

SENATE BUDGET AND FISCAL REVIEW COMMITTEE

Governor's Budget:
A Compendium of the Subcommittee Analyses
March 2002 through May 2002

Volume I

Education

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Jack O'Connell, Chair
John Vasconcellos
Bob Margett

K-12 EDUCATION AGENDA

March 13, 2002

1:30 p.m. — Room 113

Higher Education

I. Overview of Proposed 2002-03 Budget

California State University Chancellor—Charles Reed

K-12 Education

I. Overview of Proposed 2002-03 Budget

**Superintendent Of Public Instruction—Delaine Eastin
Office of the Secretary for Education—Kerrie Mazzoni
Legislative Analyst's Office—Robert Turnage**

II. Proposition 982

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II. Proposition 98

The Governor's 2002-03 Budget proposes \$46.0 billion in total (K-14) Proposition 98 spending, a \$1.0 billion (2.2 percent) increase over that provided in the adjusted 2001-02 Budget Act. The budgeted amount, is estimated to fully fund Proposition 98 at the statutorily required minimum "Test 2" level. The proposed K-12 portion of the Proposition 98 minimum guarantee is \$41.2 billion, an increase of \$1.2 billion or \$136 per pupil (2 percent) more than the revised estimate of per-pupil expenditures for 2001-02. In 2002-03, average per-pupil Proposition 98 funding is estimated to be \$7,058. (Combined funding from local, state and federal sources brings the per pupil total to \$9,236).

Table 1

Proposition 98 Summary

(dollars in millions)	(November 2001)	2002-03	\$ Change	% Change
<i>General Fund</i>				
K-12 Education	\$28,270	\$28,582	312	1.1
Community Colleges	2,696	2,682	(14)	-0.5
Other Departments	93	91	(2)	-2.2
Loan Repayment	350	0	(350)	-100.0
Total, General Fund	\$31,405	\$31,354	(51)	-0.2
Local Revenue	\$13,572	\$14,629	1,057	7.8
			0	0.0
Total, State and Local Funds	\$44,977	\$45,983	1,006	2.2
Proposition 98 K-12 ADA	5,776,829	5,838,438	61,609	1.1
K-12 funding per ADA (actual \$s)	\$6,922	\$7,058	\$136	2.0

A. Background. Proposition 98, a constitutional amendment passed by the voters in 1988 and amended by Proposition 111, established a minimum funding level for K-12 schools and Community Colleges. Funding from the formula established in Proposition 98 also supports direct educational services provided by other agencies such as the state's Special Schools for the Deaf and Blind and the California Youth Authority.

Proposition 98 funding is generally calculated as the greater of:

- Test 1 – a specified percent (approximately 34.5 percent) of state General Fund revenues.
- Tests 2 and 3 – The amount provided in the prior-year adjusted for K-12 ADA growth and an inflation factor. For "Test 2," this inflation factor is the percentage change in per-capita personal income. For "Test 3" the inflation factor is equal to the annual percentage change in per-capita state General Fund revenues plus 0.5 percent--used only when it calculates a guarantee that is less than that determined by "Test 2."

Note: Proposition 98 also includes a provision allowing the state to suspend the minimum funding level for one year through urgency legislation other than the Budget Bill).

The Governor's budget is based on the assumption that 2002-03 is a "Test 2" year and it fully funds the Proposition 98 minimum according to the Administration's estimates of the factors that determine that minimum. By contrast, the 2001-02 fiscal year was a "Test 3" year. Adjusted for the additional 2001-02 Budget Act reductions enacted in January, Proposition 98 was ultimately funded at a level that was \$5.7 million above the 2001-02 "Test 3" minimum guarantee, but \$1.9 billion below the "Test 2" calculation for that year. This \$1.9 billion "maintenance factor," as required by statute, has been restored in the Governor's proposed 2002-03 budget.

