

SUBCOMMITTEE NO. 1

Agenda

Senator Marty Block, Chair
Senator Carol Liu
Senator Mark Wyland



Thursday, May 1, 2014
9:30 a.m. or Upon Adjournment of Floor Session
Room 3191

Consultants: Jody Martin, Farra Bracht and Mark Ibele

Proposed Vote Only Calendar

6360	Commission on Teacher Credentialing	
Issue 1	DOF April Letter: Dual Credential Program	Page 2
6110	Department of Education	
Issue 1	Governor's Budget Requests for State Operations	Page 3
Issue 2	DOF April Letter: State Operations and Local Assistance	Page 5

Proposed Discussion/Vote Calendar

6110	Department of Education	
Issue 1	Fiscal Status of School Districts (Informational Item)	Page 15
Issue 2	Governor's Budget Requests for State Operations	Page 22
Issue 3	State Special Schools Deferred Maintenance	Page 29
Issue 4	Accessible Instructional Materials	Page 31
Issue 5	State Board of Education Delegation of Charter School Oversight	Page 34
Issue 6	Child Nutrition (Informational Item)	Page 36
	Public Comment	

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.

Items Proposed for Vote Only

6360 COMMISSION ON TEACHER CREDENTIALING

Issue 1: DOF April Letter: Dual Credential Program

The April Finance Letter for the Commission on Teacher Credentialing (CTC) requests to increase CTC's 2014-15 budget by \$175,000 in reimbursements to enable CTC to spend competitive federal grant funds provided for development of a dual Special Education/General Education teacher preparation and credential program. The program would allow teaching candidates to concurrently earn a special education credential and a general education credential. The request also includes a new budget item to schedule the funds and provisional language to denote them as one-time funds.

The funds are part of the total grant award of \$200,000 that CTC received from the National Collaboration for Effective Educator Development, Accountability, and Reform (CEEDAR) Center, a federally-funded technical assistance agency focusing on special education. From that award, CTC plans to spend \$25,000 in 2013-14 and the remainder in 2014-15. In a letter dated March 7, 2014, Department of Finance (DOF) notified the Joint Legislative Budget Committee of DOF's intent to increase CTC's budget in 2013-14 by \$25,000 to reflect this grant.

CTC will use the funds to convene experts from the California Department of Education and various institutions of higher education to develop the dual certification program. The program is intended to enable teacher education programs operated by institutions of higher education to better prepare new teachers to address the instructional needs of students with disabilities.

Staff Recommendation. Staff recommends the subcommittee approve the April Finance Letter request to increase CTC's reimbursements by \$175,000 to fund the development of a dual Special Education/General Education teacher preparation and credential program and to add the requested budget item schedule and provisional language.

VOTE:

6110 DEPARTMENT OF EDUCATION**Issue 1: Governor's Budget Requests for State Operations****Proposed California Department of Education (CDE) State Operations Adjustments—General Fund (Non-Proposition 98):**

Item 1. Pupil Fee Complaint Process. The Governor's budget requests \$114,000 and 1.0 consultant position to implement the appeal requirements of AB 1575 (Lara), Chapter 776, Statutes of 2012. This measure established the Uniform Complaint Procedures process as the required local process for addressing complaints about the imposition of pupil fees. It also authorizes appeals of schools' decisions to be made to CDE, which is required to respond and implement a specific remedy, if appropriate, within 60 days. The 2013-14 budget provided CDE with \$109,000 and 1.0 position, beginning in 2013-14, for other aspects of this measure related to CDE monitoring and technical assistance, and state regulations.

Item 2. Instructional Quality Commission. The Governor's budget requests \$270,000 for the Instructional Quality Commission to review and revise, as needed, the curriculum framework for history-social science to include civics education and financial literacy, pursuant to the requirements of AB 137 (Buchanan), Chapter 225, Statutes of 2013, and AB 166 (Roger Hernández), Chapter 135, Statutes of 2013, and to develop a revised curriculum framework and evaluation criteria for instructional materials in science based on the Next Generation Science Standards, pursuant to SB 300 (Hancock), Chapter 480, Statutes of 2013.

Item 3. Charter School Petition Appeal Reviews. The Governor's budget requests \$100,000 and 1.0 consultant position for CDE to review various charter school appeals submitted to the State Board of Education (SBE). (The DOF April Letter requests an additional \$15,000 for this position to bring the total funding to \$115,000). Under state law, SBE may authorize charter school petitions that are denied by school districts and county offices of education, and to consider charter school appeals regarding local non-renewal and revocation decisions. SBE has delegated, to CDE, the authority to review these charter school appeals.

Staff Comment: Staff notes that the Governor proposes trailer bill language (separate from this item) to allow SBE to delegate oversight for SBE-authorized charter schools to any school district or county office of education in the state (see Issue 6, SBE Delegation of Charter School Oversight, on page 34). That language proposal has potential implications for the workload and budget of CDE's Charter Schools Division, whose staff conducts these charter school appeals, oversight of SBE-authorized charters as delegated by SBE to CDE, and other activities related to charter schools.

Proposed CDE State Operations Adjustments—Other Funds:

Item 4. Race to the Top Early Learning Challenge Grant. The Governor's budget proposes for state operations an additional \$1 million in federal funds from the Race to the Top Early Learning Challenge Grant (RTT-ELC) supplemental award (\$22.4 million) that California received in 2013-14. In 2011, California received \$52.6 million from the initial RTT-ELC grant. State-level activities are a complement to the local efforts funded through the grant to improve the quality of early learning programs. Funding for state operations will support the

following: 3.0 limited-term positions to assist with and provide oversight for this project, contracts for technical assistance to local participating agencies, and project evaluation. The Governor's budget also provides an additional \$7.7 million from the supplemental grant award for local project activities. In a letter dated September 19, 2013, DOF notified the Joint Legislative Budget Committee of DOF's intent to increase CDE's budget in 2013-14 (\$2.6 million for state operations and \$7 million for local activities) to reflect this grant award.

Staff Comment: CDE submitted to DOF a May Revision proposal to potentially realign the entire budget for the RTT-ELC grant, including the supplemental award that is the subject of this item. Nonetheless, staff believes it is reasonable for the subcommittee to approve the Governor's proposal at this time, with the understanding there may be an adjustment proposed in the May Revision.

Item 5. Fee Reimbursements for Adoption of English Language Arts/English Language Development Instructional Materials. The Governor's budget proposes \$281,000 in reimbursement authority for CDE to collect fees from publishers that participate in a forthcoming statewide adoption of new instructional materials for English Language Arts/English Language Development, pursuant to the requirements of SB 201 (Liu), Chapter 478, Statutes of 2013. The 2008-09 budget suspended all statewide instructional materials adoptions due to the state budget shortfall. In 2009-10, a budget veto eliminated \$705,000 General Fund support for the state Instructional Materials Commission.

Item 6. School Supplies for Homeless Children. The Governor's budget requests \$100,000 from the School Supplies for Homeless Children Fund for the costs of administering new competitive grant funds for school supplies and health-related products for homeless pupils, pursuant to the requirements of SB 1571 (DeSaulnier), Chapter 459, Statutes of 2012. In addition, the Governor's budget requests \$530,000 from this special fund for the local assistance competitive grants in 2014-15. This level of funding is estimated to provide supplies to up to 10,000 homeless pupils.

Item 7. State Level Activities for Migrant Education Program. The Governor's budget requests to transfer \$501,000 in federal funds for the Migrant Education Program from local assistance contracts to state operations, and add 3.0 permanent consultant positions to implement the workload associated with this funding. The funds transferred would support the same activities as before, but under state-level oversight. Specifically, the resources would support the State Parent Advisory Council, the Identification and Recruitment program, and oversight of program data systems, which are areas where long-standing program deficiencies have been found through program monitoring and federal and state audits.

Staff Recommendation: Staff recommends the subcommittee approve items 1-7 as budgeted.

VOTE:

6110 DEPARTMENT OF EDUCATION

Issue 2: DOF April Letter: State Operations and Local Assistance

In the April Finance Letter, the Governor proposes several adjustments to CDE state operations and local assistance budget items for 2014-15, as shown in the table below. Note the table cites the text from the Finance Letter, which refers to CDE as the State Department of Education (SDE). These adjustments either update federal budget appropriations so they match the latest estimates, or make other corrections to the budget.

Many are considered technical, since they are consistent with current programs, and there is no known opposition to them. Staff recommends the subcommittee approve these adjustments.

For a small number of the Governor's proposals, staff recommends that the subcommittee either adopt the proposal with specified technical corrections (Item 12), or to hold an item open (Items 4, 15, 16, 22-24). Staff comments appear below an item description. A complete list of the staff recommendations is displayed after the table.

Federal Funds Adjustments	
1	<p>Item 6110-001-0001, State Operations, Public Charter Schools Grant Program (PCSGP) (Issue 002)—It is requested that Item 6110-001-0890 be increased by \$537,000 Federal Trust Fund and that Item 6110-001-0001 be amended to reflect the availability of one-time carryover funds for the PCSGP. The PCSGP provides competitive grant awards of up to \$575,000 to newly-approved charter schools for planning and initial implementation. As part of the 2010 federal grant application, the State Department of Education (SDE) agreed to increase charter school technical assistance. These activities were previously funded by the 2011, 2012, and 2013 Budget Acts. However, due to concerns stemming from a reduction in the federal grant award and a change in the SDE contracting process, the SDE was unable to enter into contracts and fulfill its commitments. In September 2013, the SDE submitted a request to the United States Department of Education to amend the approved technical assistance component of California's 2010 grant application. This request will allow the SDE to fulfill its required activities from the 2010 federal grant application within available resources.</p> <p>It is further requested that provisional language be added to Item 6110-001-0890 as follows to conform to this action:</p> <p>X. Of the funds appropriated in this item, \$537,000 is available on a one-time basis for the State Department of Education to contract for the development of charter school technical assistance contracts.</p>
2	<p>6110-001-0890, State Operations, Migrant Education Program Review (Issue 275)—It is requested that Item 6110-001-0890 be increased by \$1,121,000 federal Title I funds and that Item 6110-001-0001 be amended to reflect the availability of the one-time funds for the SDE to complete a review of the Migrant Education Program. The federal Office of Migrant Education is requesting the SDE conduct this review and is providing the funds for this purpose.</p>

