 million in General Fund support for the professional development institutes, as proposed in the May Revise. These programs are eligible to provide services through the Math and Reading Professional Development Program (above). (This is non-Proposition 98 funding.)

Beginning Teacher Support and Assessment System. Provides a total funding level of \$88.2 million in Proposition 98 funds for this program. While last year's budget act provided \$104.6 million for this program, the amount was subsequently cut during current-year budget cuts in SB 1xxx (Peace) by \$20 million. This year's funding level maintains the cut adopted in SB 1xxx, but adjusts the total funding level for growth and COLA.

Principal Training. Includes a total of \$7.5 million in Proposition 98 funds, and \$1.6 million in federal Title II funds for the principal training program, the amount proposed by the Governor in his May Revise.

Staff Development for Classified Employees. Includes \$1 million in Proposition 98 Reversion Account funds for training and staff development for classified employees pursuant to local collective bargaining agreements.

Evaluation of Title IX compliance. Includes \$125,000 General Fund to evaluate schools' compliance with Title IX, the federal gender equity law.

AVID. Provides \$4.3 million General Fund to partially restore a \$6.3 million reduction to the AVID program, which the Governor proposed in May Revise, leaving the total funding for this program at \$10.3 million (non-Proposition 98 funding). (While the Legislature originally

provided \$6.3 million to fully restore the reduction, the Governor vetoed \$2 million of this amount.)

Mandate suspensions. The budget suspends the following two mandates, for one-year, via a \$0 appropriation in the budget act:

- **School Bus Safety II Mandate.** Suspends the School Bus Safety II mandate in the budget year, and adopts the State Auditor's recommendation to amend the parameters and guidelines that shape the claiming instructions for the mandate.
- **School Crimes Reporting Mandate.** Suspends the school crimes reporting mandate for one year, due to changes in the federal law that will require different school safety data.

The omnibus education trailer bill, AB 2781, also makes a number of mandates voluntary, with corresponding savings, as follows:

- School District of Choice Transfer and Appeals (\$10.2 million) (Chapter 160, Statutes of 1993)
- School Discipline Rules (\$1.7 million) (Chapter 87, Statutes of 1986)
- Absentee Ballots-Schools (\$1.3 million) (Chapter 77, Statutes of 1978 and Chapter 920, Statutes of 1994)

Adult Education, Citizenship. Reduces the Proposition 98 base funding level for general adult education programs by \$10 million, with language stating that these programs shall receive priority when the state funds any program deficiencies. In addition, the budget contains language specifying that \$5 million of the federal English Literacy and Civics and Education program funds shall be set-aside for an interagency agreement between SDE and the Department of Community Services and Development. The funding is to be used for the Naturalization Services Program, which provides education and assistance to immigrants seeking to obtain citizenship.

Special education. The budget provides \$72.4 million in Proposition 98 for a cost-of-living increase for special education programs, and \$49.9 million for program growth. The budget also includes an increase of \$130.4 million in federal special education funds, amounting to an increase of approximately 20 percent over the total amount received last year. However, the budget uses all but \$8.2 million of this increase to offset the state's General Fund spending on special education, as proposed by the Governor in January. Therefore, the budget does not "pass on" the majority of this increase to local school districts. Nevertheless, it does pass on \$8.2 million of this increase to school districts in the form of an increase in funding above growth and COLA.

Last year, the Governor proposed to pass on an increase of \$97.9 million in federal special education funds to school districts, as a departure from the state's practice in prior years, in which it sometimes used increases in federal funds to offset General Fund spending. This action was lauded by school districts as a positive move toward helping schools meet the cost of serving special education students. In addition, school districts also received an increase

of \$395 million in state Proposition 98 spending, as part of a \$620 million court settlement over the state's obligation to pay for state and federal mandated requirements regarding special education students.

Federal and state laws require that schools provide certain services to special education students, and California and the federal government provides some funding to help offset the costs of meeting those requirements. Existing federal laws regarding special education declare the federal government's intent to fund up to 40 percent of state's costs of meeting federal special education requirements, yet federal funding has never reached that level.