- B. The General Fund** makes up approximately 68.2 percent, or \$31.4 billion, of the Governor's total estimated Proposition 98 minimum guarantee. (An estimated \$14.6 billion from local property tax revenues make up the remaining 31.8 percent). The Governor's estimated \$1.0 billion increase in the total Proposition 98 minimum guarantee results from restoration of the full \$1.9 billion 2001-02 Test 3 "maintenance factor" and a combination of estimated statewide ADA growth (1.07 percent); property tax revenues (\$14.6 billion); and the "Test 2" inflation factor (annual change in California per-capita personal income). Based on the Legislative Analyst's Office (LAO) projections, however, the General Fund portion of the Proposition 98 minimum guarantee may be approximately \$715 million higher than that estimated by the Administration. The disparity between their respective Prop 98 "Test 2" minimum guarantee estimates is attributed to their conflicting projections of the inflation factor, or growth in per-capita personal income. The Department of Finance (DOF) assumes less optimistic growth in per-capita personal income (negative 3 percent) than that assumed by the Legislative Analyst's Office (negative 1.5 percent). Existing law relative to Proposition 98 requires the use of a federal personal income index to determine this Proposition 98 factor. Since this index is published each year in April or May, the official Proposition 98 minimum guarantee will not be known until that time.

The LAO has developed several legislative options for meeting any increase (above the Administration's estimate) in the Proposition 98 minimum guarantee:

1. Additional Current-Year (2001-02) One-Time General Fund Savings.

- a. Reductions.** According to the LAO, current-year reductions in addition to those already enacted in the Third Extraordinary Session are possible because the current year appropriation level for Proposition 98 programs remains well above the minimum "Test 3" minimum funding level required for 2001-02. In addition, the LAO opines that the additional recommended reductions can be implemented with little impact on educational services to public school or community college students:

Table 1 LAO Options for Current-Year General Fund Savings (Proposition 98) 2001-02 (In Millions)	
Program	Amount
Governor's performance awards	\$144.3
Support for secondary schools reading	8.0
Charter school facility grants	5.0
Reading Award Program	4.0
Total	\$161.3

- b. Substitute Proposition 98 Reversion Account funds for Current Year General Funds.** The Governor’s 2002-03 budget estimates that the Proposition 98 Reversion Account—into which unspent funds from prior Proposition 98 appropriations are reverted—currently contains \$535 million available for expenditure. While the Governor’s 2002-03 budget proposes spending the entire amount on various proposals as indicated below, the Legislature, according to the LAO, could defer approval of all the reversion account proposals and instead substitute these one-time budget year funds for an equal amount of programs funded by Proposition 98 appropriations in the current year. Since Proposition 98 spending in the current year is significantly above the required “Test 3” minimum, the Proposition 98 General Funds “saved” by this action could be carried over into the budget year and used for one-time purposes.

Proposed 2002-03 Proposition 98 Reversion Account Expenditures	
<i>(in millions)</i>	
Textbook Block Grant	\$200.0
School/ Classroom Library Block Grant	100.0
Math and Reading Professional Development	87.1
Science Lab Materials and Equipment	75.0
Community Colleges scheduled maintenance	22.9
Community Colleges Equipment	22.9
California School Information Services (CSIS)	11.0
Principal Training	7.5
CSIS / Fiscal Crisis Management Assistance Team	4.5
High Tech High Schools	4.0
Total	\$534.8

To the extent the Legislature decides to exercise the option of using any or all of the reversion account funds for current-year savings and there is an increase in the Proposition 98 minimum guarantee funding level, the most meritorious of the Governor’s reversion account proposals could be restored.

(NOTE: Both current-year options (a) and (b) would require the Legislature to enact urgency legislation that is signed by the Governor by June 30, 2002; the end of the 2001-02 fiscal year. After that date, the 2001-02 level of appropriations would be “set” for the purposes of Proposition 98 and not subject to further adjustment).

2. Budget Year Savings Options: Move Non-98 Education Expenditures into Proposition 98.

In the event the Proposition 98 minimum guarantee is increased beyond that level estimated and funded by the Governor’s proposed budget, the LAO suggests, as an option, that the Legislature “move” certain non-Proposition 98 expenditures into the guarantee (allocating budgeted funds to school districts) and, thereby, helping meet the increased requirement at no additional General Fund cost. Options include:

- a. U.C. Professional Development Institutes.** Allocate budgeted funds (\$141 million) to school districts. The districts, in turn, could contract for services with UC or use other teacher training providers.
- b. Child Care.** Replace TANF spending on CalWORKs childcare with Proposition 98 funds. The resulting TANF savings (up to \$770 million) could replace General Fund spending in other components of the CalWORKs program. However, to the extent the Proposition 98 minimum guarantee does not increase in May, exercising this option would come at a cost to other K-14 educational programs proposed in the Governor’s 2002-03 budget.