	<p>It is further requested that provisional language be added as follows to conform to this action:</p> <p>X. Of the funds appropriated in this item, \$1,121,000 is provided in one-time federal Title I funds for the State Department of Education to complete a review of the Migrant Education Program.</p>
<p>3</p>	<p>Item 6110-112-0890, Local Assistance, Public Charter Schools Grant Program (PCSGP) (Issue 003)—It is requested that this item be increased by \$90,000 Federal Trust Fund to align to the available federal grant award. The PCSGP awards planning and implementation grants up to \$575,000 to new charter schools, as well as grants to disseminate charter school best practices.</p>
<p>4</p>	<p>Item 6110-113-0890, Local Assistance, Student Assessment Program (Issues 549, 554, and 555)—It is requested that Schedule (5) of this item be increased by \$889,000 federal Title VI funds to align to the available federal grant award. Federal funds for state assessments are provided for costs associated with the development and administration of the California Assessment of Student Performance and Progress, the English Language Development Test, and the California High School Exit Exam.</p> <p>It is also requested that provisional language be amended as follows to clarify contingency language that makes funding available for the California Assessment of Student Performance and Progress upon Department of Finance (Finance) review of supporting contract material.</p> <p>“1. The funds appropriated in Schedule (5) are provided for contract costs for the implementation of the California student assessment system established pursuant to Chapter 489 of the Statutes of 2013, as approved by the State Board of Education, and are contingent upon Department of Finance review of supporting contract material submitted by the State Department of Education <u>the related contract, during contract negotiations, prior to its execution.</u>”</p> <p>It is also requested that an amendment to provisional language be made as follows to eliminate unnecessary redundancies in Budget Bill language as Provision 8 within the item provides authority for contract savings from the California English Language Development Test to be used to develop the new English Language Proficiency Assessments for California. This amendment also better reflects the intended use of funds allocated in this schedule.</p> <p>“2. The funds appropriated in Schedule (2) shall be available for approved contract costs for administration of the California English Language Development Test, and the development of and transition to the English Language Proficiency Assessments for California, consistent with the requirements of Chapter 7 (commencing with Section 60810) of Part 33 of Division 4 of Title 2 of the Education Code and Provision 3 of Item 6110-113-0001.”</p> <p>Staff comment: Staff recommends holding this issue open since the subcommittee heard the Governor’s proposal for funding of the student assessment program on March 20, 2014, and the subcommittee chose to hold that issue open, pending the May Revision.</p>

<p>5</p>	<p>Item 6110-119-0890, Local Assistance, Neglected and Delinquent Children Program (Issue 279)—It is requested that this item be decreased by \$234,000 federal Title I funds to align to the available federal grant award. The Neglected and Delinquent Children Program provides supplemental instruction, including math and literacy activities, to children and youth in state institutions for juveniles and in adult correctional institutions to ensure that these youth make successful transitions to school or employment.</p>
<p>6</p>	<p>Item 6110-125-0890, Local Assistance, Migrant Education Program and English Language Acquisition Program (Issues 280, 281, and 282)—It is requested that Schedule (1) of this item be decreased by \$1,954,000 federal Title I funds for the Migrant Education Program to reflect a \$6,254,000 reduction to the available federal grant award and the availability of \$4.3 million in one-time carryover funds. The Program provides educational support services to meet the needs of highly-mobile children.</p> <p>It is further requested that provisional language be added as follows to conform to this action:</p> <p>X. Of the funds appropriated in Schedule (1), \$4,300,000 is provided in one-time federal Title I carryover funds to support the existing program.</p> <p>It is also requested that Schedule (2) of this item be increased by \$43,000 federal Title I funds for Migrant Education Program—State Level Activities to align to the available federal grant award. The state level activities of the Migrant Education Program includes funding to maintain statewide contracts for the Migrant Eligibility Database, migrant program assessment, college preparation, distance learning, data support, and tutoring programs.</p> <p>It is also requested that Schedule (3) of this item be decreased by \$10,559,000 federal Title III funds for the English Language Acquisition Program to align to the available federal grant award. This program provides services to help students attain English proficiency and meet grade level academic standards.</p>
<p>7</p>	<p>Item 6110-134-0890, Local Assistance, Basic Elementary and Secondary Education Act Program (Issue 548)—It is requested that Schedule (4) of this item be increased by \$37,963,000 federal Title I funds for the Title I Basic Elementary and Secondary Education Act to reflect an increase to the federal grant award. Local educational agencies (LEAs) use these funds to support services that assist low-achieving students enrolled in the highest poverty schools.</p>
<p>8</p>	<p>Item 6110-134-0890, Local Assistance, School Improvement Grant Program (Issue 550)—It is requested that Schedule (3) of this item be increased by \$73,743,000 federal Title I funds to reflect the availability of \$80,560,000 in one-time carryover funds and a \$6,817,000 reduction to the available federal grant award. The SDE awards school improvement grants to LEAs with the persistently lowest-achieving Title I schools to implement evidence-based strategies for improving student achievement.</p> <p>It is further requested that provisional language be added as follows to conform to this action:</p> <p>X. Of the funds appropriated in Schedule (3), \$80,560,000 is provided in one-time carryover funds to support the existing program.</p>

<p>9</p>	<p>Item 6110-136-0890, Local Assistance, McKinney-Vento Homeless Children Education Program (Issue 283)—It is requested that Schedule (1) of this item be increased by \$164,000 federal Title I funds to align to the available federal grant award. The McKinney-Vento Homeless Children Education Program provides a liaison to ensure homeless students have access to education, support services, and transportation.</p>
<p>10</p>	<p>Item 6110-137-0890, Local Assistance, Rural and Low-Income School Program (Issue 284)—It is requested that this item be decreased by \$90,000 federal Title VI funds to reflect a \$123,000 reduction to the available federal grant award and the availability of \$33,000 in one-time carryover funds. The Rural and Low-Income School program provides financial assistance to rural districts to help them meet federal accountability requirements and to conduct activities of the federal Elementary and Secondary Education Act program.</p> <p>It is further requested that provisional language be added as follows to conform to this action:</p> <p>X. Of the funds appropriated in this item, \$33,000 is provided in one-time federal Title VI carryover funds to support the existing program.</p>
<p>11</p>	<p>Item 6110-156-0890, Local Assistance, Adult Education Program (Issue 362)—It is requested that this item be increased by \$7,677,000 federal Title II funds to reflect the availability of \$10.5 million in one-time carryover funds and a \$2,823,000 reduction to the available federal grant award. The Adult Education Program supports the Adult Basic Education, English as a Second Language, and Adult Secondary Education programs.</p> <p>It is further requested that provisional language be added as follows to conform to this action:</p> <p>X. Of the funds appropriated in this item, \$10,500,000 is provided in one-time carryover funds to support the existing program.</p>
<p>12</p>	<p>Item 6110-161-0890, Local Assistance, Special Education (Issues 124, 125, and 126)—It is requested that Schedule (1) of this item be decreased by \$5,907,000 to reflect a \$10,795,000 reduction to the available Individuals with Disabilities Education Act (IDEA) grant awards and the availability of \$4,888,000 in one-time IDEA federal carryover funds.</p> <p>It is also requested that Schedule (3) of this item be decreased by \$1,563,000 to reflect a \$1,763,000 reduction to available IDEA preschool grant awards and the availability of \$200,000 in one-time federal IDEA carryover funds. The Administration proposes to allocate the carryover funds as local assistance grants to mitigate the impact of the federal sequester reduction in 2013-14.</p> <p>It is also requested that Provision 6 of this item be amended to reference Schedule (2), instead of Schedule (4). This is a technical correction to reflect a change in the scheduling of the item.</p> <p>It is further requested that provisional language be amended and added as follows to conform to these actions:</p> <p>“6. Of the funds appropriated in Schedule (4)(2), \$69,000,000 shall be available only for the purpose of providing educationally related mental health services, including out-of-home</p>

	<p>residential services for emotionally disturbed pupils, required by an individualized education program pursuant to the federal Individuals with Disabilities Education Act (20 U.S.C. Sec. 1400 et seq.) and as described in Section 56363 of the Education Code. The Superintendent of Public Instruction shall allocate these funds to special education local plan areas in the 2014–15 fiscal year based upon an equal rate per pupil using the methodology specified in Section 56836.07 of the Education Code.”</p> <p>X. Of the funds appropriated in Schedule (1), \$4,888,000 in one-time federal Individuals with Disabilities Education Act (20 U.S.C. Sec. 1400 et seq.) carryover funds shall be available to support the existing program and to mitigate the impact of the 2013-14 federal sequester reduction to grants for local educational agencies.</p> <p>X. Of the funds appropriated in Schedule (3), \$200,000 in one-time federal Individuals with Disabilities Education Act (20 U.S.C. Sec. 1400 et seq.) carryover funds shall be available to support the existing program and to mitigate the impact of the 2013-14 federal sequester reduction to the Preschool Grant Program.</p> <p>Staff comment: Staff recommends adoption of the Governor's proposal but with the technical corrections that are shown above in strike-through italics text. There is no known opposition to these technical corrections.</p>
<p>13</p>	<p>Item 6110-166-0890, Local Assistance, Vocational Education Program (Issue 363)—It is requested that this item be increased by \$5,736,000 federal Title I funds to reflect the availability of \$6,298,000 in one-time carryover funds and a \$562,000 reduction to the available federal grant award. The Vocational Education Program develops the academic, vocational, and technical skill of students in high school, community colleges, and regional occupational centers and programs.</p> <p>It is further requested that provisional language be added as follows to conform to this action:</p> <p>X. Of the funds appropriated in this item, \$6,298,000 is provided in one-time carryover funds to support the existing program.</p>
<p>14</p>	<p>Item 6110-183-0890, Local Assistance, Safe and Drug Free Schools Program (Issue 607)—It is requested that this item be decreased by \$8,434,000 Federal Trust Fund to reflect a \$9,088,000 reduction to the available federal grant award and the availability of \$654,000 in one-time carryover funds. The Safe and Supportive Schools program supports statewide measurement of school climate and helps participating high schools improve conditions such as school safety, bullying, and substance abuse.</p> <p>It is further requested that provisional language be added as follows to conform to this action:</p> <p>X. Of the funds appropriated in this item, \$654,000 is provided in one-time carryover funds to support the existing program.</p>
<p>15</p>	<p>Item 6110-193-0890, Local Assistance, Mathematics and Science Partnership Program (Issue 364)—It is requested that this item be increased by \$507,000 federal Title II funds to align to the available federal grant award. The Mathematics and Science Partnership Program provides competitive grants to partnerships of low-performing schools and institutions of higher education to provide staff development and curriculum support to</p>