In addition to the above increases, the budget contains the following increases related to special education, all proposed in the May Revise and adopted by the Legislature:

- An increase of \$300,000 in federal funds, on a one-time basis, to support a new study of the Special Disabilities Adjustment, pursuant to current law. This was proposed in the May Revise.
- An increase of \$1 million in federal funds to augment the mediation and due process contract with the McGeorge School of Law. This was proposed in the May Revise.
- An increase of \$180,000 in federal funds, on a one-time basis, to update special education guidelines that are required by state or federal law. This was proposed in the May Revise.
- An increase of \$125,000 in federal funds for increased travel costs for SDE as it monitors school districts' compliance with special education laws. Expenditure of these funds is subject to DOF's approval of an expenditure plan. This was proposed in the May Revise.
- An increase of \$500,000 in federal funds for the training and certification of deaf and heard of hearing interpreters. This was proposed in the May Revise.
- An increase of \$400,000 in federal funds for an interagency agreement with DOF to determine the cost of a potential reimbursable state mandate regarding special education behavior intervention plans. This was proposed in the May Revise.

As sent to the Governor, the budget also contained two legislative initiatives related to special education, both of which were funded with federal funds and were vetoed. These were:

- An increase of \$1.7 million in federal funds to expand the existing Family Empowerment Centers on Disabilities, adding to the \$2.4 million that is already in the base for these centers. The Governor vetoed the increase, citing the newness of the program and its base funding level.
- An increase of \$250,000 in federal funds to an emergency impact fund that helps special education local planning areas when licensed children's institutions open or expand within their areas. In his veto message, the Governor cited the presence of \$1 million for this purpose in the base.

Governor Vetoes: The Governor vetoed a total of \$143 million in Proposition 98 funds from the budget that the Legislature sent to him August 31, 2002. In his veto messages, he specifies that he will set aside this amount for any unexpected Proposition 98 expenses. Of the total amount vetoed, \$133 million is from K-12 education and the remaining \$10 million is from community colleges. These cuts include:

- **Healthy Start.** \$17 million from \$19 million that the Legislature provided to restore a \$38 million reduction proposed by the Governor in January. The Governor's veto leaves \$2 million in the program, which will fund the first year of new implementation grants for various Healthy Start sites that have undergone their planning stages. (The Governor proposed this same reduction as part of the mid-year current-year reductions for the 2001-02 year, and it was adopted by the Legislature for that year. Also, the budget contains corresponding control language that would change the funding structure for the program, so that the program will be funded on a year-by-year basis, similar to other categorical programs.)
- **Adult Education.** \$23 million that the Legislature provided to partially restore a \$36 million reduction in adult education funding for CalWORKs participants, which was proposed by the Governor in January.
- **PERS and Equalization.** \$36 million that the Legislature provided to restore a Governor's cut to the PERS offset augmentation, and \$42 million that the Legislature provided to restore a cut the Governor proposed to revenue limit equalization for the budget year.
- **Charter School Categorical Block Grant.** \$14 million from the charter school categorical block grant, to reflect the adjustments made to school districts' total funding levels (include the \$681 million deferral and the \$143 million in vetoes for 2002-03).

Program Eliminations. Eliminates the following programs, as proposed by the Governor: School Personnel Staff Development Plans (\$17.3 million), Regional Professional Development Consortia (\$4.3 million), Demonstration Programs in Intensive Instruction (\$6.1 million) and Secondary Schools Reading Program (\$8 million), Student Academic Partnership Program (\$2 million) and Education Technology Staff Development (\$9.65 million). Some of these programs are eliminated in statute in the omnibus education trailer bill, AB 2781 (Oropeza).

Budget-Year Program Reductions. Reduces funding for the following programs, as follows: \$30 million from the Teaching as a Priority Block Grant (leaving \$88.7 million in the program)¹, \$25 million from the Ninth grade class size reduction program, to reflect expected savings in 2002-03², \$61 million from the Digital High Schools program, to reflect a planned deferral of funding to the following fiscal year, and \$750,000 from the elimination of

¹ The funding level in this year's budget represents a \$30 million reduction relative to the amount approved in the 2001 Budget Act, but it represents a restoration of a major cut made to the program during its mid-year cuts in SB 1XXX (Peace), due to delays in implementations. Base funding for the program was originally \$118.7 million. Therefore, the funding level in this year's budget reflects a \$30 million reduction to that original base funding level yet also restores the reduction made in SB 1xxx (Peace).

