

SUBCOMMITTEE NO. 1

Agenda

Senator Marty Block, Chair
Senator Carol Liu
Senator Mark Wyland



Thursday, May 8, 2014
9:30 a.m. or Upon Adjournment of Floor Session
Room 3191

Consultants: Farra Bracht, Erin Gabel, Joe Stephenshaw, Mark Ibele and Jen Troia

OTCOMES

Proposed Vote Only

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Public Comment

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Items Proposed for Vote Only

6110 DEPARTMENT OF EDUCATION

Issue 1: Categorical Programs Consolidation—Specialized Secondary Education Programs and Agricultural Education Grants (Budget Proposal)

Proposal: The Governor's budget provides for Specialized Secondary Programs (SSP) and Agricultural Education Grants (AEG) within the Local Control Funding Formula (LCFF). Under the Governor's proposal, school districts receiving funding for these two programs in 2013-14 would have those funds count toward their LCFF targets beginning in 2014-15, with no change made to the LCFF target rates. The currently required categorical activities would be left to each district's discretion. The 2013-14 budget consolidated approximately two-thirds of all categorical programs with the discretionary revenue limit funding to create the LCFF. Currently, 13 categorical programs continue to be funded outside of the LCFF, including SSP and AEG.

Prior Subcommittee Action: At its April 29 hearing, the Subcommittee voted to explicitly reject the Governor's proposal to place the designated SSP and AEG programs under the LCFF. Apparently, there was some confusion expressed as to whether the intent was to continue actually funding these programs as separate categorical programs.

Staff Comment: Staff suggests that Subcommittee affirm their action taken on April 29th to continue funding SSP and AEG as separate categorical programs outside the LCFF.

Staff Recommendation: Affirm the rejection of the Governor's proposal to include Agricultural Education Grants and Specialized Secondary Programs funds within the LCFF and approve these as separate categorical programs and maintain their current funding.

Vote: (Staff Reco Approved 2-0, Wyland absent)

Items Proposed for Discussion/Vote

6110 DEPARTMENT OF EDUCATION 6870 CALIFORNIA COMMUNITY COLLEGES

Issue 1: K-14 Mandates

Overview: The California Constitution requires the state to reimburse local governments for new programs or requirements for higher levels of service that the state imposes on them. In the area of education, local governments that qualify for reimbursement include school districts, county offices of education (COEs), and community colleges—collectively referred to as local educational agencies (LEAs).

The state currently owes \$4.5 billion in prior year mandate costs, a “backlog” that accumulated due to the state’s earlier deferrals of those payments. The Governor’s multi-year plan for paying off all outstanding education obligations includes the payment of outstanding mandate costs (part of the “wall of debt”). However, the Governor does not include funding for paying down the mandate backlog in 2014-15. Instead, the Governor proposes to pay off these obligations in the 2015-16 through 2017-18 fiscal years.

The Commission on State Mandates (CSM) recently approved statewide cost estimates for seven new education mandates. The Governor’s budget addresses four of these mandates. Specifically, the Governor proposes to add the following education mandates to the mandates block grants for schools and community colleges: 1) Uniform Complaint Procedures (K-12 schools only), 2) Charter Schools IV (K-12 schools only), and 3) Public Contracts (K-12 schools and community colleges). The Governor’s budget also proposes to repeal the Community College Construction Mandate. The Administration acknowledges that they inadvertently omitted one new mandate, and intentionally left out the remaining two because the CSM had not yet finished their cost estimates when the Governor’s budget was released. The Administration indicates that proposals related to these three remaining new mandates will likely be included in the May Revision.

In a recent analysis of education mandates (available online here: <http://www.lao.ca.gov/Publications/Detail/2956>), the Legislative Analyst’s Office (LAO) made additional recommendations related to changing the state’s mandate funding process, which are described below.

Governor’s Budget Proposals and LAO Comments: As mentioned earlier, the Governor’s January budget addresses four of the seven new mandates, which are described in more detail below.

Uniform Complaint Procedures Mandate (UCP) (K-12)

The state requires schools to respond to certain types of complaints, such as those regarding certain educational programs, discrimination, harassment, facilities, teacher misassignments, and instructional materials. Parents, students, employees, and community members can file

complaints on behalf of themselves or on behalf of another individual. For certain types of complaints, the state requires schools to use its UCP to resolve the complaint. Most procedural activities required under the state's UCP have been found to be reimbursable mandates. However, reimbursement is only required when the complaint relates to 1) free and reduced-price school meals; 2) adult education programs in citizenship and English; 3) most special education activities; and 4) discrimination, with the exception of discrimination relating to age, sex, and disability. The specific UCP reimbursable activities are:

- Adopting complaint procedures and notifying the public;
- Providing notice of civil remedies;
- Referring certain complaints; and
- Forwarding information for appeals.