	<p>mathematics and science teachers.</p> <p>Staff comment: CDE reports that there are additional carryover funds to budget for this item as part of the May Revision. For that reason, staff recommends the subcommittee hold this item open.</p>
<p>16</p>	<p>Item 6110-195-0890, Local Assistance, Improving Teacher Quality (Issues 365, 366, and 367)—It is requested that Schedule (1) of this item be decreased by \$14,613,000 federal Title II funds to align with the available grant award. The Improving Teacher Quality Local Grant Program provides funds to LEAs on a formula basis for professional development activities focused on preparing, training, and recruiting highly-qualified teachers.</p> <p>It is also requested that Schedule (2) of this item be increased by \$509,000 federal Title II funds to reflect a \$403,000 increase to the available federal grant award and the availability of \$106,000 in one-time carryover funds. The Improving Teacher Quality-State Level Activities provides funds for the University of California Subject Matter Projects to provide statewide teacher professional development.</p> <p>It is also requested that Schedule (3) of this item be decreased by \$71,000 federal Title II to reflect a \$342,000 reduction to the available federal grant award and the availability of \$271,000 in one-time carryover. The Improving Teacher Quality Higher Education Grants provides funds for teacher professional development in core academic subjects at institutions of higher education.</p> <p>It is further requested that provisional language be added as follows to conform to this action:</p> <p>X. Of the funds appropriated in Schedule (2), \$106,000 is provided in one-time carryover for transfer to the University of California and shall be used for the Subject Matter Projects. None of these funds shall be used for additional indirect administrative costs.</p> <p>X. Of the funds appropriated in Schedule (3), \$271,000 is provided in one-time carryover for the Improving Teacher Quality Higher Education Grants. None of these funds shall be used for additional indirect administrative costs.</p> <p>Staff comment: CDE has indicated that there is a need for CDE to reassess the amount of carryover funds available in 2014-15 for Improving Teacher Quality-State Level Activities. For that reason, staff recommends that the subcommittee hold this item open.</p>
<p>17</p>	<p>Item 6110-197-0890, Local Assistance, 21st Century Community Learning Centers Program (Issue 847)—It is requested that Schedule (1) of this item be increased by \$36,629,000 Federal Trust Fund to reflect the availability of \$35,878,000 in one-time carryover funds and a \$751,000 increase to the available federal grant award. The 21st Century Community Learning Centers Program provides communities funding to establish or expand before and after school programs that provide disadvantaged K-12 students with academic enrichment opportunities and supportive services.</p> <p>It is further requested that provisional language be added as follows to conform to this action:</p> <p>X. Of the funds appropriated in this item, \$35,878,000 is provided in one-time carryover funds to support the existing program.</p>

<p>18</p>	<p>Item 6110-201-0890, Local Assistance, National School Lunch Program Equipment Grants (Issue 603)—It is requested that this item be increased by \$3,051,000 Federal Trust Fund to reflect one-time funding for National School Lunch Program equipment assistance grants. Qualifying LEAs receiving funding can purchase equipment needed to serve healthier meals, meet nutritional standards, and improve food safety.</p> <p>It is further requested that provisional language be added as follows to conform to this action:</p> <p>X. Of the amount appropriated in Schedule (1), \$3,051,000 is provided on a one-time basis for National School Lunch Program equipment assistance grants.</p>
<p>19</p>	<p>Item 6110-240-0890, Local Assistance, Advanced Placement (AP) Fee Waiver Program (Issue 285)—It is requested that this item be increased by \$833,000 to reflect the availability of \$612,000 in one-time carryover funds and a \$221,000 increase to the available federal grant award. The AP Fee Waiver program reimburses school districts for specified costs of AP, International Baccalaureate, and Cambridge test fees paid on behalf of eligible students. These programs allow students to pursue college-level course work while still in secondary school.</p> <p>It is further requested that provisional language be added as follows to conform to this action:</p> <p>X. Of the funds appropriated in this item, \$612,000 is provided in one-time carryover funds to support the existing program.</p>
<p>General Fund and Other Adjustments</p>	
<p>20</p>	<p>Item 6110-001-0001, Support, Align Funding for Charter School Appeal Reviews Position (Issue 001)—It is requested that Schedule (2) of this item be increased by \$15,000 General Fund to align funding for a charter school appeal reviews position with estimated position costs.</p>
<p>21</p>	<p>Item 6110-001-0001, Support, Shift State Operations Funding Between Schedules (Issue 278)—It is requested that Schedule (2) of Item 6110-001-0001 be decreased by \$825,000 and that Schedule (3) of Item 6110-001-0001 be increased by \$825,000 to accurately reflect program funding. This technical adjustment would correct an error that resulted from removing current year one-time funding from the incorrect schedule/program when preparing the Governor’s Budget. This adjustment would have no effect on the total amount budgeted in the item.</p>
<p>22</p>	<p>Item 6110-113-0001, Local Assistance, Student Assessment Program (Issues 551 and 553)—It is requested that provisional language be amended as follows to remove unnecessary provisional language that is repeated in statute and to make conforming changes by referencing the Standardized Testing and Reporting Program when the California Assessment of Student Performance and Progress is referenced, which allows approved apportionment costs to be paid in prior fiscal years.</p> <p>“6. It is the intent of the Legislature that the State Department of Education (SDE) develop a</p>

~~plan to streamline existing programs to eliminate duplicative tests and minimize the instructional time lost to test administration. The SDE shall ensure that all statewide tests meet industry standards for validity and reliability.”~~

“10. The funds appropriated in Schedule (8) shall be used to pay approved apportionment costs from the 2013–14 and prior fiscal years for the California English Language Development Test, the California High School Exit Examination, the Standardized Testing and Reporting (STAR) Program, and the California student assessment system established pursuant to Chapter 489 of the Statutes of 2013.”

It is further requested that provisional language be amended as follows to clarify contingency language that makes funding available for the California Assessment of Student Performance and Progress upon Finance review of supporting contract material.

“2. The funds appropriated in Schedules (5), (6), and (7) are provided for contract costs for the implementation of the California student assessment system established pursuant to Chapter 489 of the Statutes of 2013, as approved by the State Board of Education, and are contingent upon Department of Finance review of ~~supporting contract material submitted by the State Department of Education~~ the related contract, during contract negotiations, prior to its execution.”

It is further requested that provisional language be amended as follows to clarify contingency language that makes funding available for the English Language Proficiency Assessments for California upon Finance review of supporting contract material and to better reflect the intended use of funds allocated in this schedule.

“3. The funds appropriated in Schedule (3) shall be available for approved contract costs for ~~administration of the California English Language Development Test (CELDT) meeting the requirements of Chapter 7 (commencing with Section 60810) of Part 33 of Division 4 of Title 2 of the Education Code. These funds shall also be available for the development of and transition to the English Language Proficiency Assessments for California which include initial identification and annual assessments aligned to the state English language development standards in accordance with Chapter 478 of the Statutes of 2013, and are contingent upon the Department of Finance review of supporting contract material submitted by the State Department of Education.~~ submittal of the related contract by the State Department of Education to the Department of Finance. Ongoing funding for the English Language Proficiency Assessments for California shall be contingent upon an appropriation in the annual Budget Act. Incentive funding of \$5 per pupil is provided in Schedule (8) for district apportionments for the CELDT. As a condition of receiving these funds, school districts must agree to provide information determined to be necessary to comply with the data collection and reporting requirements of the federal No Child Left Behind Act of 2001 (P.L. 107-110) regarding English language learners by the State Department of Education.”

Staff comment: Staff recommends holding this issue open since the subcommittee heard the Governor’s proposal for funding of the student assessment program on March 20, 2014 and chose to hold that item open, pending the May Revision.

<p>23</p>	<p>Item 6110-170-0001, Local Assistance, Career Technical Education (CTE) Program (Issue 360)—It is requested that this item be amended by increasing reimbursements by \$800,000 to reflect one-time reimbursement carryover funds for the CTE Program. Specifically, \$400,000 would allow for the completion of three projects that could not be completed in the current year due to contract delays, \$200,000 would fund a contract for an evaluation of the pilot Linked Learning Program, and \$200,000 would be allocated to existing participants of the pilot Linked Learning Program.</p> <p>It is further requested that provisional language be added as follows to conform to this action:</p> <p>X. Of the funds appropriated in this item, \$800,000 reflects one-time reimbursement carryover funds. Specifically, \$400,000 is to complete unfinished projects of the Leadership Development Institutes, the New Teacher Workshops, and the Career Technical Student Organizations, \$200,000 is to contract for an evaluation of the pilot Linked Learning Program, and \$200,000 is for grants to the existing participants of the pilot Linked Learning Program.</p> <p>Staff comment: These are unspent 2013-14 funds from projects related to the Governor’s Career Technical Education Pathways Program authorized by SB 1070 (Steinberg), Chapter 433, Statutes of 2012. CDE is concerned about the amount proposed for the Linked Learning Pilot Program (LLPP) evaluation in 2014-15, which is required by Assembly Bill 790 (Furutani), Chapter 616, Statutes of 2011. CDE had requested to allocate \$400,000 of these carryover funds to the LLPP evaluation. DOF approved \$200,000 for the LLPP evaluation based on DOF’s assessment of the scale of this evaluation compared to the planned evaluation of the Career Pathways Trust (CPT) Program. The 2013-14 budget provided \$250,000 for the CPT Program evaluation. DOF indicates that the two evaluations will explore similar research questions, however, because the Linked Learning Program includes fewer program participants, DOF believes its evaluation should cost somewhat less than the CPT evaluation. CDE indicates that total funding of \$600,000 (not \$250,000) has been allocated for the CPT evaluation, which includes \$350,000 for evaluation data collection activities.</p> <p>Staff recommends the subcommittee hold this issue open to assess the level of funding needed for the Linked Learning Program evaluation.</p>
<p>24</p>	<p>Item 6110-194-0001, Local Assistance, Federal Child Care and Development Fund Provisions (Issue 846)—It is requested that Provision 1 be amended as follows to require the SDE to seek approval from the Director of Finance and to provide legislative notification prior to incurring expenditures in specified child care programs every other year, consistent with the federal application due date. Currently, the SDE is eligible to apply for a federal grant under the Child Care and Development Program, which includes developing a state expenditure plan, every other year while provisional language requires the SDE to seek Director of Finance approval and provide advanced written notification to the Legislature every year.</p> <p>“1. Funds in Schedules (1.5)(g), Resource and Referral, (1.5)(k), California Child Care Initiative, (1.5)(l), Quality Improvement, and (1.5)(n), Local Planning Councils, shall be allocated to meet federal requirements to improve the quality of child care and shall be used in accordance with the approved California state plan for the federal Child Care and Development Fund. <u>In years when the state plan is submitted to the U.S. Department of Education for approval, the State Department of Education may expend these funds for these purposes</u> Upon approval of the state plan by the Director of Finance and no sooner than 30 days after notification in writing to the committees of each house of the Legislature that</p>

consider the State Budget, ~~the State Department of Education may expend these funds for these purposes. No notification is required in years when expenditures are made according to a previously approved state plan.~~"

Staff comment: As a condition of receiving the federal Child Care and Development Fund (CCDF) grant, the state must allocate four percent of the grant to quality improvement activities for child care. The federal government requires states to develop two-year plans for the expenditure of these funds.

