

THE 2001 STATE BUDGET

K-12 EDUCATION

DEPARTMENT OF EDUCATION

The 2001 Budget Act provides a total funding level of \$50.2 billion for K-12 education, (all sources, including state and federal funding and local property taxes) for a total increase of \$2 billion over last year's budget. In state Proposition 98 spending, the budget provides \$40.5 billion for K-12 education for the 2001-02 fiscal year, for an increase of \$2.4 billion, or 6.4 percent over Proposition 98 K-12 spending in 2000-01. In per-pupil terms, Proposition 98 spending for K-12 education in this year's budget is \$7,009 per pupil, which represents an increase of \$331, or 5 percent above the per-pupil funding level of \$6,678 in the 2000-01 fiscal year.

While the increase in spending for K-12 education in this year's budget is more modest than that provided in previous budgets (e.g., last year's budget provided a per-pupil increase of 11 percent), it reflects the fiscal circumstances that the state is facing and reflects a more generous increase than that experienced by other areas in the budget. The \$2.4 billion increase in K-12 Proposition 98 spending is made up mostly of \$2 billion for growth funding and cost-of-living adjustments. The remaining approximate \$400 million net increase is made up of a total of approximately \$500 million in increased expenditures, offset by a shift of approximately \$80 million in ongoing expenditures to one-time funds (discussed below under "Proposition 98").

PROPOSITION 98

The total Proposition 98 spending level for the budget year includes spending for K-12 education, community colleges and certain education activities carried out by other agencies. The 2001 budget contains a total Proposition 98 funding level of approximately \$45.5 billion for the 2001-02 year (including property taxes), and \$42.9 billion for the 2000-01 year, an increase of \$2.6 billion, or 6 percent. This total includes \$40.5 billion for K-12 education for the 2001-02 year. On a per-pupil basis, Proposition 98 spending for K-12 education in this year's budget is \$7,009 per pupil, which represents an increase of \$331, or 5 percent above the revised per-pupil funding level of \$6,678 for the 2000-01 fiscal year. In addition, the community college share of the total Proposition 98 funding level for the 2001-02 fiscal year is \$4.5 billion, or 10.02 percent. These figures are summarized in the table below.

Proposition 98 Allocation

(in millions)				
	2000-01	2001-02	Amount Change	Percent Change
K-14 Proposition 98 Revenues				
General Fund	\$30,372	\$31,966	\$1,594	5.25%
Local Revenues	12,520	13,498	978	7.81
Total	\$42,890	\$45,465	\$2,575	6.00%
K-14 Proposition 98 Expenditures				
K-12 Education	\$38,070	\$40,515	\$2,445	6.42%
Community Colleges	4,374	4,509	135	3.09
Other Departments	96	91	-5	-5.21
Loan repayments	350	350	0	0
Total Proposition 98	\$42,890	\$45,465	\$2,575	6.00%
K-12 Proposition 98 per-pupil expenditures	\$6,678	\$7,009	\$331	4.96%

Source: Legislative Analyst's Office

Note: Figures for 2000-01 reflect revisions made to the 2000 Budget Act during the 2000-01 fiscal year.

Figures for K-12 Proposition 98 per-pupil expenditures reflect expenditures per-average daily attendance, and do not include \$250 million in expenditures provided as prior-year adjustments

The 2001-02 budget provides approximately \$4 billion more than the minimum Proposition 98 funding level required by law (Test 3B), but \$1.5 billion below the Test 2 funding level, which establishes the long-term funding trend for Proposition 98 expenditures. For the 2000-01 fiscal year, the Proposition 98 funding level is \$415 million over the revised minimum funding level required by law for that year.

K-12 Proposition 98 increases.

Of the \$2.4 billion total increase in K-12 Proposition 98 spending, \$1.4 billion is for COLA adjustments and \$565 million is for growth funding. The remaining approximate \$400 million net increase is made up of a total of approximately \$500 million in increased expenditures, offset by a shift of approximately \$80 million in ongoing expenditures to one-time funds (discussed below under "Proposition 98"). The \$500 million in increased expenditures includes \$200 million for low-performing schools, \$125 million for the special education settlement, \$100 million for childcare increases, \$40 million for revenue limit equalization and \$30 million for after/before school program expansion.