² The Governor proposed and the Legislature approved a reduction of \$10 million in this same program as part of the mid-year, current-year reductions for the 2001-02 fiscal year, due to expected savings. The \$25 million reduction indicated here is above the \$10 million reduction, and reflects lower-than-expected participation levels.

the California Reads Program, \$10 million from adult education programs (along with control language specifying that if adult education programs face a deficiency in the budget year as a result of the cut, they shall receive priority in addressing their deficiency).

Out-year equalization, including Governor vetoes. The omnibus education budget trailer bill, AB 2781, provides \$203 million in 2003-04 (next fiscal year) for school district funding equalization, net of Governor vetoes. The formula for the equalization provides funding based on excused absence adjustments (post-SB 727). The Legislature originally appropriated \$406 million for equalization, and provided half of the funding based on excused absence adjustments (post- SB 727), and half of the funding excluding excused absence adjustments (pre-SB 727). However, the Governor vetoed the half of the funding that was scheduled to be distributed based on the pre-SB 727 formula, leaving only the \$203 million to be distributed based on the post-SB 727 formula.

FEDERAL FUNDS FOR K-12 EDUCATION

The budget includes a substantial increase in federal funds for K-12 education, mostly as a result of the federal education reform package approved at the end of last year by Congress; the No Child Left Behind Act. The major increases are summarized in the table below:

**Summary: Changes in Federal Funding, Local Assistance Grants
(\$ In millions)**

Federal Program	2001-02	2002-03	Increase	Comments
Title I -- Basic Grants	\$1,134	\$1,495.5	\$361.5	Amounts here represent the basic grant funding that is distributed on a poverty-based formula. There are a number of changes to the program that this funding supports (see below).
Title I Reading First	0	\$131.6	\$131.6	This is new funding for competitive grants to improve reading in grades K-3. The budget makes this funding pursuant to legislation, AB 65 (Strom-Martin).
Title II -- Improving Teacher Quality (formerly Eisenhower Prof. Devpt.)	\$45.8	\$315.0	\$269.2	This program is an expansion of the old Eisenhower Professional Development Program.
Federal Class Size Reduction	\$174.7	0	-\$174.7	While the federal government has discontinued this program, the funding has been combined with Title II funding (above), for a net increase of \$97 million.
Title II - Education Technology	\$54.9	\$83	\$28.1	Of the amount in the budget, \$40.6 million is new funding for competitive grants, pursuant to legislation, SB 192 (O'Connell).
Title III -- Language Acquisition	\$0	\$108.8	\$108.8	The budget makes this funding pursuant to legislation, SB 2083 (Polanco).
Title IV -- 21 st Century Federal After School Funding	\$0	\$40.9	\$40.9	This is a competitive grant program that has been administered directly by the federal government for several years. This is the first year that states will directly receive the funding to administer the grants.
Title VI -- Assessment Funding	\$0	\$28.9	\$28.9	This is new funding intended to help states develop the tests and data systems required by the new law.

Note: Funding levels in the above tables represent amounts to be distributed to local education agencies for local assistance, and do not include amounts for state-level activities or state operations.

Of the above programs, there are several that stand out due to the amount of the funding increases and the importance of the program changes, these include:

Title I. The reauthorized ESEA Title I (a longstanding program to help low-income children) contains a number of changes and new requirements, some of which will pose a challenge for California to comply with. These changes include:

- **Accountability, testing.** The new law requires states to ensure that *all* pupils meet state-defined advanced or proficient level of achievement in twelve years. This is a departure from the previous law, under which states were held accountable for the aggregate progress of students. The new law also requires annual testing of students in certain grades and certain subjects, most of which California already complies with. However, the law requires that schools test 95 percent of all subgroups in order to meet annual improvement targets, which is an increase over California's current requirement for high schools.
- **Accountability for English learners.** The former Title I rules required states to establish accountability systems under which schools had to make annual yearly progress toward state-defined goals. This requirement is further defined under the new law to require progress by subgroups. The subgroups defined by the new federal law are aligned with California's accountability system, with the exception of two subgroups that California does not currently include: English learners and special education students. In the case of English learners, it is unclear whether this new requirement will necessitate a statewide definition of English learner, or perhaps statewide, universal criteria for determining when a student is fully fluent in English. Universal criteria might include performance benchmarks using the state English Language Development test, mentioned in the next bullet.
- **Testing for English learners.** The new law includes a number of new testing requirements, with which California is already in compliance. One new requirement is that states annually test the English proficiency of English learners. Fortunately, California has already developed a statewide English Language Development test, which it can use to comply with the federal requirement. This test was administered for the first time this past spring. While many school districts and teachers note that the test has provided valuable information they didn't have before regarding the English proficiency of their students, administration of the test has been controversial, given the length of the test and the low reimbursement rate the state provides to school districts for administering it. The new federal requirement only underscores the need for the state to retain this test, fund it adequately and solve any existing problems, as it has successfully done with other statewide tests such as the standards-aligned portions of the STAR.
- **Credentialed teachers.** The new law requires that all teachers in California (not just schools receiving Title I funds) be credentialed by December 31, 2005, in order for California to receive Title I funds. In addition, all Title I teachers hired on or after July 1, 2002 must be credentialed. (Charter schools are exempt from this requirement.) The law requires states to establish annual measurable objectives to achieve this goal by the deadline.

- **Public school choice to students in failing schools.** The new law requires schools that have failed to meet state progress benchmarks for two years to allow their students to transfer to other public schools.
- **Supplemental instruction to students in failing schools.** The new law requires schools that have failed to meet state progress benchmarks for three years to offer tutoring or other supplemental instruction to its students. The law allows schools to use any state-approved vendor (public, private, or non-profit) to offer the tutoring. The approval of allowable vendors will substantially increase SDE's workload, given that it will have to develop criteria for approval and review hundreds of applications.
- **Professional development.** School districts receiving Title I funds must spend at least 5 percent of their Title I Part A grant to help teachers become credentialed. This is a new requirement, and will provide approximately \$69 million in new funds to districts for this purpose, presumably to help the state meet the requirement to have all teachers be credentialed in four years.

Funding for interventions and sanctions. The new federal law requires that states reserve 2 percent of their Title I Part A allocations for school improvement purposes in 2002-03, to help improve those schools that have been identified as needing improvement. Under this provision California is required to spend \$29.1 million of its federal Title I allotment for this purpose. The budget combines these funds with \$6 million in General Fund savings from the Immediate Intervention in Underperforming Schools program, for a total of \$35.1 million, pursuant to legislation, AB 312 (Strom-Martin). The funding is to support the following:

- state takeover in chronically low-performing schools,
- intervention and assistance teams in schools that are chronically low-performing but where the state determines that intervention will be more fruitful than state takeover for the school, and
- Technical assistance and support to improve low-performing schools that are at risk of state takeover or intervention.

Title I Reading First. Federal law specifies general criteria for distributing the grants to school districts: states must give priority to districts that have more than 15 percent of the attending families below the poverty line, and they must distribute funds to districts based on the number of children in grades K-3 who are below grade level in reading. Districts can only give funds to schools that both have the highest number of K-3 students reading below grade level and are low performing as defined by the federal accountability system. Federal law allows grant recipients to use funding for any of the following purposes: reading assessments, implementing reading programs for special populations, procuring and implementing related instructional materials (including education technology), providing related professional development to teachers of grades K-3 and teachers of grades K-12 for special education, evaluating programs, reporting required data and promoting reading and library programs. AB 65 (Strom-Martin) contains additional criteria for distributing the grants.

Title II Teacher Training Funds. Federal law requires that local assistance funding be distributed on a formula basis (80 percent based on poverty, 20 percent based on population). Federal law allow districts to spend the funds on any of the following purposes: a) recruitment and retention of highly qualified teachers, paraprofessionals, and principals, b) professional development and c) improving the quality of the teaching force. Districts that receive this money must make progress toward the goal of having only highly qualified teachers by the end of 2005. If a district fails to make progress after three years, the state is required to enter into an agreement on the use of its funds.

In his May Revision proposal, the Governor proposed language requiring districts to first use this new federal funding to offset the local cost of implementing state class size reduction programs. This was in response to reports that school districts were finding state funds inadequate in supporting the cost of class size reduction. However, the Legislature changed this language to make it more flexible and essentially reflect the uses allowable under federal law. The Legislature made these changes due to concerns about whether the restrictiveness of the Governor's proposed language was allowable under federal law, and whether the language would place school districts in a position in which they would be forced to violate federal supplanting rules. The Governor vetoed the Legislature's substitute language, citing his preference for the original class size reduction language. It appears that in absence of any control language, school districts will be allowed to use the funds as specified under federal law.