According to DOF, the proposed change to this provision (first added to the 2013-14 budget) would clarify that, prior to spending federal child care quality funds, CDE is required to obtain DOF approval of the two-year expenditure plan only in the year in which the plan is submitted to the federal government (not also in the subsequent year), as long as the expenditures in the second year are consistent with the previously-approved plan.

CDE had requested to remove the entire provision from the 2014-15 Governor's budget. CDE believes the provision is unnecessary since statute (Education Code Section 8206.1) already mandates a process for CDE to develop the plan, including consultation with DOF and other state entities, a stakeholders/public process, and submittal of the plan to the Legislature during the annual budget process prior to the plan's submittal to the federal government (due by July 1 every other year). Further, CDE believes this provision requires it to obtain DOF approval of the plan after the federal government approves the plan, which would delay the expenditure of funds.

LAO recommends the Legislature eliminate the provision. LAO believes DOF and the Legislature already have sufficient authority to influence the use of the child care quality dollars through the annual budget act, and the provision could create additional barriers to expending these federal funds in a timely fashion.

Staff finds the provision was added to the annual budget act, building upon the requirements that were present in Education Code Section 8206.1, to ensure that the Administration and the Legislature would have an opportunity for input to the expenditure plan, particularly if CDE sought changes to the plan that did not coincide with the annual budget process. Staff also believes CDE and LAO raise legitimate concerns about the provision having the potential to cause delays in the spending of these federal funds. In order to seek a compromise approach (possibly budget provisional language or a revision of the relevant education code), staff recommends the subcommittee keep this item open.

Staff Recommendation: Staff recommends the subcommittee:

1. Approve as budgeted the April Letter items listed above except for Items 4, 15, 16, 22, 23, and 24. Item 12 is to be approved with the technical correction noted.
2. Hold open the April Letter items listed above as Items 4, 15, 16, 22, 23, and 24.

VOTE:

Items Proposed for Discussion/Vote

6110 DEPARTMENT OF EDUCATION

Issue 1: Fiscal Status of School Districts – Fiscal Crisis and Management Assistance Team

Program: The Fiscal Crisis and Management Assistance Team (FCMAT) provides a statewide resource to help monitoring agencies in providing fiscal and management guidance. The purpose of the FCMAT is to help local education agencies (LEAs)—school districts and county offices of education (COEs)—fulfill their financial and management responsibilities. Joel Montero, Executive Director of FCMAT, will provide a presentation on the financial status of local education agencies, including an update on the number of these agencies with negative and qualified certifications on the latest financial status reports and the status of state emergency loans.

Budget Overview: The Governor's 2014-15 budget provides the same operational support for FCMAT as provided in the current year. Specifically, the budget proposes to provide \$4.8 million Proposition 98 General Fund for FCMAT functions and oversight activities related to K-12 schools. The Governor's budget also includes \$570,000 Proposition 98 General Fund for FCMAT to provide support to community colleges.

Beginning in 2013-14, the funding for county fiscal oversight was consolidated into the Local Control Funding Formula (LCFF) for COEs. County offices are still required to review, examine and audit district budgets as well as annually notify districts of qualified or negative budget certifications, however, the state no longer provides a dedicated funding source for this purpose. Under the Governor's proposal, COEs will reach their target funding level in 2014-15.

Background: Legislation adopted through AB 1200 (Eastin), Chapter 1213, Statutes of 1991; created an early warning system to help local education agencies (LEAs) avoid fiscal crisis, such as bankruptcy or the need for an emergency loan from the state. The measure expanded the role of COEs in monitoring school districts and required that they intervene, under certain circumstances, to ensure districts can meet their financial obligations. The bill was largely in response to the bankruptcy of the Richmond School District, and the fiscal troubles of a few other districts that were seeking emergency loans from the state. The formal review and oversight process requires the county superintendent approve the budget and monitor the financial status of each school district in its jurisdiction. COEs perform a similar function for charter schools, and the California Department of Education (CDE) oversees the finances of COEs.

AB 1200 also created the Fiscal Crisis and Management Assistance Team (FCMAT), recognizing the need for a statewide resource to help monitoring agencies in providing fiscal and management guidance. The purpose of the FCMAT is to help LEAs fulfill their financial and management responsibilities by providing fiscal advice, management assistance, training, and other related services. The bill specified that one county office of education would be selected to administer the assistance team. Through a competitive process, the office of the Kern County Superintendent of Schools was selected to administer FCMAT in

June 1992. There are several defined "fiscal crises" that can prompt a COE to intervene in a district: a disapproved budget, a qualified or negative interim report, or recent actions by a district that could lead to not meeting its financial obligations.

Interim Financial Status Reports

Current law requires LEAs to file two interim reports annually on their financial status with the CDE. First interim reports are due to the state by January 15 of each fiscal year; Second interim reports are due by April 15 each year. Additional time is needed by the Department to certify these reports.

As a part of these reports, LEAs must certify whether they are able to meet their financial obligations. The certifications are classified as positive, qualified, or negative.

- A positive certification is assigned when an LEA will meet its financial obligations for the current and two subsequent fiscal years.
- A qualified certification is assigned when an LEA may not meet its financial obligations for the current and two subsequent fiscal years.
- A negative certification is assigned when an LEA will be unable to meet their financial obligations in the current year or in the subsequent fiscal year.

First Interim Report. The first interim report was published by CDE in February 2014 and identified eight school districts with negative certifications, as listed below. These schools will not be able to meet their financial obligations for 2013-14 or 2014-15. The first interim report reflects data generated by LEAs in Fall 2013, prior to release of the Governor’s January 2014-15 budget. The first interim report also identified 41 LEAs with Qualified Certifications. These LEAs with qualified certifications may not be able to meet their financial obligations for 2013-14, 2014-15 or 2015-16.

Second Interim Report. The second interim report indicates improvement, with six LEAs with Negative Certification and only 22 LEAs with Qualified Certification. The Second Interim (projected) results are show in the tables below:

**Negative Certification
Second Interim Budget Certifications—Projected***

County	District
Glenn	Orland Joint Unified
Los Angeles	Acton-Agua Dulce Unified
Los Angeles	Inglewood Unified
San Diego	San Ysidro Unified
Sonoma	Windsor Unified
Stanislaus	Denair Unified

Source: Fiscal Crisis and Management Assistance Team

**Qualified Certification
Second Interim Budget Certifications***

County	District
Alameda	Oakland Unified
Calaveras	Calaveras Unified
Fresno	Westside Elementary
Imperial	Calexico Unified
Kern	El Tejon Unified
Kern	Vineland Elementary
Kern	Lost Hills Elementary
Los Angeles	Los Angeles Unified
Los Angeles	Wilsona Elementary
Madera	Chawanakee Unified
Mendocino	Anderson Valley Unified
Mendocino	Willits Unified
Placer	Placer Hills Union Elementary
Sacramento	Sacramento City Unified
San Bernardino	Rim of the World Unified
San Diego	Ramona City Unified
San Diego	San Diego Unified
San Luis Obispo	Paso Robles Joint Unified
San Luis Obispo	Shandon Joint Unified
Shasta	Junction Elementary
Sonoma	Forestville Union Elementary
Tulare	Hot Springs Elementary

Source: Fiscal Crisis and Management Assistance Team

An examination of the second interim certifications indicates that those with a negative certification peaked in 2008-09 and the current level (six) is the fewest number of LEAs in this category since 2006-07. Similarly, the number of LEAs with a Qualified Certification peaked in 2011-12 at 176, and has declined rapidly. A graphic depiction of certification patterns is presented in the graphic on page 19 prepared by FCMAT.

State Emergency Loans

A school district governing board may request an emergency apportionment loan from the state if the board has determined the district has insufficient funds to meet its current fiscal obligations. Existing law states the intent that emergency apportionment loans be appropriated through legislation, not through the budget. The conditions for accepting loans are specified in statute, depending on the size of the loan. For loans that exceed 200 percent of the district’s recommended reserve, the following conditions apply:

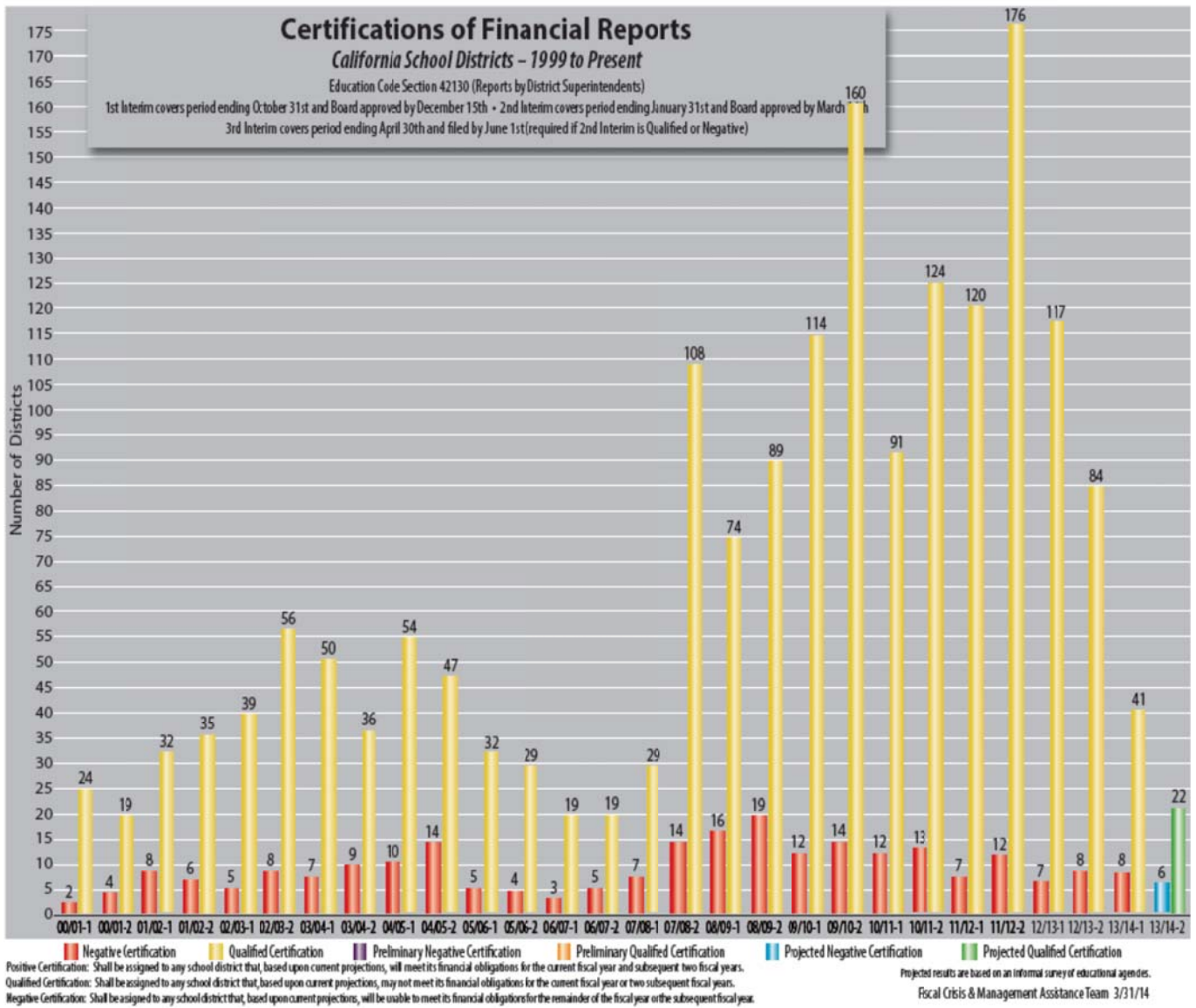
- The State Superintendent of Public Instruction (SPI) shall assume all the legal rights, duties, and powers of the governing board of the district.
- The SPI shall appoint an administrator to act on behalf of the SPI.