The approximate \$80 million shift in ongoing expenditures to one-time funds includes:

\$67.8 million in the K-12 per-pupil block grant established several years ago (item 6110-231-0001) and \$10 million for the Academic Volunteer and Mentor Service Program, which is administered by the Office of the Secretary for Education. In addition, the budget spends approximately \$190 million in one-time funds from the Proposition 98 Reversion Account on other ongoing purposes, including new programs: \$35 million for PERS reduction, \$80 million for a new teacher training programs and \$75 million for ongoing mandate claims. The use of one-time funds for ongoing expenditures will necessitate augmentations in ongoing funding for these purposes in the 2002-03 year.

Prior-year adjustments.

In addition, the budget contains \$250 million in one-time funds to partially pay for needed adjustments in the Proposition 98 funding levels for the fiscal years 1995-96 and 1996-97. These adjustments are necessary due to revised calculations of the minimum Proposition 98 guarantees for these years, which are a result of census-driven changes in population estimates for this time period. The total amount of the state's obligation to pay for these prior-year adjustments is \$352 million; therefore the \$250 million provided in the budget only partially pays for this prior-year debt. The budget provides this funding for school districts to pay for increased energy costs and energy conservation measures (see below).

Growth and COLA.

The budget fully funds the statutory cost-of-living adjustment, at 3.87 percent, and K-12 growth, at 1.4 percent. The total amount of funding provided for cost-of-living adjustments is \$1.4 billion, with about \$1 billion for apportionments and \$375 million for categorical programs. Funding for growth equals \$565 million, with \$460 million for apportionments and \$105 million for categorical programs.

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.

■ MAJOR PROVISIONS

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

- **Low Performing schools, low-performing students.** The largest new initiative funded in the 2001 Budget Act is a \$200 million set-aside for a program to improve low-performing schools. The details of this program will be developed through legislation that is expected to be provided to the Governor by the end of this

year's legislative session. The budget also includes an increase of \$93 million for the Immediate Intervention in Underperforming Schools Program, which provides school improvement assistance to the lowest-performing 50% of schools. This increase was proposed by the Governor in order to fund more schools and to increase the per-pupil funding rate for this program from \$168 to \$200 per pupil in participating schools (all cohorts). The total funding for this program is now \$161 million.

In addition, one of the budget trailer bills (SB 347 (O'Connell)) includes language to consolidate three existing programs, court-ordered and voluntary desegregation funding and Economic Impact Aid, to provide schools with flexible funding to help improve the academic achievement of low-performing students. The total amount of funding provided through this new block grant, named the Targeted Instruction Improvement Grant, is \$1.18 billion, equal to the total funding level for desegregation programs and Economic Impact Aid. Under the new block grant, school districts receive the same amount of funding as they receive under the three separate programs.

- **Energy funding.** The budget includes \$250 million in one-time funds to help schools districts, county offices and charter schools pay for energy conservation measures and increased energy costs. The funds are to be distributed on a per-ADA basis, including ADA in regional occupational centers and programs, adult education programs and schoolsite-based preschool and childcare programs, with a minimum of \$14,000 per schoolsite. As a condition of receiving funds, recipients must identify energy conservation measures, and may use the funding for any of the following purposes: energy conservation measures, increased energy costs, career/technical education one-time purposes, or any other one-time purpose.

- **Teacher training.** The budget includes \$80 million in one-time Proposition 98 reversion account funds for the first-year cost of a new multi-year program to train every teacher in the state and some instructional aides in the new state standards. The new initiative funded by this augmentation, the Math and Reading Professional Development Program, is sponsored by the Governor and is currently contained in AB 466 (Strom-Martin). This funding level can support the training of 32,000 teachers at the funding level proposed in AB 466 of \$2,500 per teacher.¹ While the funding provided for this new program is one-time, the costs are expected to be ongoing, which will necessitate an augmentation in next year's budget.²

¹ This assumes no instructional aides participate.