The budget also set aside a total of \$5 million for state-level activities, including: \$4.35 million for the University of California Subject Matter Project for Science, \$250,000 for data collection and evaluation related to professional development activities, \$250,000 for the evaluation of cultural competency training, pursuant to legislation and \$150,000 to provide professional development for substitute teachers, pursuant to legislation. The Governor vetoed all but the \$4.35 million for the UC Subject Matter Projects, for which he proposed \$5 million in the May Revise.

Title III, Language Acquisition. This program replaces two former federal programs, the Emergency Immigrant Education Program and the former Title VII Bilingual Education Grants, which were administered directly by the federal government to school districts across the country. The federal government will continue to fund the former Title VII Bilingual Education grants until they expire. As these grants expire more money is expected to be available for California.

States are required to distribute local assistance funding to districts that submit satisfactory program plans, on a formula basis based on English learner population. However, states may also reserve up to 15 percent of their total grant amount to provide grants to school districts that have experienced significant increases in immigrant students. Schools receiving funding under this provision must spend it on either: 1) high quality language instruction education, and 2) professional development for teachers and administrators regarding the use of instructional strategies for English learners. Federal law also allows districts to use funds for a variety of activities, including family literacy programs, parental outreach and acquisition of instructional materials.

In addition, this new program requires states to establish accountability benchmarks specifically for English learners, and requires state intervention in schools that fail to meet those benchmarks. The annual measurable achievement objectives that states are required

to develop must measure English learner's attainment of English proficiency as well as academic content standards, and must include:

- annual increases in the percentage of children making progress learning English,
- annual increases in the number of students attaining English proficiency as determined by an English language development assessment tool and
- The statewide adequate yearly progress definition used for all students to measure progress toward meeting math and reading proficiency levels.

The new program requires school districts receiving funding to make progress toward the annual measurable objectives. School districts that fail to meet these objectives for two consecutive years must develop an improvement plan specific to English learners. For districts that fail to meet these objectives for four consecutive years, states are required to do the following:

- Require the district to modify its curriculum and program of instruction.
- Determine whether the district should continue to receive funds from the program.
- Require the districts to replace personnel relevant to the districts' failure to meet the annual measurable objectives.

In addition to the local assistance funding for this program cited in the above table, the budget contains an increase of 2 positions (\$202,000) and \$2.3 million for state-level activities to provide local education agencies with technical assistance to implement the new federal requirements.

Title IV After School Funding. Funding under this program is for competitive after school grants. The 21st Century Learning Centers Program is an existing program that was formerly administered directly by the federal government. Many school districts in California have received grants directly from the federal government under this program, and those currently receiving grants will continue to receive funding until their grants expire. As of this year, states will administer new grants, and the \$40.9 million cited in the above table represents the amount that California will administer in 2002-03.

The federal program is considerably more flexible than the state program, in which school districts must earn their grant funding based on daily student attendance in the program. The federal program allows states to provide block grants to schools, based on an expected level of participation but without a strict requirement regarding days of attendance. In order to ensure that some of the federal funding maintained its original flexibility, the Legislature adopted budget bill language to set aside up to \$3.5 million of the \$40.9 million for flexible grants. The language also set aside up to \$1 million for providing family literacy services, in accordance with the requirements of federal law, and out of concern that schools will not be able to meet the federal requirement that they provide family literacy with the existing state reimbursement rate and enrollment requirements. The language also set aside up to \$2.5 million for grants to high schools, in contrast to the state program, which only funds elementary and middle schools. Unfortunately, the Governor vetoed this language, ensuring that the funding will be distributed

under the more restrictive state funding rules. In his veto message, the Governor cites the lack of analysis to indicate the level of need for the set asides, and the fact that the set aside would reduce the number of slots that could be created to serve additional children.

Title VI -- Assessment funding. The budget contains \$28.9 million in new funds for California to further the development of its assessment and related data collection. The funding is appropriated for various purposes, including increasing the reimbursement rate for the California English Language Development Test, and offsetting increases in General Fund expenditures for the existing state testing system. The table below summarizes how the budget expends these funds.