- The school district governing board shall be advisory only and report to the state Administrator.
- The authority of the SPI and state administrator shall continue until certain conditions are met. At that time, the SPI shall appoint a trustee to replace the administrator.

For loans equal to or less than 200 percent of the district's recommended reserve, the following conditions apply:

- The SPI shall appoint a trustee to monitor and review the operation of the district.
- The school district governing board shall retain governing authority, but the trustee shall have the authority to stay and rescind any action of the local district governing board that, in the judgment of the trustee, may affect the financial condition of the district.
- The authority of the SPI and the state-appointed trustee shall continue until the loan has been repaid, the district has adequate fiscal systems and controls in place, and the SPI has determined that the district's future compliance with the fiscal plan approved for the district is probable.

State Emergency Loan Recipients. Nine school districts have sought emergency loans from the state since 1991. The table below summarizes the amounts of these emergency loans, interest rates on loans, and the status of repayments. Four of these districts: Coachella Valley Unified, Compton Unified, Emery Unified, and West Fresno Elementary, have paid off their loans. Five districts have continuing state emergency loans: Oakland Unified, Richmond/West Contra Costa Unified, South Monterey County Joint Union High (formerly King City Joint Union High), Vallejo City Unified, and Inglewood Unified School District. The loan to Inglewood Unified School District was authorized last year in the amount of \$55 million from the General Fund and the California Infrastructure and Economic Development Bank (I-Bank). Of the five districts with continuing emergency loans from the state, Inglewood Unified School District remains on the negative list in the second interim report in 2013-14.



**Emergency Loans to School Districts
1990 through 2014**

District	State Role	Date of Loan	Loan Amount	Interest Rate	Amount Paid	Final Date and Fund
Inglewood Unified	Administrator	11/15/12 11/30/12 02/13/13	\$7,000,000 \$12,000,000 <u>\$10,000,000</u> \$29,000,000 ((\$55 million authorized)	2.307% Variable (PMIA plus 2%)	\$0	11/01/33 GF
South Monterey County Joint Union High (formerly King City Joint Union High)	Administrator	07/22/09 03/11/10 04/14/10	\$2,000,000 \$3,000,000 <u>\$8,000,000</u> \$13,000,000	2.307% Variable (PMIA plus 2%)	\$3,762,275	October 2028 I-bank
Vallejo City Unified	Administrator, Trustee	06/23/04 08/13/07	\$50,000,000 <u>\$10,000,000</u> \$60,000,000	1.5%	\$29,429,736	January 2024 I-bank 08/13/24 GF
Oakland Unified	Administrator, Trustee	06/04/03 06/28/06	\$65,000,000 <u>\$35,000,000</u> \$100,000,000	1.778%	\$53,569,661	January 2023 I-bank 6/29/26 GF
West Fresno Elementary	Administrator, Trustee	12/29/03	\$1,300,000 ((\$2,000,000 authorized)	1.93%	\$1,425,773	12/31/10 GF
Emery Unified	Administrator, Trustee	09/21/01	\$1,300,000 ((\$2,300,000 authorized)	4.19%	\$1,742,501	06/20/11 GF
Compton Unified	Administrator, Trustee	07/19/93 10/14/93 06/29/94	\$3,500,000 \$7,000,000 <u>\$9,451,259</u> \$19,951,259	4.40% 4.313% 4.387%	\$24,358,061	06/30/01 GF
Coachella Valley Unified	Administrator, Trustee	06/16/92 01/26/93	\$5,130,708 <u>\$2,169,292</u> \$7,300,000	5.338% 4.493%	\$9,271,830	12/20/01 GF
West Contra Costa Unified (formerly Richmond Unified)	Administrator, Trustee	08/1/90 01/1/91 07/1/91	\$2,000,000 \$7,525,000 <u>19,000,000</u> \$28,525,000	1.532%	\$47,688,620	05/30/12 I-bank

Source: California Department of Education

Staff Comments: SB 533 (Wright), Chapter 325, Statutes of 2012, appropriated \$29.0 million for an emergency loan to the Inglewood Unified School District and authorized an additional \$26.0 million of lease financing through the I-Bank. The measure also required the Superintendent of Public Instruction to assume all the rights, duties, and powers of the governing board of the district and, in consultation with the Los Angeles County Superintendent of Schools, appoint an administrator to serve in the district, as specified. Despite the fiscal challenges and uncertainty faced by school districts following the recent economic downturn, no school district other than Inglewood Unified had required an emergency loan. Statute added by AB 1200 states intent that the legislative budget subcommittees annually conduct a review of each qualifying school district, as follows:

“It is the intent of the Legislature that the legislative budget subcommittees, annually conduct a review of each qualifying school district that includes an evaluation of the financial condition of the district, the impact of the recovery plans upon the district’s educational program, and the efforts made by the state-appointed administrator to obtain input from the community and the governing board of the district.”

Suggested Questions:

1. *What is the primary focus of FCMAT as it works with districts in the current fiscal climate? What are the measures or factors used by FCMAT to assess fiscal solvency?*
2. *Are there any districts that are of particular concern? Any that may need emergency funding from the state and, if so, what is the potential impact on the state General Fund?*
3. *Can you describe the most common problems faced by school districts on the negative list? What is the general fiscal trend for districts?*
4. *How do you see the Local Control Funding Formula (LCFF) affecting the fiscal condition of schools? Has categorical flexibility helped LEAs balance their budgets in the past?*
5. *With the transition to LCFF, what has changed about the role of county offices of education (COEs) with respect to oversight and technical assistance regarding school district budgets? During this first year of LCFF implementation, what is (and is not) working well as COEs adjust to this new role?*
6. *What trends are you seeing in enrollment? How is declining enrollment affecting districts budgeting?*
7. *Are you aware of any other LEAs that may be facing financial insolvency and requiring a state emergency loan?*

Staff Recommendation: Information item.

6110 DEPARTMENT OF EDUCATION

Issue 2: Governor's Budget Requests for State Operations

Issue: The Governor's budget for 2014-15 proposes a number of adjustments for the Department of Education (CDE) state operations (staffing and operating expenses) that are described beginning on page 23. They primarily involve staffing increases to implement statutes enacted in 2013. Among these adjustments are new resources for CDE's fiscal oversight of the Local Control Funding Formula and work related to local control and accountability plans (LCAP). Staff believes it is important for the subcommittee to explore the issue of state-level LCFF/LCAP oversight with the panelists, as noted further in staff comments.

Three other proposals that relate to the operations of CDE and the SBE are presented in Issues 3, 4, and 5.

Background: The Governor's budget proposes total funding of \$343 million and 2,556.3 positions for CDE staffing and operating expenses in 2014-15, as shown in the table on the next page. Most CDE staff are employed at the department's headquarters in Sacramento to administer state education programs and provide support to local educational agencies (LEAs). The majority of remaining staff are employed at the State Special Schools (including State Diagnostic Centers) that provide direct instruction and support services to attending students with exceptional needs, such persons with hearing or sight impairments.

Recent Budget Reductions for State Operations. CDE has experienced various reductions to state operations in recent years. Most of these are ongoing reductions. CDE also experienced employee furloughs that ceased in 2013-14. In total, CDE's budget has been reduced by more than \$20 million in ongoing cuts and more than \$9 million in one-time reductions since 2009-10. Major reductions are described below.

- *Reductions Beginning in 2009-10.* An Executive Order was issued by Governor Schwarzenegger to all state agencies effective in 2009-10, implementing a reduction equivalent to a three-day-per-month furlough. Agencies headed by Constitutional Officers, such as CDE, were exempt from the Executive Order, but they received an equivalent reduction to their state operations funding, beginning in 2009-10, through the Governor's veto of funding in the budget. This veto resulted in a permanent reduction of \$17.4 million (across all fund sources), which CDE mitigated through workload reductions. While other departments were restored funding when the staff furlough was lifted, CDE was not. Over the two-year period, CDE experienced a reduction of 62 positions and \$20 million (all funds) in funding.
- *Reductions Beginning in 2010-11.* SB 4 X3 (Ducheny), Chapter 12; Third Extraordinary Session, Statutes of 2009, granted LEAs the authority to use funding received for approximately 40 categorical programs for any educational purpose for a five-year period beginning in 2008-09 and ending in 2012-13. (Subsequent legislation extended this flexibility.) This "categorical flexibility" freed LEAs from certain programmatic and fiscal restrictions and thus, to some degree, CDE's role in monitoring and providing technical

assistance for programs falling under categorical flexibility was eliminated. In 2010-11, as a result of categorical flexibility, state operations funding for CDE was reduced by \$2.6 million (General Fund) and 22 positions.

California Department of Education, State Operations Positions and Funding (\$ in thousands)			
	Actual	Budgeted	Proposed
	2012-13	2013-14	2014-15
Authorized Positions			
Headquarters	1,356.2	1,554.9	1,564.1
State Special Schools	881.8	992.2	992.2
Total	2,238.0	2,547.1	2,556.3
Funding			
CDE Headquarters			
General Fund	39,679	47,359	47,328
Federal Fund	131,709	170,672	158,066
Other (Restricted)	19,221	32,267	32,313
Total	190,609	250,298	237,707
Percent General Fund	20.8%	18.9%	19.9%
Percent Federal	69.1%	68.2%	66.5%
CDE State Special Schools			
Proposition 98 GF	47,098	50,500	50,557
Non-Proposition 98 GF	39,949	43,814	44,189
Federal Fund	0	0	0
Other	10,752	12,326	10,522
Total	97,799	106,640	105,268
CDE Headquarters & State Special Schools			
General Fund	126,726	141,673	142,074
Federal Fund	131,709	170,672	158,066
Other	29,973	44,593	42,835
Total	288,408	356,938	342,975

Source: Department of Finance

- *Reductions Beginning in 2011-12.* CDE received an “operation efficiency” reduction of \$3.369 million (General Fund) pursuant to Control Section 3.91 of the 2011-12 budget. Operation efficiency reductions were applied to all state agency budgets and constitute ongoing cuts. CDE was required to submit an operation efficiency reduction plan to the Department of Finance to implement the reduction. The department’s plan included a \$1.5 million (4.3 percent) reduction for the State Special Schools in 2011-12.