² Of the several new initiatives proposed by the Governor in January, this new initiative is one of three ultimately sustained in the budget, due to the Governor's desire to scale back new K-12 spending to plan in anticipation of lower revenues in 2001-02. The other two initiatives sustained in this budget include \$10 million for the High Tech High School Grant Program and \$15 million for Principal training. Those January initiatives that were not included in the final budget, due to the need to scale back new K-12 spending

- **After/before school programs.** The budget contains a \$15 million augmentation to expand the existing After School Learning and Safe Neighborhoods Partnership Program to more schools and to more students. The budget also contains \$15 million for a new before-school component, to provide safe, quality care to children who must arrive at school early because their parents either work early shifts or commute long distances. The details for the new before-school component are outlined in AB 6 (Cardenas). (Both augmentations represent the full-year cost of implementation.) In addition, the budget allows for \$2 million in any one-time savings from the proposed \$30 million augmentation to be used for technical assistance centers around the state, which help schools develop quality after- and before-school programs.
- **PERS freeze.** The budget contains \$35 million in one-time Proposition 98 reversion account funds for a partial freeze of the existing Public Employees' Retirement System (PERS) reduction to revenue limits. This funding will be discretionary for school districts and is intended to stop the growth of the existing PERS reduction to revenue limits, which was initiated in 1981 by the state to capture any savings that would otherwise accrue to school districts from reduced employer contribution rates for PERS. While the funding provided for this new program is one-time, the costs are expected to be ongoing, which will necessitate an augmentation in next year's budget.
- **Revenue limit equalization.** The budget contains \$40 million for school district revenue limit equalization, as defined in AB 441 (Simitian). This amount reflects 10% of the full cost of the formula laid out in the bill, which aims to ensure that at least 90% of average daily attendance (ADA) in the state, by size and type of district, would receive the same revenue limit by the 2006-07 fiscal year.
- **Career/technical education.** The budget provides an increase of \$20.5 million in one-time funds for career/technical education programs, including: 1) \$5 million for 100 information technology career academies in public high schools, as proposed by the Governor in his May Revise and in AB 717 (Wiggins), 2) \$5.5 million as a set-aside for a package of career/technical education legislation to be assembled by the Legislature at a future date and 3) \$10 million to replace equipment at regional occupational centers and programs. While the Legislature provided a total of \$26 million for career/technical education initiatives, \$5.5 million of this total was vetoed due to the state's fiscal condition.
- **Principal training.** The budget provides \$15 million in one-time Proposition 98 reversion account funds as the first-year cost of a new three-year effort to train

include: a proposal to extend the school year for middle grades, a proposal to attract and retain algebra teachers, a new Math and Science Challenge Grant program, a new student data tracking system and a proposal to provide school districts with data analysis software to analyze test results.

school administrators in the state in management skills, the state standards, the use of assessments and leadership strategies. The details of this new program are currently contained in AB 75 (Steinberg). While the funding provided for this new program is one-time, the costs are expected to be ongoing, which will necessitate an augmentation in next year's budget.

- **High-tech High Schools.** The budget provides \$10 million in one-time Proposition 98 reversion account funds as the first-year cost of a two-year effort to create 10 new high-tech high schools across the state, through the High-Tech High School Grant Program. The details of the program are currently contained in AB 620 (Wayne, Simitian).

SPECIAL EDUCATION

The 2001 Budget Act provides a number of augmentations related to special education programs, as follows:

- **Federal funds for increased funding and equalization.** The budget provides an increase of \$97.9 million in federal special education funds. While the state could have used the new federal funds to offset the state's obligation to special education programs, as has been done in previous years, this year it chose to pass the new federal funds on to school districts as a permanent increase in special education funding. The increase is distributed as follows: Approximately \$7.5 million to pay for a shortfall in a special adjustment for areas with a high proportion of high-cost special education students, \$45 million to be distributed on an equal basis per ADA, and approximately \$45 million for funding equalization for special education local planning areas (SELPA's). (The budget also contains an increase of \$6.9 million in federal funds to complete an equalization goal that was established with the passage of special education reform legislation several years ago, AB 602 (Davis), as well as \$5.8 million in federal funds for areas with a high proportion of high-cost special education students.)
- **Special education mandate settlement.** The budget and an accompanying trailer bill, SB 982 (O'Connell), provide \$620 million to school districts as part of a legal settlement between the state and school districts over the cost of special education mandates over the past twenty years. This funding is made up of:
 - An on-going increase of \$100 million to school districts to pay for the ongoing costs of state special education mandates
 - An annual appropriation of \$25 million "on a one-time basis each fiscal year" for the next ten years, for a total of \$250 million.
 - A one-time increase of \$270 million to school districts to pay for prior-year costs of complying with state special education mandates.