Federal Title VI (assessment) funding expenditures for 2002-03 (in millions)

Purpose	Amount	Comments
STAR -- General Fund offset	\$6.1	This funding offsets state expenditures for growth and COLA for the STAR state-testing program.
Longitudinal database development	\$8.6	This is for the state to develop a system to track student progress over time, as required under the new federal law. The funding is pursuant to legislation to create the system, SB 1453 (Alpert).
English Language Development Test * -- increase local reimbursement *Note: this is a new statewide test to measure the English literacy skills of millions of English learners.	\$5.6	This amount is to increase the rate provided to school districts for administering the test, from the current \$1.50 per test taker, to \$5 per test taker. In exchange, districts must provide all federally required data (under Title III) to the state.
Alternative assessment	\$0.5	CA is required to develop alternative assessments for special populations, as part of a compliance agreement with the federal government.
Alternative Schools Accountability Model	\$1.4	Funding is to develop a system of accountability for the state's alternative schools.
STAR -- local software	\$0.3	This is to improve pupil demographic information collection on the statewide assessments.
5 positions	\$0.7	These are new positions to help SDE manage the increased data requirements under federal law.
CELDT test development	\$2.0	This represents part of the annual cost of maintaining this state test.
Title VI set-aside	\$3.7	This set aside is intended to help SDE address any unforeseen challenges in implementing the federal law, the regulations for which are still being developed.
Total	\$28.9	

CHILDCARE

MAJOR PROVISIONS

The major provisions of the Childcare (Department of Education) Budget include:

CalWORKs: Full funding of all CalWORKs related childcare administered by SDE (Stage 2 and the Stage 3 set-aside), as follows:

- The budget provides a total of \$638.9 million in Proposition 98 General Fund and federal funds for CalWORKs Stage 2 childcare, enough to cover the expected growth in caseload.
- The budget also provides \$358.6 million for a Stage 3 set-aside to provide subsidized childcare for former CalWORKs participants. This amount is compromised of Proposition 98 General Fund and federal funds.

Governor's childcare reform package. The budget does not contain any major restructuring proposals to the state's childcare system. This is in contrast to the Governor's January budget, in which he proposed a major reform package to eliminate the Stage 3 set-aside for former CalWORKs participants. The reform package also proposed a reduction in provider rates, increases in the fees that low-income families pay for subsidized care, and a number of other cuts, and redirected those savings into an increase in the number of available slots. However, the Legislature considered this proposal as part of its review of the Governor's budget, and decided against implementing any reform proposal in this year's budget. Instead, the Legislature plans to consider childcare reform legislation next year, when it will also consider legislation to reauthorize the state's CalWORKs welfare system.

After school programs. The Governor's budget provides a total funding level of \$121.6 million, including an increase of \$26.3 million, for the Before and After School Learning and Safe Neighborhoods Partnerships Program, which provides grants to needy elementary and middle schools to provide before and after school programs for students. This amount reflects an increase over the funding level in last year's budget, as revised by SB 1xxx (Peace), which made a number of mid-year reductions to the 2001 Budget. However, of this increase, only \$4.1 million is available for new programs to serve additional children, whereas the remaining \$22.2 million is to annualize an increase made in last year's budget to expand the program by \$30 million. The budget also contains language to give priority to middle schools in applying for the new funds. The budget's increase is substantially less than the \$87.5 million increase the Governor had proposed in his January budget but was forced to reduce due to funding restraints and the postponement of his childcare reform initiative.

Child Development Policy Advisory Committee (CDPAC): The budget restores funding for CDPAC, which the Governor proposed to eliminate in his January budget. (The Governor also proposed trailer bill language to eliminate CDPAC, which the Legislature rejected.) The budget provides a total of \$360,000 in General Fund for CDPAC, with a total expenditure authority of \$612,000 (assuming reimbursements from contracts with other agencies of \$252,000). This total funding level is a reduction of approximately \$130,000 from last year's funding level, and assumes the elimination of two unfilled Associate Governmental Program Analyst (AGPA) positions.

Other changes: The budget also contains the following changes relative to last year's budget.