In addition, under state and federal law, schools are required to perform specified activities related to antidiscrimination laws, as they pertain to education programs. These activities include providing a statement of their intent to comply with antidiscrimination laws to the California Department of Education (CDE), as well as describing how they will comply with these laws. Because the state requirements go beyond the federal law, the CSM deemed these activities a state mandate. Specifically, the state requires schools to report on antidiscrimination compliance related to religion and sexual orientation. The corresponding statement of intent requires minimal additional workload, since this information is included in a single, one-page document, and CDE has not yet required districts to report on how they are complying with antidiscrimination laws.

Staff Recommendation: Adopt the Governor's proposal to add the Uniform Complaint Procedures Mandate, Charter Schools IV Mandate, and Public Contracts Mandate into the mandates block grant without additional funding. In addition, adopt the Governor's proposal to repeal the Community College Construction Mandate.

Vote: (Item held over, Vote 1-0 to Approve Staff Reco, Liu/Wyland absent)

Issue 2: Proposition 39

Governor's Budget Proposal. The Governor's budget estimates \$726 million in Proposition 39 revenue. Of this amount, one-half (\$363 million) is dedicated, primarily to schools and community colleges, as follows:

- \$316 million and \$39 million to K-12 school and community college districts, respectively, for energy efficiency project grants.
- \$5 million to the California Conservation Corps (CCC) for continued technical assistance to K-12 school districts.
- \$3 million to the California Workforce Investment Board (CWIB) for continued implementation of the job-training program.

The Governor's budget includes a reduction, from the current-year funding level, of \$101 million for Proposition 39 energy projects due to lower projected tax revenues than assumed in the 2013-14 budget. These revenue projections are based on the Franchise Tax Board's estimates.

Staff Recommendation. Hold open.

Vote: (Held Open)

Issue 3: School Facilities Program (Budget Proposal)

Budget Proposal: The Governor's 2014-15 budget proposes the transfer of a total of \$211.0 million in bond authority from four specialized school facility programs to the new construction and modernization programs. The impacted programs are the Overcrowded Relief Grant, Seismic Mitigation, Career Technical Education, and High Performance Schools programs. Under the proposal, half of any remaining bond authority on June 30, 2014, would be equally redirected to new construction and modernization. Any funds that revert to these programs from rescinded projects or project savings in the future would also be equally redirected.

Staff Recommendation: Pending a comprehensive conversation regarding the future of the entire School Facilities Program and the state's role in local school facility funding and planning, staff recommends an alternative to the Governor's proposal:

- 1) Accept the Governor's proposal to redirect funds that remain in the Career Technical Education and High Performance Impact Grant programs as of June 30, 2014.
- 2) For the Overcrowded Relief Grant and charter school facility program, allow funds that remain unspent in each program after March 31, 2015, to be redirected, thus allowing current pending applications to finish the review and SAB approval process.
- 3) Due to ongoing need for the Seismic Mitigation Program, encourage the Administration to continue working with the DSA, the OPSC, and the SAB on streamlining and speeding up awards from the Seismic Mitigation Program for eligible projects and request a progress report back to the SAB and Legislature on or before March 1, 2015.

Vote: (Held Open)

Issue 4: Emergency Repair Program (Budget Proposal)

Budget Proposal: The Governor's budget proposes a one-time appropriation of \$188.1 million in Prop 98 funds for the Emergency Repair Program (ERP), which was created in response to the *Williams v California* settlement in 2004. New funding would be disbursed to districts in the order in which they were originally submitted and approved.

Staff Recommendation: Hold item open until May Revision for further Proposition 98 impact considerations.

Vote: (Held Open)

Issue 5: Home-to-School Transportation (Informational Item)

Overview: Under the Local Control Funding Formula (LCFF), enacted by the Legislature and Governor in 2013-14 (discussed in greater detail during the March 6, 2014 Subcommittee hearing), local education agencies (LEAs) receive the bulk of their funding based on average daily attendance (ADA) in four grade spans and specified demographics of their student bodies. The LCFF eliminated most K-12 categorical programs (programs with defined purposes and set-aside funding, with corresponding restrictions on the use of those funds for those purposes) and rolled their funding into the LCFF. The Home-to-School Transportation (HTST) categorical program was, however, one of a few exceptions. This program was continued as an “add-on” to the LCFF. Districts that receive this add-on must spend the same amount of state HTST funds as they spent in 2012-13. Districts that did not receive HTST funding in 2012-13 are not eligible for the add-on moving forward. The Governor’s budget does not propose any further changes to the HTST program.

In 2013-14, the Legislature also requested that the Legislative Analyst’s Office (LAO) assess, and report back with recommendations, for how to improve the state’s approach to funding school transportation going forward. The LAO released its resulting report on February 25, 2014 (available online at <http://www.lao.ca.gov/reports/2014/education/school-transportation/school-transportation-022514.pdf>). The report identifies three potential alternatives for transportation funding moving forward: 1) funding transportation within LCFF, 2) creating a targeted program that reimburses a share of extraordinary transportation costs, or 3) creating a broad-based program that reimburses a share of all transportation costs.

Staff Recommendation: This is an informational item and no action is required at this time.