The above amounts comply with the terms of the legal settlement. Because this funding is intended to offset expenditures that districts must pay for out of their General Fund expenditures, the funding frees up an equal amount of discretionary funding at the local level.

- **Other increases.** The budget includes the following other augmentations related to special education:
 - An increase of \$14 million in federal funds for the Workability I Program to provide special education students with workforce skills.
 - \$12.6 million in Proposition 98 reversion account funds to pay for a 2000-01 special education deficiency.
 - A \$1 million set-aside in federal funds for a SELPA that experiences an influx of special education students due to the court-ordered closure of a private school operating at a licensed children's institution.
 - An increase of \$10.5 million in federal funds for special education preschool grants.
 - \$250,000 in federal funds for SDE to contract with the California State University, San Bernardino, Center for the Study of Correctional Education, for special education monitoring of the California Youth Authority, pursuant to legislation.

In addition, the Legislature provided \$2.4 million in federal funds for activities to improve outcomes for special education students, including teacher training, testing, individualized education program development, parental involvement and outreach and other activities. However, this augmentation was vetoed by the Governor.

- **State special schools.** The budget provides an increase of \$5 million for state special schools, which serve hearing and visually-impaired students, as proposed by the Governor. (The Legislature also approved \$1 million for efforts to recruit and retain teachers at the state special schools in Fremont; however, this augmentation was vetoed by the Governor.)

CHILDCARE

The 2001 Budget Act provides the following items for childcare and preschool programs:

- **CalWORKs childcare.** The 2001-02 budget provides full funding for Stage 2 childcare for CalWORKs families, as proposed by the Governor in his May Revise, at a total funding level of \$623 million (\$522 million in on-going funds, \$14.6 million in Prop. 98 one-time funds and \$86.1 million in one-time federal carryover funds). The budget also provides a total funding level of \$236 million for the Stage 3 set-aside for CalWORKs families transitioning off of Stage 1 and 2, but still in need of childcare (\$32.5 million of this amount is in one-time Proposition 98 reversion account funds). This total funding level for the Stage 3 set-aside is expected to fall short of the need by approximately \$24 million. However, in his signing message, the Governor notes that he has set aside \$24 million aside from the Proposition 98 reversion account to fully fund the need, "contingent upon enactment of legislation by January 31, 2002, to reform the State's subsidized child care programs in a manner that meets my objectives to use the existing resources allocated for these programs more effectively and to revise inequitable access policies that currently disadvantage low-income populations who have not received public assistance through CalWORKs." The budget for the State Consumer Services Agency contains \$300,000 for this agency to continue a consulting contract, begun two years ago, to examine different models for reforming the state's childcare system.

The Governor's January and May Revise budgets did not propose to fully fund the CalWORKs Stage 3 set-aside, due to the administration's concerns about the increasing cost of CalWORKs. At that time, the administration committed to addressing the shortfall as part of an overhaul of the state's childcare system, and in response to the results of a multi-year study of options to serve more families with subsidized childcare using existing resources. The Legislature provided \$66 million in one-time Proposition 98 reversion account funds to address the shortfall in funding for this population. However, the Governor vetoed \$33.5 million of this funding, plus \$10.5 million as a base veto from ongoing funding for the Stage 3 set-aside, for a total vetoed amount of \$44 million. Since the Legislature's passage of the budget, the estimated need for the Stage 3 set-aside has been revised downward by \$20 million; therefore, the total veto of \$44 million only leaves a \$24 million shortfall in funding.

- **Non-CalWORKs childcare and preschool.** The budget contains a \$66.8 million increase to pay for the full-year cost of a major expansion of preschool programs and subsidized, center-based childcare programs, which was initiated last year with half-year funding. This increase was proposed by the Governor in January.