- *Staff Furloughs in 2012-13 and Selected Prior Years.* CDE received a reduction of \$9.18 million (all funds) as a result of one-day-per-month Personal Leave Program (PLP) for all employees (including \$3.39 million for the State Special Schools) in 2012-13. CDE received a similar PLP reduction that began in November 2010, extended through October 2011, and was equivalent to an \$11.023 million reduction (all funds).

Indirect and Facilities Costs. CDE indicates that its General Fund budget is underfunded for indirect (central administrative) costs and facilities costs. DOF asserts that it generally budgets for these costs as part of the funding complement for operating expenses and equipment that is provided with the establishment of new positions. CDE charges indirect and facilities costs to the appropriate funding sources, based upon the split of CDE's overall budget across those funding sources. A large share of CDE's positions and workload is related to oversight for federal programs and requirements, and therefore, federal funding pays for its proportional share of the indirect and facilities costs. However, in recent years, there has been an increase in CDE's General Fund budget, which requires the General Fund to pay a larger share of the indirect and facilities costs. According to CDE, it has redirected General Fund from other state-mandated workload to pay indirect and facilities costs.

CDE asserts the prior year reductions and the increased pressure on the General Fund to pay indirect and facilities costs prevents it from taking on any additional General Fund-mandated workload unless it is budgeted for those new activities.

CDE State Operations Priorities. CDE submitted to DOF various state operations requests that were not included in the Governor's budget or Finance April Letter, or were only partially approved by the Governor. Some of CDE's highest priorities for additional funding are described in the staff comments below. During the hearing, CDE will inform the subcommittee about CDE's highest priorities for state operations.

State Operations Requests Covered in Previous Hearings. During its March 20, 2014 hearing, the subcommittee heard about the Governor's budget request for \$482,000 General Fund (Non-98) to fund 4.0 positions related to implementation of the state's new student assessment system (see Issue 2 of March 20, 2014, hearing agenda).

Proposed CDE State Operations Adjustments—General Fund (Non-Proposition 98):

Item 1: Modification of the English Language Development Standards. The Governor's budget requests \$321,000 to align the 2012 English Language Development (ELD) Standards with the state's academic content standards for mathematics and science, pursuant to the requirements of AB 899 (Weber), Chapter 709, Statutes of 2013. This funding would cover the costs of a contract for the analysis and technical writing of the standards, travel and meeting costs to convene a group of experts to assist in this effort, and costs of required public meetings.

Staff Comment: DOF denied CDE's request for additional funding of \$172,000 to support 1.7 temporary help positions (one full-time position and a small portion of staff time across three other positions) to manage this project. CDE indicates that staff are needed to develop and oversee the contract and to convene and facilitate the experts and public meetings. Existing staff that would be temporarily assigned to this work are currently supported by

federal funds that cannot be used for this state-mandated activity. DOF believes that CDE can fund the positions through its existing temporary help budget. Staff suggests the subcommittee ask CDE if that is possible. Staff recommends the subcommittee approve the Governor's proposal for this item. In addition, staff would support funding CDE for temporary help for this project if CDE provides evidence it cannot fund such positions within existing resources.

Item 2. Local Control Funding Formula (LCFF) Implementation Positions Authorized in the 2013-14 Budget. The Governor's budget includes the full-year cost for several new positions that DOF approved as part-year positions in 2013-14 for LCFF implementation under the authority granted by SB 97 (Budget and Fiscal Review Committee), Chapter 357, Statutes of 2013, the School Finance Budget Trailer Bill. Part-year positions were provided due to the timing of the establishment of the positions. For 2014-15, the Governor's budget includes \$852,000 to fund 6.0 positions to work on the fiscal oversight of LCFF funds, including the apportionment of funding to LEAs, and \$1.14 million to fund 8.0 positions to assist the State Board of Education with LCFF regulations and accountability workload related to the new local control and accountability plan (LCAP). In a letter dated January 17, 2014, DOF notified the Joint Legislative Budget Committee of DOF's intent to approve the partial funding and positions in 2013-14.

Staff Comment: DOF denied CDE's request for an additional \$247,000 that would enable CDE to fill these positions with highly experienced staff at higher salary levels. DOF denied the request because its standard budgeting process is to fund new positions at the mid-step in the salary range. Staff believes that CDE's decision to fill the positions with highly experienced staff makes sense since LCFF is a significant financing and accountability reform that poses implementation challenges and its successful implementation is a high priority for the state.

The LAO recommends against budgeting for these positions higher than mid-step level since the LAO believes that could establish a bad precedent for future budgeting. Alternatively, the LAO suggests that the Legislature could direct CDE to submit a request for funding the indirect costs associated with the positions, in light of CDE's broader concern about the cost pressure on its General Fund budget to pay for indirect costs. Also, CDE would need to demonstrate that it could not redirect funding within its base budget for this purpose. Staff suggests the subcommittee explore these issues with the panelists and keep this item open.

LCFF/LCAP Oversight: Staff recommends the subcommittee question the panelists about the state's overall plan for LCFF/LCAP oversight. Considering these CDE positions and other resources that already have been allocated for oversight of LCFF/LCAP, will the state have an effective oversight structure in place? Specifically, what oversight structure has been articulated and developed? What are the different roles of SBE, CDE, the California Collaborative for Educational Excellence, and the county offices of education (COEs)? What type of activities will, or will not, occur under the structure devised thus far? What else might the state need to do to ensure proper oversight of LCFF? Staff recommends that the Legislature continue to explore this issue with the Administration, SBE, and CDE in future budget and policy hearings.

Item 3. Additional LCFF Implementation and Foster Youth Reporting Workload. The Governor's budget requests \$240,000 and 2.0 two-year limited-term consultant positions to address the workload created by certain requirements in AB 97 (Committee on Budget), Chapter 47, Statutes of 2013, the 2013 Education Budget Trailer Bill, for implementation of LCFF and reporting of foster youth data. Specifically, \$108,000 and 1.0 position are requested to support the extraction and validation of pupil data from the CALPADS data system that is necessary for the calculation of LCFF funding apportionments to LEAs. In addition, \$107,000 and 1.0 position are requested to support the following: an ongoing match of CALPADS data to the statewide foster care system of the California Department of Social Services (DSS), the data extraction necessary for the addition of foster youth as a subgroup to the Academic Performance Index, and the bi-annual report on the academic achievement of foster youth pupils. The request also includes \$25,000 to fund an interagency agreement with DSS, subject to DOF approval of the agreement, to support the match between CALPADS and DSS' foster youth data.

Staff Comment: LAO believes CDE should be able to streamline some of the above processes, and thus, be able to conduct the workload with the addition of one position. Because LAO believes this is ongoing workload, LAO recommends approval of a permanent position. CDE supports the addition of one permanent position and one two-year limited-term position for this workload, with the expectation that the staffing needs could be reassessed in two years to determine if workload efficiencies had been achieved by that time. Staff concurs with CDE's assessment of the initial workload need and the ability to revisit the ongoing staffing need in the near future. Thus, staff recommends the subcommittee approve one permanent position and one two-year limited-term position.

Item 4. Standardized Account Code Structure (SACS) Replacement Project. The Governor's budget includes a total of \$3.6 million (\$1.1 million in General Fund and \$2.5 million in federal funds) in 2014-15 to fund the SACS Replacement Project. SACS is CDE's standardized system for collecting, reviewing, and disseminating financial data from all LEAs. CDE uses SACS data for internal operations and reports to state and federal entities and the public. The replacement project will develop a more flexible, integrated web-based system, which LEAs can access through the Internet, to replace the four separate components that now compose SACS and that rely on special software that is outdated.

Staff Comment: CDE plans to split the total costs of the project equally between the General Fund and federal funds. At this time, total project costs are estimated to be \$7.2 million. However, CDE is currently working on a revised Special Project Report (SPR) that will have a more refined cost estimate on which to base the development of a request for proposal (RFP) to hire a contractor for the project. Under the Governor's proposal, CDE would not be able to spend project funding in the budget year until the new SPR is approved by the California Technology Agency and DOF. The 2013-14 budget had provided CDE with \$3.6 million (\$2.5 million in General Fund and \$1.1 million in federal funds) for first-year project costs, in anticipation that the SPR and RFP would be completed in 2013-14. However, because those documents are still forthcoming, CDE will not spend those funds in the current year. It is unclear whether CDE will need to request a re-appropriation of the funds for 2014-15. This is one reason the subcommittee should hold this issue open.

SACS Codes for LCFF: Staff recommends the Subcommittee keep this item open to consider how statewide LEA LCFF/LCAP fiscal data could be collected through the SACS replacement system. In addition, staff suggests the Subcommittee question the panelists about whether SACS in its present structure, as well as the planned replacement system, is capable of such statewide LCFF/LCAP fiscal reporting. Also, it is important to know whether (and how) CDE intends to use SACS for that purpose. The state's LCFF consultant, WestEd, has identified options for how SACS codes could be used for LCFF tracking, and there may be other possibilities. Staff believes LEAs will use SACS to track their own LCFF funds, but they will use their own unique coding unless the state sets standard codes to enable interpretation of the information beyond the LEA-level.

Currently, no plan or process has been identified by CDE, or SBE, for statewide reporting of LCAP data for the purposes of public transparency of the information and to inform state-level policy decisions. While local control of education funding is one of the central tenets behind LCFF, another tenet is transparency of information about education funding and local funding decisions so that parents, students, and communities can effectively engage in the local planning process. Furthermore, state policymakers will need statewide information from LCAPs to understand LCFF implementation across the state. It seems SACS would be an efficient means of statewide LCAP fiscal data reporting. The alternative would be to collect, review, and compile individual LCAPs for each of the more than 2,000 LEAs (1,043 school districts, 58 county offices of education, and 1,018 charter schools as of 2011-12).