- 3. Meeting Additional K-14 Spending Needs.** An increase in the Proposition 98 minimum guarantee would also afford the Legislature the option of funding those education priorities not included in the Governor's proposed budget. These could include restoring funding for revenue limit equalization (\$42 million) and for the reduction of the Public Employees' Retirement System (PERS) revenue limit "offset" (\$36 million); both of which would increase general purpose or "discretionary" funding for school districts. (See discussion in :this agenda under IV. Discretionary Funds).
- C. Property Tax Revenue.** The other Proposition 98 funding factor upon which the Administration and the LAO disagree is local property tax revenue. As cited earlier, the Administration estimates that \$14.6 billion in local property tax revenues will be allocated to school districts, county offices of education, and community college districts. LAO estimates fall \$110 million below that amount. The difference will not affect the overall K-14 minimum guarantee because that minimum is based on a total amount of General Fund and local property taxes. However, any shortfall in estimated property tax revenues must be *compensated* by an increase from the General Fund. In other words, **if the LAO estimate is correct, the Legislature must provide or "find" \$110 million in General Fund to meet the statutorily required Proposition 98 minimum guarantee.**
- D. K-12 and Community College "Split."** Accounting for the "November Revision" education reductions, the Proposition 98 "split" between K-12 Education and Community Colleges for 2002-03 is 89.8 percent (K-12) and 10.2 percent (Community Colleges). This is the same split as in 2001-02. Current law (Education Code Section 41203) calls for a Proposition 98 funding split, between K-12 and Community Colleges, of approximately 89 percent versus 11 percent. This statutory "split" has been suspended by the Legislature in each of the past 10 Budget Acts to reflect actual spending percentages.

III. Revenue Limits (Information Only)

Revenue limits provide general purpose support for school districts and county offices of education. Revenue limits were established in Chapter 1406, Statutes of 1972, as part of the state response to the *Serrano v. Priest* state Supreme Court decision of 1971. This decision held that the state system of financing public schools was unconstitutional because it made resources available for education, and by extension the quality of education, a function of the local property wealth of a school district. The court specified that wealth-related differences in school funding must be reduced to within a band of equality extending \$100 per pupil above and below the state average per-pupil spending. Adjusted for inflation, the *Serrano* band in 2001-02 was approximately \$345.0

The revenue limit was calculated to be equal to the per-student amount of general purpose student aid and local property taxes that a district received in 1972-73. As a result of this calculation, revenue limits vary across districts and reflect historical funding disparities. The limits do not include state categorical funds (such as state aid for special education or class size reduction), lottery revenue, or any federal aid to local school districts. Currently, approximately two-thirds of state Proposition 98 support to K-12 school districts is provided through the revenue limit mechanism. Each year, as required by statute, revenue limit funding is adjusted for changes in average daily attendance (ADA) and COLA.

The revenue limit formulas allow a district to count the greater of current or prior-year Second Principal (P2) Apportionment ADA. Under this formula, a district with declining enrollment receives funding in 2001-02

based on 2000-01 ADA. But if the district's ADA continues to decline, that district will receive funding in 2002-03 based on 2001-02 P2 ADA as opposed to its funded 2001-02 revenue limit ADA.

The Governor's 2002-03 budget proposes enrollment growth funding of \$438 million, including \$304 million (1.07 percent) for school districts and county offices of education apportionments; \$39.6 million for special education apportionments (1.11 percent); and \$94.0 million for other K-12 categorical programs.

Total revenue limit funding for 2002-03 accounts for \$28 billion, or slightly over two-thirds of K-12 Proposition 98 expenditures. The General Fund supports about 56 percent of revenue limit funding (\$15.7 billion) with local property taxes providing the remaining 44 percent (\$12.3 billion).

IV. Discretionary Funding

Defined as general purpose funds (in the form of increased revenue limits) above those required by statute, discretionary funds give schools the latitude to improve student outcomes in ways that suit varying local circumstances and needs. In the past 20 years, general purpose funding as a percent of total K-12 Proposition 98 funding has decreased from a high of 83.4 percent in 1990-91 to 69.0 percent proposed in 2002-03.

A. COLA (Information Only). The Governor's January 10 budget proposes a cost-of-living adjustment of 2.15 percent for 2002-03 at a total General Fund cost of \$843.0 million. Included in this amount is \$599.1 billion for general purpose district and county offices of education (COE) apportionments (Revenue Limits); \$77.5 million for special education, \$10.4 million for summer school, and \$331.8 million for K-3 and 9th grade class-size reduction programs, staff development buy-back days, adult education and ROCP revenue limits, and all categorical programs that received a COLA in 2001-02.