- **Other augmentations.** In addition, the budget contains the following augmentations:
 - \$5.4 million to help subsidized childcare programs pay for increased staffing costs due to an increase in the minimum wage, as proposed by the Governor in January.
 - A \$4 million increase in one-time childcare carryover funds for training and distribution of pre-kindergarten learning guidelines, which are intended to help subsidized preschool and childcare programs prepare children for kindergarten and the early grades, as proposed by the Governor in January.
 - \$1 million for the Home-Based Instruction Program for Preschool Youth, which provides preschool curriculum for parents to instruct their children at home, as proposed by the Governor in January.
 - \$3 million to match an equal amount of Proposition 10 monies for the Office of the Secretary of Education to develop a school readiness assessment, which is expected to be used to evaluate the effectiveness of school readiness programs, as well as assess the readiness of children to enter school.

The budget does not contain \$13.9 million in first-year funding for the Kindergarten Readiness Pilot Program, as first proposed by the Governor in January. The Governor later proposed to eliminate the funding, due to the need to postpone implementation of this new program for one year.

STATE TESTING PROGRAMS

- **Augmentations.** The budget contains a total funding level of \$130 million for state testing programs, an increase of approximately \$17 million over last year's funding level. During the 2000-01 fiscal year, California schools began administering two new tests: the California High School Exit exam, and the English Language Development exam for English learners. The total funding level reflects increased administration and development costs associated with these tests. This total level also includes an increase of \$3 million in one-time Proposition 98 reversion account funds for SDE to develop workbooks to help high school students prepare for the new High School Exit Exam.
- **English Language Development Test.** The Legislature approved a \$2.25 million one-time augmentation to school districts to help them pay for one-time start-up costs associated with administration of the new English Language Development test. Unfortunately this augmentation was vetoed, except for \$500,000, which was sustained not for districts' start-up costs, but for an expected shortfall in funding for districts to administer the test in the 2001-02 year. School districts

have expressed concern that the current rate they receive for administering the new test, \$1.50 per student, does not cover their marginal costs. Due to the Governor's veto, the final budget does not provide any amount other than the \$1.50 per student for administration.

OTHER BUDGET AUGMENTATIONS AND ADJUSTMENTS

The 2001 Budget Act contains a number of miscellaneous augmentations and adjustments, as follows:

- **Reductions in base funding levels for various programs.** The budget contains a number of reductions in base funding levels for various programs, as proposed by the Governor in May Revise. Some of these reductions are based on historically low levels of spending, and reflect expected use of the funds in the budget year. The affected programs include:
 - The Peer Assistance and Review program, which was reduced by \$10 million, for a total funding level of \$134 million. This funding level is expected to be sufficient in the budget year.
 - The English Language Acquisition Program, for which ongoing funding level was reduced by \$16.8 million for 2001-02, due to the same level of carryover in the current year. This program provides flexible funding for school districts to serve English learners in grades 4-8, and also provides districts with \$100 per child in grades K-12 that is redesignated as English proficient. The total funding level for this program is now \$53.2 million.
 - Seventh and Eighth grade Algebra Academies, for which funding was reduced by \$10 million, due to lower-than-expected participation in this summer-school-type program, which was established last year. Total funding for this program now equals \$12.3 million.
 - The Elementary Intensive Reading Program, for which funding was reduced by \$60 million, for a total funding level of \$29.5 million.
 - Ninth-grade class size reduction, for which funding was reduced by \$30 million, due to historically low participation rates in this program. Total funding is now at \$145 million.
 - The Instructional Time and Staff Development Reform program, for which base funding was reduced by \$35 million, for a total funding level of \$224 million. The Governor proposed this and the above reductions as part of his May Revise. Although the Assembly rejected this reduction in its version

of the budget, the Budget Conference Committee ultimately decided to accept this reduction.

- **Adult Education**, for which the Legislature provided full funding, but the Governor vetoed \$10 million from the base funding, due to the fact that there has been unused funding in this program for several years in a row. (see below)

The budget also assumes similar savings in current year funding from the above programs. In addition, the budget contains a new control section that allows the Department of Finance to shift unused funding from any program to fund any deficiencies.