- **Regional market rates** -- Budget control language to freeze regional market rates for childcare provider payments at their level as of July 1, 2001. The language also requires SDE and the State Department of Social Services, in consultation with the Department of Finance and the Legislative Analyst, to develop a new survey methodology to be employed by future market rate surveys. The administration proposed a review of the existing methodology due to concerns about possible anomalies in the existing methodology.
- **Data collection for Governor's reform initiative** -- \$300,000 for the Department of Social Services (DSS) to administer a contract to collect data that will be used to develop the Governor's childcare reform initiative next year. The accompanying language requires DSS to accommodate legislative requests for analysis of the data. The budget also contains budget control language requiring SDE and the Department of Social Services to collect information for next year's reform initiative.
- **CalWORKs center-based pilot** -- Deletion of \$10 million in funding provided last year for a CalWORKs center-based pilot program, as proposed by the Governor in his May Revise. This pilot program was initiated several years ago, but SDE has been unable to implement the program due to technical obstacles. The budget also contains control language expressing the Legislature's intent to fund the program at a future date.
- **License-exempt programs** -- \$9.8 million in one-time federal funds to help improve the quality of license-exempt subsidized childcare programs over the next three years. This initiative includes a) outreach regarding state pre-kindergarten learning guidelines, early childhood development principles, and health and safety issues, b) expansion of the Trustline registration system, which provides criminal background information regarding prospective providers and employees, and c) the development of a certification process that might be used at a future date to provide incentives to license-exempt providers that improve development outcomes for the children they serve.
- **Childcare Facilities Revolving Loan Fund** -- Reduction of \$42 million from the Childcare Facilities Revolving Loan Fund, due to expected savings. This fund provides no-interest loans to school districts and other general childcare and state preschool providers to obtain childcare and preschool facilities. The Governor proposes that these funds be reverted to the Proposition 98 Reversion Account to be used for other one-time purposes in K-12.
- **Nutrition pilot** -- \$4 million in federal funds to support a three-year pilot program to improve the nutritional value of meals served in public schools, as outlined in Chapter 913, Statutes of 2001. These funds were awarded to the Department of Food and Agriculture to support California specialty crop production, and the Governor proposes to use these funds to support the new pilot program.

COMMISSION ON TEACHER CREDENTIALING

MAJOR PROVISIONS

The major provisions of the Commission on Teacher Credentialing (Department of Education) Budget include:

- A reduction of \$2 million from the Intern Program, which provides an alternative certification process for teaching candidates that wish to teach full-time while earning their credential. This program is one of three administered by CTC to help address the teaching shortage by providing alternative routes to obtaining a teaching credential. The proposed reduction would bring total funding for this program to \$29.8 million (\$4.2 million in Reversion Account funding), down from \$31.8 million provided in last year's budget. The Governor's budget summary states that the proposed cut reflects expected savings.
- A reduction of \$4 million from the Paraprofessional Teacher Training Program, which supports working paraprofessionals (instructional aides) as they earn a college degree and eventually a teaching credential. This program is one of three administered by CTC to help address the teaching shortage by providing alternative routes to obtaining a teaching credential.³ The proposed reduction would bring total funding for this program to \$7.5 million, down from \$11.5 million provided in last year's budget. The Governor's budget summary states that the proposed cut reflects expected savings.
- An increase of \$4.2 million in Reversion Account funding for the California Pre-Internship Teaching Program, which helps uncredentialed teachers that are working in the classroom to obtain teaching credentials or enter intern programs. The increase brings total funding for the program up to \$16 million, an increase over the \$11.8 million in last year's budget.
- A reduction of \$1.1 million from the California Mathematics Initiative for Teaching Program, for a total funding level of \$500,000. This program helps address the shortage of credentialed math teachers.
- A reduction of \$1.2 million in General Fund for the Teacher Credentialing Service Improvement Project, which is a project to improve CTC's service in processing credentials and responding to inquiries about credentials from prospective teachers. The project is in its third year, and the Governor proposes to backfill the reduction with funds from the Teacher Credentials Fund.
- A reduction of \$1.6 million to suspend the First Time Credential Applicant Fee Waiver Program. This program, began in 1999-2000, waived the \$55 application fee for all first-time credential applicants.

³ The Governor proposes to maintain the current year funding level (of \$11.8 million) for the third alternative credentialing program administered by CTC, the Pre-Intern Program, which helps emergency credentialed teachers earn a credential.