Additional Staff Comments—CDE Funding Request Related to Revising the Academic Performance Index (API): The Governor's budget does not include \$135,000 in funding (General Fund) CDE requested for 2014-15 for costs related to adding college and career readiness measures to the API by 2015-16, pursuant to the requirements of SB 1458 (Steinberg), Chapter 577, Statutes of 2012. Specifically, CDE requested \$135,000 to cover the cost of a contract with the National Student Clearinghouse (NSC) to obtain student-level postsecondary enrollment data. NSC is the sole organization with this data. The Public Schools Accountability Act (PSAA) Advisory Committee, which advises SBE about the API, is working to identify various measures that could be included in a single college and career indicator for the API. One potential measure is high school graduates' enrollment in a postsecondary institution; however, CDE does not have this data since CDE does not track students after they leave high school. CDE proposes to contract with NSC for the data to enable CDE to run data simulations to determine the reliability and validity of the measures under PSAA's consideration, consistent with PSAA's current process for studying issues prior to making a recommendation to SBE. DOF indicates it denied CDE's request since it believes the contract funding is not needed until after SBE approves a college and career indicator that uses this data. According to CDE, this is a one-time funding request until the state determines if it needs an ongoing contract for the data. Staff suggests the Subcommittee question the panelists about the need for this funding.

STAFF RECOMMENDATION: For the CDE state operations items listed above, staff recommends the subcommittee take the following actions:

1. Approve as budgeted the Governor's proposal for CDE state operations Item 1.

2. For the Governor's proposal related to LCFF implementation and foster youth reporting workload (Item 3), approve the request for \$240,000 to support 2.0 new positions but approve one permanent position and one two-year limited-term position.

Staff recommends the subcommittee hold open the Governor's proposals related to LCFF fiscal and LCAP oversight (Item 2) and the SACS Replacement Project (Item 4), other than to request that the Administration and CDE continue to work with the Legislature to develop an effective structure for state-level LCFF/LCAP oversight.

VOTE:

6110 DEPARTMENT OF EDUCATION**Issue 3: State Special Schools Deferred Maintenance**

Issue: The Governor's budget proposes \$100 million in a new Control Section 6.10 to fund deferred maintenance projects in various state-run facilities. The proposal includes \$5 million for deferred maintenance projects for the State Special Schools; the funding would be available through 2015-16. Under the control section, agencies would need to provide DOF with a specific list of deferred maintenance projects prior to DOF allocating any funds for the projects.

On March 20, with a vote of 3-0, the Senate Budget Subcommittee 4 rejected Control Section 6.10 and directed the Administration to return with a proposal that allows the Legislature to approve funding for individual departments' deferred maintenance projects through the regular budget process. It is possible that the Administration may include an updated proposal for State Special Schools deferred maintenance within CDE's budget as part of the May Revision. For this reasons, staff recommends that the subcommittee consider this issue but take no action at this time.

Background: CDE operates the State Special Schools, which includes three residential schools—the California Schools for the Deaf in Fremont and Riverside and the California School for the Blind in Fremont, and three Diagnostic Centers located in Fremont, Fresno, and Los Angeles. As shown in the table on page 23, the Governor's budget includes \$105.3 million in funding for State Special Schools in 2014-15 and about 992 proposed positions. State Special Schools receive both Proposition 98 funding and non-Proposition 98 funding.

In 2011-12, State Special Schools received a \$1.5 million General Fund (Non-98) ongoing "operational efficiency" reduction. CDE received a total operational efficiency reduction of \$3.4 million in 2011-12 and assessed \$1.5 million of this amount to the State Special Schools. In 2012-13, the General Fund budget for State Special Schools was reduced by another \$1.8 million. However, that reduction was backfilled by the same amount of one-time federal special education funds in 2012-13 and 2013-14.

Deferred Maintenance: CDE uses some of the State Special Schools annual operating budget for maintenance of the facilities. In 2002, CDE began setting aside \$2.4 million each year for scheduled and deferred maintenance projects. In 2012-13, CDE dedicated an additional \$2.3 million in unspent prior year funds for deferred maintenance projects, for a total of \$4.7 million. Currently, the list of deferred maintenance projects for the State Special Schools totals \$25 million. CDE has indicated that they would use the \$5 million deferred maintenance funding proposed in the Governor's budget for some major projects, such as replacing roofing and improving theatre accessibility, as well as other smaller projects.

LAO Recommendation: The LAO recommends that the Legislature reject the Governor's proposal to provide \$5 million in one-time funding for State Special Schools deferred maintenance projects. In lieu of that, the LAO recommends the Legislature provide State Special Schools with \$3.6 million in one-time state funds that would essentially backfill, for another two years, the \$1.8 million General Fund budget reduction made in 2012-13. The LAO believes \$3.6 million would be sufficient funding to enable CDE to sustain its existing

maintenance plan over this period (using the \$2.4 million set aside annually from its operating budget) and to address urgent health and safety needs.

In addition, LAO suggests it would be premature to make additional investments in the State Special Schools until the state addresses what LAO believes are issues with the overall funding structure for the State Special Schools. For instance, LAO indicates that the relationship between funding levels and student enrollment should be explored, as well as differences in how the state funds special education services provided by the State Special Schools and LEAs.

Staff Comment: Providing \$3.6 million in one-time state funds to State Special Schools over two years, as the LAO recommends, would help CDE to continue funding deferred maintenance projects out of the operations budget. Staff supports that level of funding at a minimum. A higher level of funding for deferred maintenance projects of the State Special Schools would need to be assessed after the May Revision based on updated state revenue estimates.

Staff Recommendation: In light of Subcommittee 4 having rejected the proposed Control Section 6.10 to fund deferred maintenance projects, staff recommends this subcommittee take no action on this issue at this time.

6110 DEPARTMENT OF EDUCATION**Issue 4: Accessible Instructional Materials**

Issue: The Governor's budget proposes trailer bill language to eliminate the statutory requirement for CDE to operate the central clearinghouse/library that produces, houses, and distributes large print, Braille, and other accessible instructional materials for pupils who are blind, visually impaired, or have other disabilities. While CDE has provided that service, supported by the state General Fund, the Governor proposes to shift the responsibility for the provision of these instructional materials to LEAs and make it optional for CDE to continue operating the centralized service as a fee-based structure supported by fees from LEAs that could choose to purchase materials through the clearinghouse.

This proposal is the Administration's response to the elimination in 2013-14 of the dedicated state funding for the State Instructional Materials Fund (IMF), which previously paid for the General Fund costs of this clearinghouse. Funding previously provided for IMF was transferred into the LCFF for allocation to LEAs. However, current law (Education Code Section 60313) still requires CDE to provide the accessible instructional materials. In 2013-14, CDE used one-time carryover funds to pay for this service. CDE submitted a request to DOF for ongoing funding of \$4.5 million General Fund (Non-Proposition 98), beginning in 2014-15, to support the clearinghouse. DOF denied that request.

Background: Producing large print and Braille materials is a specialized process that includes transcription and embossing of materials. It can involve long, several-month production times and high cost, especially for transcription. Under the current structure, CDE has been able to contract for services at a reduced cost and under a shorter turn-around time due to the economies of scale and by using a bid process and interagency state agreements rather than standard contracting procedures. The current process enables CDE to ensure a contractor's qualifications to complete the work and accept the lowest rate of cost. For example, CDE can produce one 550-page math algebra textbook for about \$8,113 to transcribe and \$1.40 per page to emboss. Prior to CDE's current process, that textbook cost about \$23,375 to transcribe and \$8.00 per page to emboss.

In addition to producing materials at the request of LEAs, the clearinghouse also serves as a lending library for material to be returned after a student has finished with it and redistributed. Electronic materials also may be downloaded from the clearinghouse. This service is presently used by more than 300 public and private schools. The exact number of students served is unknown. (There are about 5,500 registered students with vision impairments in California.) According to CDE, the clearinghouse produces about 5,400 titles annually, which equates to about 19,000-21,000 volumes (some titles, such as math books, have multiple volumes). Of those volumes, about 18,000 volumes are returned to the clearinghouse every spring for redistribution.

According to DOF, providing instructional materials to students is a general responsibility of LEAs, and the state funding that previously supported the purchase of accessible instructional materials has been shifted into the LCFF for allocation to LEAs. Under the Governor's proposal, LEAs may choose to pay CDE to continue these services.

CDE opposes the Governor's proposal and indicates that a fee-structure will not work to support the clearinghouse. CDE believes LEAs would need to obtain these materials on their own at a much higher cost overall than what the state presently pays. As previously noted, DOF denied CDE's request for \$4.5 million General Fund (Non-98) in 2014-15 to fund the clearinghouse without assessing fees from LEAs. CDE's cost estimate is based upon the prior year expenditures for this service (about \$3 million annually) and its estimate of the additional cost over the next few years (\$1.5 million annually) to produce new mathematics materials, based on the 2014 state adoption of mathematics materials aligned to the Common Core State Standards.

The subcommittee received correspondence from associations representing school districts, county offices of education, and students who oppose the Governor's proposal. They are concerned that an elimination of state funding for the clearinghouse could cause it to close, which reportedly would add a significant cost and long time frame for LEAs to purchase materials without the economies of scale benefits of the clearinghouse. There is also serious concern about the potential for delays in providing accessible materials to students and the negative impact that would have on students.

LAO Recommendation: The LAO recommends an alternative approach that would enable the state to play a role in assisting LEAs to access affordable instructional materials. The LAO believes it is reasonable for LEAs to pay some amount for these materials. In addition, the LAO believes state-level federal special education funds would be a more appropriate source than non-Proposition 98 General Fund to cover the remaining costs of the materials. The LAO also suggests CDE's cost estimate for the materials in 2014-15 may be overestimated, and additional documentation is needed to justify the estimate. Specifically, the LAO recommends the Legislature take the following steps:

- Provide \$3 million in state-level federal IDEA funds on a one-time basis to cover the cost of producing these materials in 2014-15, and consider increasing the amount if CDE provides cost justification.
- Require CDE to develop, and submit to the Legislature and DOF, by November 2014, a fee schedule for charging LEAs to access instructional materials for the visually-impaired, with the intent that the fees contribute to the long-term costs of producing the materials.
- Beginning in 2015-16, fund these materials with a combination of state-level IDEA funds and fee revenue from districts.

Staff Comment: In light of the state's transition to greater local discretion and funding flexibility under the LCFF, staff believes it is reasonable for LEAs to have responsibility and discretion for the provision of accessible instructional materials to their students. By continuing to operate the clearinghouse, the state would provide valuable assistance to LEAs by offering them one option for purchasing materials, reportedly at a much lower cost and shorter timeline than if LEAs contracted themselves for these services. For these reasons, staff believes there are fiscal and other incentives for LEAs to purchase the materials from the clearinghouse if the state were to implement a reasonable fee-structure.