- **Rewards funding.** In addition to the above reductions, the budget contains a total funding level reduction of \$70 million to the Governor's High Achieving/Improving Schools Program, for a total funding level of \$157 million, down from the \$227 million total provided in 2000-01 (\$96 million of which was unspent money from prior years). This program provides monetary rewards to schools that meet or exceed state performance targets. The reduction is mostly due to a change in law currently contained in SB 347 (O'Connell), which reduces the number of students used in the calculation to determine each school's reward. The change eliminates from the calculation those students who are not tested with the STAR (grades K, 1 and 12). This change in the formula for calculating rewards allows the state to continue the per-pupil reward level of \$68 per eligible student, the same level provided in 2000-01, despite the total reduction in funding.

The budget also maintains \$100 million (no change from last year's funding level) for the Certificated Staff Performance Incentive program, which provides monetary incentives of up to \$25,000 to teachers in schools that meet or exceed state performance targets. The budget does not continue a one-time rewards program contained in last year's budget, the School Site Employee Performance Awards.

- **Adult Education.** The budget contains a baseline reduction of \$10 million for adult education programs. This reduction was proposed by the Governor in his May Revise, but rejected by the Legislature; however, the Governor ultimately vetoed \$10 million from the base funding level. The Legislature also included language to 1) redistribute \$5 million in unused funding as a one-time, one percent rate increase to adult education programs, and 2) redistribute any additional unused funding to adult education programs that fully utilize their funding allocation, for one-time program expansion in high-priority classes such as English-as-a-Second-Language. The Governor vetoed these two provisions, citing the need to resolve adult education audit findings dating back ten years before considering any funding augmentations.

- **Mandates.** The budget includes a total funding level of \$330 million for budget- and prior-year mandate claims, \$166 million of which is from one-time Proposition 98 Reversion Account funds.³ The budget does not contain \$223 million in one-time funds originally proposed by the Governor in January to pay for prior-year mandate claims associated with the School Bus Safety II mandate, a new mandate for which annual reimbursement costs are expected to be \$67 million. The Legislative Analyst's Office has raised questions about the validity of the claims submitted in prior years for this mandate. In its subcommittee hearings on this issue, the Assembly and Senate Subcommittees voted to refer the issue to the Joint Legislative Audit Committee for consideration.
- **Charter schools.** The budget includes a total increase of \$18.7 million for the charter school categorical block grant, as proposed by the Governor. The budget also includes \$130,000 for the State Board of Education to contract for greater oversight of charter schools that it approves, as well as an increase of \$170,000 in federal funds for SDE to provide additional support to the federal Public Charter School Program.

The Legislature is currently also considering legislation (SB 720 (O'Connell)) adopted by the Budget Conference Committee to provide up to \$10 million for facilities for new charter schools to be located in low-income areas. The bill would pay for this appropriation by reducing funding by up to 30% for independent study-type programs operated by charter schools, subject to the approval of the State Board of Education.

- **New federal funds.** The budget contains several hundred million dollars in new federal funding, including \$133.6 million in new federal funds for a new facilities renovation program, and \$57.6 million for a new Reading Excellence Act grant program to help school district improve their reading programs.
- **California School Information Services.** The budget provides \$11.6 million for local grants to school districts to become part of the California School Information Services (CSIS), which is a multiyear project to develop a statewide student-level database. The budget also contains \$4.5 million for the management of CSIS, by the Fiscal Crisis Management and Assistance Team (FCMAT), and \$250,000 for project management services to help FCMAT in its development of CSIS. Two other student database systems proposed by the Governor in January were ultimately not included in the final budget, due to fiscal constraints.
- **Audits of school district attendance records.** The budget provides \$3 million to the Department of Finance to contract with the State Controller's Office to conduct audits of school districts' 1996-97 attendance records, upon which school districts' revenue limits and corresponding apportionments have been based since

³ \$75 million of the \$166 million in one-time funds for mandate claims has ongoing funding implications because it is for ongoing mandate claims.

that time. This funding level is the same as that provided in the budget for the past two years, and was included in this year's budget upon the urgent request of the Governor in the final hours of the Budget Conference Committee. However, in its ultimate inclusion of this appropriation, the Legislature adopted corresponding budget bill language to ensure that the audits would comply with the American Institute of Certified Public Accountants Generally Accepted Auditing Standards, that the audits cover the prior three fiscal years and that the audits be prospective in application. The Governor vetoed all control language approved by the Legislature which was intended to apply to the \$3 million appropriation, leaving the \$3 million appropriation without any of the controlling parameters intended by the Legislature as a condition of approving the \$3 million appropriation.