For school districts, the proposed 2.15 percent COLA, multiplied times the statewide average prior base revenue limit, translates into (per pupil) \$96 for elementary school districts, \$116 for high school districts and \$100 for unified school districts. The 2.15 percent COLA applies to effectively all components of K-12 revenue limits, including necessary small schools, meals for needy pupils adjustment and community day schools. It also raised the reimbursement rate for hourly programs (summer school) to \$3.45/hour. The only exception is the apprentice program, the funding for which remains at \$4.86/hour in 2002-03.

Based on data available after the Governor released his January 10 budget, **the LAO estimates that the COLA could actually approach 1.8 percent instead of the budgeted 2.15 percent.** What this means for K-14 programs is that Proposition 98 funds budgeted for the higher COLA estimate could be reduced by approximately \$150 million for K-12 (\$135 million) and Community Colleges (\$15 million) and made available for other K-14 priorities. (A 1.65 percent COLA, as projected by California School Services sources, would engender a \$216 million "savings"—\$196 million K-12; \$20 million Community Colleges.

The annual inflation percentage for K-12 revenue limits is established by statute. It is calculated as the annual percentage change in the "Implicit Price Deflator" for *State and Local Government Purchases of Goods and Services for the United States*, as published by the United States Department of Commerce. Basically a government price index, this inflation index is measured over the one-year period from March 2001 to March 2002. The Department of Commerce will publish its report finalizing this index

in May. The Department of Finance will report the official percentage change as part of the Governor's "May Revise," at which time adjustments will be made to the revenue limit and program COLA numbers.

B. Revenue Limits

1. **PERS Offset and Equalization.** The 2001-02 Budget Act, as enacted in July 2001, provided \$35 million in discretionary funding for school districts in the form of a PERS Revenue Limit Offset pursuant to Chapter 794, Statutes of 2001 (SB 6, O'Connell). In addition, Chapter 891, Statutes of 2001 (SB 735, Committee on Budget and Fiscal Review) included another \$40 million in discretionary funding in the form of Revenue Limit Equalization pursuant to Chapter 155, Statutes of 2001 (AB 441, Simitian). It was the Legislature's intent that both these programs be "ongoing," (i.e., continuously appropriated a part of a district's base revenue limit. However, Chapter 2, Statutes of 2002, Third Extraordinary Session (SB5xxx, Peace), which enacted the "November Revision," current-year budget adjustment proposal for education, altered, at least temporarily that intent. While preserving the current -year funding for both the PERS offset and equalization as "one-time" appropriations, SBx3 5 "suspended," until the 2003-04 fiscal year, the statute assuring continued funding. The Governor's proposed 2002-03 budget does not include funding for either of these programs. Based on the clear legislative priority assigned to these programs and their view of the need for additional general purpose funding for districts, the **LAO recommends, to the extent funds are available, that the Legislature provide \$78 million in budget-year funding to continue revenue limit equalization (\$42 million) and a reduced PERS offset to revenue limits (\$36 million).**

Subcommittee #1 Action:

2. **PERS Employer Contribution Deferral.** While recently retracted as an Administration proposal, the Governor's January 10 budget reflects a budget year deferral of employer contributions to PERS. The LAO had recommended in its General Government Section of its *Analysis*, that the Legislature reject this proposal, yet noted that so doing would have a \$113 million impact on K-12 revenue limit apportionments. The deferral, it turns out, would have also postponed an anticipated increase in the PERS school employer rate from "0" to 1.72 percent which would mean K-12 employers would have had to pay \$113 million to PERS in 2002-03. Postponing the increase, however, would not have translated into direct savings to districts because current "PERS offset" statute "passes through" to the state all savings or costs that otherwise would accrue to K-12 agencies from annual changes in the employer rate. In other words, state "savings" would create room within the Proposition 98 guarantee for expenditures on other K-14 programs. State "costs," on the other hand (e.g., 1.72 percent increase in the employer rate) therefore, create a need to reduce state funding, (in this case \$113 million) to stay within the Administration's current estimated Proposition 98 minimum guarantee. Assuming the PERS deferral is not enacted, LAO indicates that the Legislature has two scenarios to consider in crafting a K-12 budget:
 - a. If the Proposition 98 minimum guarantee remains at the Governor's budgeted level, Proposition 98 categorical programs would have to be reduced by \$113 million to stay within that target.
 - b. If the Proposition 98 minimum guarantee is determined to be much higher in May, categorical programs would not have to be reduced. However, other K-12 Proposition 98 options to address that increase would need to be adjusted to accommodate the additional \$113 million in employer contributions.