But there are many unknowns about the workability of the Governor's proposal to shift to a 100 percent fee-based structure. For instance, what level of fees would be required to support this service? The Governor's proposal has no details about how fees would be implemented. Based on the fees set, would LEAs continue to purchase materials from the clearinghouse or pursue other options to obtain materials? Is there an additional state-level investment that would still be required to operate the clearinghouse? Would a fee-based structure necessitate any type of change to the service? In light of these issues, staff believes there is insufficient information and time to implement any fee-structure in 2014-15.

In concept, staff agrees with the LAO's general approach to continue state-level funding for the clearinghouse in 2014-15; and to direct CDE to develop and submit a plan to the Legislature and DOF for assessing fees to LEAs, beginning in 2015-16, for the long-term costs of providing accessible instructional materials.

Staff Recommendation: Staff recommends the subcommittee reject the Governor's trailer bill language regarding accessible instructional materials.

In addition, it is recommended that the subcommittee direct staff to further review this issue and report back to the subcommittee at the May Revision hearing regarding:

1. The cost to operate the accessible instructional materials clearinghouse in 2014-15, including potential funding sources such as state-level IDEA funds.
2. Proposed trailer bill language that would direct CDE to develop and submit a plan and fee schedule for assessing fees to LEAs, beginning in 2015-16, for the costs of providing accessible instructional materials.

VOTE:

6110 DEPARTMENT OF EDUCATION**Issue 5: SBE Delegation of Charter School Oversight**

Issue: The Governor's budget proposes trailer bill language to allow SBE to delegate its oversight of SBE-authorized charter schools to any school district or county office of education in the state.

Background: More than 1,000 charter schools are operating in California, serving an estimated 500,000 students. With a few exceptions, charter schools are exempt from nearly all requirements of the state education code. While most charter schools are authorized at the local level and are subject to oversight by their local authorizers, SBE considers appeals when a charter is denied at the local level and may authorize a charter under the board's authority. As of October 2013, there were 19 SBE-authorized charter schools, operating 23 school sites.

Current law authorizes SBE to delegate oversight of SBE-authorized charter schools to the school district that originally denied the charter petition and any local education agency in the county in which the charter school is located, with the LEA's consent. SBE has chosen not to delegate oversight to those entities and instead has delegated this responsibility to CDE. The Governor's proposal would not prohibit SBE from such delegation to CDE.

SBE also delegates responsibility to CDE to review various charter school appeals. According to CDE, four of the six staff in its Charter Schools Division are assigned to both review charter school appeals and conduct oversight of SBE-authorized charters. These staff are partially funded by the state General Fund (for reviewing appeals) and by the one-percent reimbursement fees paid by SBE-authorized charters (for conducting oversight).

DOF indicates that a primary rationale for this trailer bill language proposal is to reduce SBE's reliance on CDE for charter school oversight, and thereby reduce CDE's workload for staff in the Charter Schools Division. (In a separate proposal—Issue 2, CDE state operations request for Charter School Petition Appeal Reviews—the Governor's budget requests \$100,000 and 1.0 consultant position for CDE to review various charter school appeals submitted to SBE. CDE had requested an additional \$245,000 in funding to support an additional 2.0 positions for that workload, and DOF denied that portion of the request.)

According to CDE, if SBE were to reduce its oversight delegation to CDE as a result of this trailer bill language proposal, CDE would lose a portion of the funding (reimbursement fees) that supports the staff who work on both oversight and appeals reviews and thus, also lose some of these positions.

LAO Recommendation: The LAO recommends the Legislature adopt the trailer bill language proposal to allow SBE to delegate oversight to any school district or county office of education. According to the LAO, for charter schools located in smaller counties, the options for delegating oversight within the county may be very limited. By allowing SBE to delegate oversight to a capable school district or other COE, the proposal would improve the prospects of quality oversight. In addition, given oversight is currently managed by CDE, which is

located a far distance from some of the schools it oversees, the entity selected as the oversight authority under the Governor's proposal may be located closer to the charter school.

Staff Comment: Staff believes this is largely a policy proposal with implications for the oversight of SBE-authorized charter schools, with little impact to the state budget. The Administration proposed similar trailer bill language last year, which was rejected in Conference Committee due to a lack of budget nexus.

Suggested Questions:

- *What problem is this proposal intended to address?*
- *Is there a concern about the oversight CDE provides for SBE-authorized charters?*
- *Has SBE indicated it would like to delegate its charter school oversight authority to particular LEAs?*
- *Why has SBE not exercised its ability now to delegate charter school oversight authority to an LEA within the charter school's county?*
- *Under the proposal, what role, if any, would SBE continue to play in the oversight of its authorized charter schools? Would LEAs fulfill the same role as CDE does now in terms of monitoring and reporting to SBE about the performance of the charter schools?*

Staff Recommendation: Since this a policy proposal with little budgetary impact, staff recommends the subcommittee reject the proposal without prejudice and direct the Administration to submit the proposal through the legislative policy process.

VOTE:

6110 DEPARTMENT OF EDUCATION**Issue 6: Child Nutrition (Information Only)**

Issue: The federal government enacted the National School Lunch Act in 1946, creating the National School Lunch Program. Since then, additional programs have been created to further the goal of providing nutritious food to needy schoolchildren, including the School Breakfast Program, the Special Milk Program, and the Summer Food Service Program for Children, known collectively as the Child Nutrition Cluster of federal programs (child nutrition programs). According to the federal government, in fiscal year 2012-13, child nutrition programs served over 550 million lunches, 250 million breakfasts, almost 2 million half-pints of milk, and over 10 million summer meals throughout California.

The major funding for child nutrition programs in California comes from the federal government, with some supplemental funding from the state. According to the California Department of Education (CDE), in fiscal year 2011-12, the U.S. Department of Agriculture (USDA) provided 92 percent of the funding for the child nutrition programs, or \$1.7 billion, and the state provided the remaining 8 percent, or \$148 million. The National School Lunch Program is the largest component of the child nutrition programs, accounting for more than \$1.3 billion—or roughly 77 percent—of the \$1.7 billion in federal funds spent in fiscal year 2011-12.

Funded meals largely include free- and reduced-price breakfast and lunch provided predominantly by local educational agencies (LEAs) in school settings. However, both the state and federal programs authorize funding for low-income children in non-LEA settings -- including private schools, child care centers and family day care homes. Each LEA must separately account for its revenues and expenditures related to the child nutrition programs and state law authorizes LEAs to establish a “cafeteria fund” for this purpose.

To qualify for free meals, students must be from families with incomes at or below 130 percent of the federal poverty level. For a family of four, that threshold is \$31,005 for the 2014-15 school year (the federal poverty level is \$23,850 for a family of four). For reduced-price meals, the eligibility line is raised to 185 percent of the federal poverty level, or \$44,123 for a family of four.

State Oversight of Child Nutrition. The CDE is responsible for administering nutrition programs, which includes activities such as disbursing funds and ensuring compliance with program requirements. The Healthy, Hunger-Free Kids Act of 2010, or the reauthorization of the Child Nutrition Act, instituted additional requirements for state oversight (CDE) and nutritional meals (districts). Specifically, the Act required the implementation of a more unified accountability system designed to increase compliance with federal requirements and established a new three-year administrative review cycle beginning in 2013-14. Previously, the review cycle was every five years. The Act also provided funding for the state to provide training and technical assistance to help school food authorities and other agencies implement new requirements and nutrient standards.

Reports on CDE’s Oversight of Child Nutrition. In February 2013, the California Senate Office of Oversight and Outcomes issued a report titled *Food Fight: Small Team of State Examiners*

No Match for Schools That Divert Student Meal Funds (Food Fight report). It detailed examples of school districts not following established rules for the cafeteria fund. The report noted that many of the examples of improper spending were discovered not by CDE examiners, but by internal whistleblowers. This report brought widespread attention to the issue of potential misuse of school nutrition-related funds, and it was the impetus for an audit by the California State Auditor.

In October 2013, CDE provided an assessment of its staffing needs for child nutrition compliance activities and the outcome of its review of cafeteria funds for 30 school districts, as required by the Legislature in the *Budget Act of 2013*. The CDE reported a need to hire 14 additional full-time analysts and one manager to close the resource gap it had identified. The assessment stated that these additional positions would address the recommendation made in the Food Fight report to hire enough staff to carry out CDE's oversight responsibilities. Recently, CDE stated it plans to redirect authorized positions that are currently vacant, to conduct this workload beginning in 2014-15. All of these positions are supported with federal funds.

In February 2014, the California State Auditor released its report based on a review of 18 LEAs expenditure of school nutrition-related funds. The audit found that these 18 LEAs generally used their school nutrition-related funds for expenditures that relevant laws and regulations allow. Specifically, of the more than \$32 million in expenditures that the auditors reviewed across 18 LEAs, more than \$31 million was for expenditures that were necessary and reasonable for the operation or improvement of the child nutrition programs and complied with applicable administrative requirements. Most of the approximately \$1 million in unallowable expenditures was for non-payroll expenditures. Further, more than half of the roughly \$969,300 in unallowable non-payroll expenditures was for expenditures related to facilities and equipment.

The State Auditor made four specific recommendations, as follows:

- By June 30, 2014, LEAs that used school nutrition-related funds for unallowable purposes should (1) reimburse those funds and (2) review all guidance to better understand what these funds should be used for.
- LEAs with excess cash balances should develop spending plans to reduce their cash balances and submit the spending plans to CDE for review, by June 30, 2014.
- To ensure that LEAs' spending plans reduce excess cash, CDE should, by July 1, 2015, begin requiring LEAs to develop or revise an existing spending plan, if it will not reduce the entire excess.
- LEAs that are not tracking the revenues and expenditures of non-program food activities should implement a system to do so, by June 30, 2014.

Staff Comments and Questions: Issues have been raised about CDE's oversight of LEAs use of school nutrition funds. The CDE is responsible for ensuring that the use of these funds is consistent with federal requirements and, recently, federal requirements for state oversight

of these funds have increased. Concerns have been raised about CDE having enough staff to provide additional oversight and conduct more frequent administrative reviews.

Suggested Questions:

1. *How is CDE complying with the recently expanded federal requirements, for example, the increased frequency of administrative reviews?*
2. *What is CDE's current level of staffing for conducting administrative and financial reviews of LEAs to ensure compliance with federal requirements? Is this level of staffing adequate to ensure compliance? If CDE redirects existing vacant positions to perform oversight, what work, for which these positions were originally authorized, is potentially not being done?*
3. *What is CDE doing to ensure that each of the State Auditor's recommendations is implemented? How do these actions help the state enforce federal requirements for the use of federal child nutrition funds?*
4. *If districts or other agencies do not repay misused school nutrition funds, what is the source of funding that would repay the federal government?*

Staff Recommendation: Informational item.