- **State operations support for the Department of Education.** The budget includes several fiscal augmentations for the support of the Department of Education (SDE), but also includes a reduction of 26.7 positions (personnel years), due to a veto by the Governor. In his January budget, the Governor proposed that 34.7 positions be deleted from SDE's budget, as part of a statewide policy to delete what the administration determines to be excess vacancies. The Legislature ultimately restored these deleted positions, based on data provided by the department that indicate that its vacancy rate would be below five percent were it to experience the proposed reduction in positions. The Governor vetoed 26.7 of these restored positions.
- **Miscellaneous augmentations.** These include:
 - A one-time increase of \$15 million in Proposition 98 reversion account funds for the Nell Soto Parent/Teacher Involvement Program, which provides grants to schools to do home visitations by teachers.
 - A one-time increase of \$10 million in Proposition 98 reversion account funds for the school safety block grant for schools serving students in grades 7-12.
 - An increase of \$4.5 million to county offices of education to increase fiscal oversight of school districts, including \$1 million specifically for county offices to investigate fraud and misappropriation of funds.
 - \$3.5 million in one-time Proposition 98 reversion account funds to continue evaluation and transition activities for Teenage Pregnancy Prevention Grants, for which ongoing funding was sunsetted this year.
 - The budget provides \$635,000 to pay for the participation costs of school districts that submitted late applications for the beginning teacher salary program, approved last year. The districts submitted late applications due to miscommunication by the California Department of Education regarding

application deadlines. One of the budget trailer bills, SB 347 (O'Connell), extends the application deadline to ensure maximum participation.

- An increase of \$1.9 million to expand apprenticeship programs.
- An increase of \$2.4 million to expand partnership academies.
- An increase of \$12 million to provide growth for the Beginning Teacher Support and Assessment Program, which provides mentoring support and training to beginning teachers. The augmentation 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.
- A one-time increase of \$110,000 in Proposition 98 Reversion Account funds for a gender equity train-the-trainer grant program.
- \$1 million in one-time Proposition 98 Reversion Account funds to FCMAT to provide professional management assistance to Emery Unified School District.
- \$200,000 in one-time Proposition 98 Reversion Account funds to FCMAT to provide professional management assistance to school districts in West Contra Costa County.
- \$500,000 in one-time funds for a new Pupil Athletic Access and Safety Pilot Project.
- \$1 million for the creation of an internet website that explains California's testing requirements.
- \$350,000 in federal funds for the preparation of annual accountability reports required under the Carl D. Perkins Vocational Technical Education Act.
- **Other legislative priorities.** As passed by the Legislature, the budget contained augmentations for a number of legislative priorities which were ultimately vetoed by the Governor, who cited the fiscal circumstances of the state as the reason for the deletions. These vetoes include:
 - **K-3 Class Size Reduction.** \$32.3 million in one-time Proposition 98 Reversion Account funds for the K-3 Class Size Reduction program, to pay for a funding shortfall in the 2000-01 fiscal year which resulted from an error in the calculation of the COLA for this program in 1998-99.
 - **Multi-track year-round operational grants.** \$26 million in one-time Proposition 98 Reversion Account funds to augment funding for multi-track year-round operational grants. These grants were initiated several years ago as a way to

reduce statewide costs for constructing new facilities and are now used by many school districts to defray the additional cost of operating multi-track year round schools. Participants in this program currently suffer a funding shortfall, due to changes in eligibility criterion approved several years ago. The Legislature approved the funding increase to try to address this shortfall.