V. Categorical Programs

Categorical programs are governed by a unique set of statutes specifying the intent for the funding, the uses to which the funding is restricted, application requirements and the method for determining local education agency (LEA) allocations. A categorical “Mega-Item” was used from 1992-93 through 1998-99 to appropriate funds for over 30 categorical programs. Under this funding system, the Governor could reduce the overall amount of the Mega-Item but could not target a funding reduction for a specific program. Over the years, however, successor Administrations that needed to come up with “savings” to mitigate the impact of an economic downturn found that by making an across-the-board percentage reduction in this Item, it was somewhat shielded from constituency group accusations that specific programs were being targeted for reduction.

The 1999 Budget Act eliminated the Mega-Item and, instead, each allocation for a categorical program has been assigned a separate budget item and is controlled by the provisional language found in that Item. The Act, along with subsequent Budget Acts did, however, retain, at expanded levels, the existing funding flexibility for the original Mega-Item categorical programs to transfer funds between programs. Budget Act Control Section 12.40 allows up to 20 percent of state funds apportioned to be transferred out of a program and up to 25 percent of state funds apportioned to be transferred into a program. Transfers may also be used to begin a conflict resolution program; initiate, continue, or expand a Healthy Start Program; or augment a School Safety Program for grades 8-12.

The 2001-02 Budget Act allocated approximately 31 percent of K-12 Proposition 98 funds (approximately \$12 billion) for over 70 categorical programs. Most categorical programs are funded entirely by the General Fund appropriated through separate items in the annual Budget Act; but some, like the Miller-Unruh Reading Program, require districts to use revenue limits or other local funds to match state funding. A number of programs are reimbursed as state mandated programs.

Block Grants. As in budget years past, the LAO is again recommending that the Legislature consolidate many of the state’s categorical programs into block grants. Specifically, LAO is recommending that 51 categorical programs (purposely excluding Special Education, K-3 Class Size Reduction (CSR) and child nutrition programs) be consolidated into five block grants (see below). Included in the overall block grant proposal is a recommendation for the Legislature to enact Budget Bill language and statute to allow small school districts (1,500 or fewer ADA) the flexibility to move funds among block grants. The LAO cites the following problems with the current categorical funding program that lends support to the type of categorical reform they propose.

- There is no conclusive evidence on the success (or failure) of categorical programs;
- State rules restrict needed local flexibility;
- Fragmentation of local programs (i.e., program process requirements) shape local responses rather than the needs of students;
- Funding formulas create negative incentives; and
- Accountability for meeting student needs is blurred.

Mandates. It should be noted that LAO includes in its recommended block grants the budgeted funding amounts for 31 Proposition 98 mandates, mostly in Academic Improvement (\$52 million in mandates) or School Safety Block Grants (\$39.9 million in mandates). First priority for these block grant funds would be to cover the costs associated with meeting requirements of the specified mandates. In what LAO considers the unlikely event that a school district’s mandate cost is greater than the funding it receives

through a proposed block grant, the school district would be eligible for state reimbursement of the unfunded portion of the cost of meeting the mandate requirements. The advantages cited for including mandates in the block grants are four-fold:

1. School districts would have an incentive to meet the requirements of the mandates in a cost-effective manner since school districts would be allowed to redirect their (administrative) savings from mandate implementation to the education purposes permitted by the block grant.
2. The incentive to maximize claims, a process that contributes to the large amounts of deficiency requests, would be eliminated.
3. School districts' administrative costs would decrease due to the elimination of the labor-intensive reimbursement process.
4. Districts would have an incentive to share information regarding which mandates appear, from their perspective, no longer to be cost-effective; perhaps prompting the Legislature to reassess the need for certain education mandates.