- **Substitute teacher training.** \$305,000 for a pilot program to provide specialized staff development to substitute teachers in low-performing schools, pursuant to legislation.
- **Supplemental instruction transportation.** \$400,000 for the additional student transportation costs associated with providing summer school and other forms of supplemental instruction in small and rural school districts, and language authorizing the use of up to \$10 million in summer school savings for transportation costs associated with providing summer school in all other districts.
- **Human Rights and Genocide curriculum.** \$500,000 for the California Department of Education to distribute an existing model curriculum regarding human rights and genocide.
- **Child Nutrition Start-Up Grants.** \$700,000 in one-time funds for start-up grants for school districts and non-profits to provide meals through the federal Summer Food Program and the federal After School Snack Program.

The final budget, as passed by the Legislature, also did not include some Assembly priorities that were included in the budget as passed by the Assembly but ultimately not included in the version passed by the Legislature, such as the increase of \$15 million for the Foster Care Youth Services Program, to provide educational support services to foster care students statewide.

▪ **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 continues to fund some of these programs as follows:

- \$8 million for a Secondary School Reading Program that provides grants to school districts to develop professional development programs that improve reading.
- \$11 million for the Advancement Via Individual Determination (AVID) program, a college preparatory program for underachieving secondary students.

In addition, the budget uses \$8 million in federal Goals 2000 carryover funding, and \$2 million Prop. 98 to continue the Student Academic Partnerships Program, which

provides stipends to college students who tutor K-12 students in math and English.

OVERSIGHT ISSUES

During its hearings, the Assembly Subcommittee on Education Finance heard a number of oversight issues, and accordingly adopted corresponding supplemental report language to provide it with information with which to continue its oversight activities. This language was adopted by the Budget Conference Committee, was included in the budget, and covers the following issues:

- Implementation of a statewide information system regarding the state's childcare system, for which funding was approved several years ago, but whose implementation has been delayed by the California Department of Education.
- The California Department of Education's oversight of school districts' compliance with federal and state special education law.
- School districts' implementation of anti-social promotion legislation passed several years ago, which requires students who are behind grade level to attend summer school and supplemental instruction.
- A review of the state's conflict of interest policy for external evaluators used by schools participating in the Immediate Intervention/Underperforming Schools Program.

CALIFORNIA STATE LIBRARY

■ MAJOR PROVISIONS

The major provisions of the California State Library budget include:

- \$41,000 to add new public libraries to the California Library Services Act system.
- \$1.25 million for the Transaction Based Reimbursement Program, which facilitates inter-library loans.
- \$106,000 and two redirected positions for increased workload.
- \$106,000 and one redirected position for facilities management of the Library and Courts buildings, the Sutro Library and the new Office of Library Construction.
- \$157,000 and two redirected positions to digitize the Library's collection of historic

photographs and make them available on-line.

- \$429,000 on a one-time basis for increased costs of maintenance and repair needs in the Library and Courts II building.

The Governor's May Revise proposed the deletion of three augmentations proposed in January: a \$3.2 million augmentation for the Library of California, a \$500,000 augmentation for the Families for Literacy Program, and a \$2 million augmentation for the Public Library Foundation. The final budget sustains these deletions.

COMMISSION ON TEACHER CREDENTIALING

■ MAJOR PROVISIONS

The major provisions of the California State Library budget include:

- An increase of \$184,000 from the Teacher Credentials Fund for two staff in the Division of Professional Practices to address workload increases. This augmentation also includes \$53,000 for CTC to contract with the Office of the Attorney General for the provision of legal assistance.
- \$160,000 to make permanent two one-year, limited-term positions that were provided last year for CTC to initiate an information technology system.
- An increase of \$1.5 million for the Teacher Credentialing Service Improvement Project, which is an information technology project intended to allow teacher credential applicants to apply on-line.
- An increase of \$386,000 in federal funds for a Teacher Quality Enhancement Grant Program.
- An increase of \$46,000 in federal funds for the Troops to Teachers Program.
- \$200,000 for validity studies related to assessment instruments used by CTC to train teachers.

Oversight issue.

During its hearings, the subcommittee made inquiries into:

- 1) The quality of teacher training programs overseen by the Commission on Teacher Credentialing,

- 2) The extent to which teacher training programs in institutions of higher education are training teachers in the state standards, and
- 3) The progress of CTC's efforts to improve its customer service to teacher credential applicants and prospective teachers.

It accordingly adopted supplemental report language requiring CTC to respond to the above inquiries.