<i>Academic Improvement Block Grant 2002-03</i> <i>(dollars in millions)</i>	<i>Compensatory Education Block Grant – 2002-03</i> <i>(dollars in millions)</i>
<ul style="list-style-type: none"> ● <i>Ongoing Programs</i> <ul style="list-style-type: none"> ● School Improvement Programs \$429.8 ● Core Supplemental Instruction 210.6 ● Ninth Grade Class Size Reduction 135.2 ● Digital High School 61.0 ● Instructional Materials Block Grant 250.0 ● Mandates in School Choice, Health and Graduation Requirements <u>52.0</u> Subtotal \$1,138.6 ● <i>One-Time Programs</i> <ul style="list-style-type: none"> ● Instructional Materials Funds 200.0^a ● School Library Funds 100.0^a ● Science Lab Materials <u>75.0^a</u> Subtotal <u>\$375.0^a</u> <p style="margin-top: 10px;">Total <u>\$1,513.6</u></p>	<ul style="list-style-type: none"> ● Targeted Instructional Improvement Grant \$736.5 ● Economic Impact 499.4 ● Remedial Supplemental Instruction 238.4 ● English Language Acquisition (ELL) 53.2 ● Healthy Start --^a ● Elementary School Intensive Reading 30.5 ● Miller-Unruh Reading 29.0 ● Intensive 7th/8th Grade Algebra Academies <u>12.7</u> <p style="margin-top: 10px;">Total <u>\$1,599.7^a</u></p>
^a Funded from Prop 98 Reversion Acct on a one-time basis.	^a The 2002-03 Governor's Budget proposes to eliminate funding for the Health Start program, for a savings of \$39 million.

<i>Alternative Education Block Grant – 2002-03</i> <i>(dollars in millions)</i>	<i>School Safety Block Grant – 2002-03</i> <i>(dollars in millions)</i>
<ul style="list-style-type: none"> ● County Community Schools \$118.0^a ● Community Day Schools 42.3 ● Continuation High Schools 33.6^b ● Partnership Academies 23.0 ● Dropout Prevention 21.9 ● High-Risk Youth Education & Public Safety 18.0 ● Opportunity Classes and Programs 9.6^c ● High-Risk Youth <u>0.6</u> 	<ul style="list-style-type: none"> ● <i>Categorical Programs</i> <ul style="list-style-type: none"> ● School Safety & Violence Prevention Grants \$82.1 ● School Law Enforcement Partnership 14.6 ● Gang Risk Intervention Program 3.0 ● <i>State Mandated Programs</i> <ul style="list-style-type: none"> ● Emergency Procedures & Violence Prevention Grants 14.6 ● School Crimes Reporting II 7.5 ● Criminal Background checks 5.2

Total	<u>\$267.0</u>	<ul style="list-style-type: none"> • Notify Teachers of Pupil Expulsion 2.9 • Pupil Expulsions from School 2.5 • Pupil Classroom Suspension (Counseling) 1.8 • School Crimes Reporting I 1.6 • Law Enforcement Agency 1.5 • Pupil Suspensions: Parent Classroom 1.0 • School Bus Safety I 1.0 • Juvenile Court Records 0.3
		<u>\$139.6</u>

^a Continuous appropriation from county office of education apportionments.

^B Includes a continuous appropriation of \$32.9 million.

^C Includes \$7 million from county office of education apportionments.

Teacher Support and Development Block Grant^a
(dollars in millions)

● <i>Proposition 98</i>	
• Instructional Time/Staff Development Reform Program	\$230.0
• Math & Reading Professional Development Program	22.9
• Education Technology Staff Development (4th-8th Grades)	9.7
• Beginning Teacher Support & Assessment	88.3
• Peer Assistance and Review	86.9
• Bilingual Teacher Training Program	1.8
• National Board for Professional Teaching Standards ^b Certification Incentive Program	10.0
• Mathematics & Reading Professional Development Program	87.1
• School Development Plans & Resource Consortia	--
• High School Coaching Education & Training	--
• Alternative Certification Program	25.6
• Pre-Internship Teaching Program	11.8
• Paraprofessional Teacher Training Program	7.5
• California Mathematics Initiative for Teaching	<u>1.0</u>
Subtotal	\$582.5
● <i>Non-Proposition 98</i>	
• California Professional Development Institutes (CDE)	\$48.0
• California Professional Development Institutes (UC)	50.9
• California Subject Matter Projects	31.3
• Pre-Intern Teacher Academies	0.8
• Education Technology Professional Development Program	6.0
• CalState TEACH	<u>2.3</u>
Subtotal	\$139.3
<u>\$721.8</u>	

^aBlock grant would consolidate the listed programs, funding sources, and amounts as proposed by the Governor into a single allocation of \$722 million from Proposition 98.

^bFunding from program would need to be gradually shifted into the block grant as outstanding statewide obligations were paid.

In addition, **LAO recommends that the Legislature redefine the mission of the SDE to focus on assisting schools and school districts by:**

1. **Improving Accountability** — Continue to develop the academic performance index (API) and other educational outcome measures.

2. **Providing Technical Assistance and Program Oversight** — Reform the oversight and compliance process (Coordinated Compliance Reviews [CCRs]) to emphasize outcome and performance, and invest in technical assistance—to districts with the highest needs—to help schools improve academic achievement as opposed to spending time and resources administering narrowly defined categorical programs.
3. **Improving Research and Evaluation** — Create an ongoing research and evaluation program to provide education models and practices that will help school districts improve outcomes.

Legislative proposals introduced or enacted within the past several years proposing a block grant approach to categorical reform include:

AB 2120 (Simitian, 2001-02). This recently introduced measure proposes to consolidate and streamline 19 professional development programs for K-12 teachers into a flexible block grant.

AB 1548 (Schiff, 1999-00). As introduced, this measure—to offer greater flexibility in determining local programmatic priorities—authorized school districts and charter schools with a significant number of schools that met or exceeded API performance growth targets to receive a block grant of funding in lieu of specified categorical program allocations. After a series of successive amendments, each narrowing the scope of the bill; the final version allowed school districts with 80 percent of their school sites eligible for API awards and which showed improvement across all socioeconomic ethnic and linguistic subgroups, to receive a block grant to reallocate the resources for 11 separate categorical programs to address specific district needs. This measure died on the inactive file in the Senate without concurrence in Assembly amendments.

Chapter 369, Statutes of 2000 (AB 615 (Runner/Strom Martin)). This act established a pilot program for Categorical Education Program Flexibility to allow up to 75 school districts—no more than one from the largest five districts; no more than four from those ranked 6 through 25—to consolidate funding received for various state categorical education programs into three local block grants: Staff Development and School Improvement; Alternative and Compensatory education; and “High Priority” District Improvement. Participating districts were required to provide monitoring and evaluation information in order that the student achievement effects of the categorical program flexibility pilot could be determined. To date, only five districts have opted to participate.

SB 135 (Alpert, 1997-98). Another iteration of AB 2769 and AB 923, this measure proposed to consolidate 19 categorical programs into two major block grants: Educational Quality Improvement Grants and Statewide Initiative funding. Despite efforts to address the Governor’s concerns with AB 2769, Governor Wilson again vetoed this categorical reform effort citing his continued opposition to the bill’s retention of equalization funding targets and statutory growth and COLA allowances. He also noted concern with provisions that he felt measured student progress against local, versus state, standards. Finally he opined that the bill imposed numerous mandates on elementary schools but diverted the block grant COLAs to high school and unified school districts.

AB 2769 (Alpert, 1995-96). A revised version of AB 923, this measure proposed to consolidate 26 categorical funding programs into two major block grant programs: Educational Quality Improvement Grants and Statewide Initiative funding. Governor Wilson vetoed this measure stating that it established per-pupil funding targets for the new block grants at considerably higher levels than current finding would support. He did indicate that he would be amenable to considering the measure again if the funding targets and statutory cost-of-living and growth allowances were removed.

AB 923 (Alpert, 1995-96). This measure proposed to eliminate 26 categorical programs and consolidate them into three block grants: (1) Targeted Assistance Grants—Part A, disadvantaged pupils; Part B, gifted and talented pupils.; (2) Educational Quality Improvement Grants—Part A, pupil performance; Part B, instructional performance; (3) Statewide Initiative Funding—Subject matter improvement and staff development and statewide initiatives including local assistance and state operations for school safety. To receive the block grant funds, districts would have had to use existing or established new school site councils to develop an annual educational quality improvement plan for their school which was to be evaluated annually by the district governing board. This measure failed passage in the Senate Appropriations Committee, was granted reconsideration, but died on file pursuant to legislative Joint Rule 56.

VI. Consent Calendar

Staff recommends that the following Items be approved as budgeted. No issues have been raised with regard to any of these Items:

1. 6110-001-0119 Support, Administrative Services to local education agencies (LEAs), payable from 1998 State School Facilities Fund, \$1,920,000.
2. 6110-001-0178 Support, School Bus Driver Instructor Training Program, payable from the Driver Training Penalty Assessment Fund, \$1,068,000.
3. 6110-001-0231 Support, Health and Physical Education—Drug-Free Schools, payable from the Health Education Account, Cigarette and Tobacco Products Surtax Fund, \$952,000.
4. 6110-001-0687 Support, Donated Food Distribution, payable from the Donated Food Revolving Fund, \$5,5019,000.
5. 6110-001-0975 Library and Learning Resources, \$15,000.
6. 6110-003-0001 Standardized Account Code Structure, \$983,000.
7. 6110-101-0231 Health and Physical Education—Drug Free Schools, for COEs \$3,800,000.
8. 6110-101-0814 Local Assistance from State Lottery Education Fund, \$812,694,000.
9. 6110-102-0231 Health and Physical Ed.—Drug Free Schools, local assistance, \$23,244,000.
10. 6110-106-0001 West Contra Costa Facilities Payment, \$800,000.
11. 6110-108-0001 Tenth Grade Counseling, \$10,923,000.
12. 6110-110-0001 Student Friendly Services, \$500,000.
13. 6110-111-0001 Home to School Transportation, \$523,416,000.
14. 6110-119-0001 Educational Services for Foster Youth, \$8,739,000.
15. 6110-122-0001 Specialized Secondary Programs, \$5,128,000.
16. 6110-124-0001 Gifted and Talented Pupil Program, (GATE), \$56,452,000.
17. 6110-129-0001 Community Education, Intergenerational Programs, \$171,000
18. 6110-131-0001 American Indian Early Childhood Education Program, \$550,000.
19. 6110-139-0001 School Apportionments, Pupil Residency Verification, \$162,000.
20. 6110-151-0001 American Indian Education Centers, \$3,772,000.
21. 6110-152-0001 American Indian Education Centers, (Non-Proposition 98), \$376,000.
22. 6110-158-0001 Adults in Correctional Facilities, \$19,067,000.
23. 6110-001-0001 Early Intervention for School Success, \$2,166,000
24. 6110-177-0001 Local Arts Education Partnership Program, \$6,000,000.
25. 6110-181-0140 Environmental Education, \$800,000
26. 6110-188-0001 School Apportionments, Deferred Maintenance, \$205,360,000
27. 6110-197-0001 Intersegmental Programs, \$2,020,000.
28. 6110-208-0001 Center for Civic Education, \$250,000.
29. 6110-209-0001 Teacher Dismissal Apportionments, \$40,000
30. 6110-224-0001 Year Round School Grant Program, \$84,022,000.
31. 6110-242-0001 California Association of Student Councils, \$33,000.

Subcommittee #1 Action: Put Over

Senate Budget and Fiscal Review
SUBCOMMITTEE NO. 1

EDUCATION
Jack O'Connell, Chair
John Vasconcellos
Bob Margett

Wednesday March 20, 2002
1:30 p.m. — Room 2040
(please note room change)

I. Overview Presentations: 2002-03 Higher Education Budgets

- A) *University of California – President Richard Atkinson*
- B) *California Community Colleges – Chancellor Tom Nussbaum*
- C) *Association of Independent California Colleges and Universities – Jonathan Brown*
- D) *California Postsecondary Education Commission – Warren Fox*

II. Support Budgets

- A) *Item 6420 California Postsecondary Education Commission Page 2*
- B) *Item 7980 California Student Aid Commission
Wally Boeck, Executive Director Page 4*

III. Capital Outlay Issues

- A) *Intersegmental Issues*
 - (1) *Incorporating Year-Round Operations into Capital Outlay Plans Page 6*
 - (2) *Utilization of Facilities Page 6*
 - (3) *Cost Guidelines Page 7*
- B) *Specified UC and CSU Capital Outlay Projects Page 8*

IV. Consent..... Page 9

6420 – California Postsecondary Education Commission (CPEC)

The California Postsecondary Education Commission (CPEC) is a statewide postsecondary education coordinating and planning agency. CPEC serves as the principal fiscal and program advisor to the Governor and Legislature on postsecondary educational policy. CPEC’s responsibilities include conducting analyses and making recommendations related to long-range planning for public postsecondary education, and analyzing both state policy and programs involving the independent and private proprietary educational sectors.

Summary of Expenditures (dollars in thousands)	2001-02	2002-03	\$ Change	% Change
<i>State Operations</i>				
General Fund	\$3,784	\$3,315	(\$469)	-12.4
Federal Funds	430	430	\$0	0.0
Reimbursements	<u>125</u>	<u>3</u>	(\$122)	-97.6
Subtotal, State Operations	\$4,339	\$3,748	(\$591)	-13.6
<i>Local Assistance</i>				
Federal Funds	<u>8,163</u>	<u>8,163</u>	0	0.0
Subtotal, Local Assistance	\$8,163	\$8,163	\$0	0.0
Total	\$12,502	\$11,911	(\$591)	-4.7

Budget adjustments include:

- Reduction of \$125,000 in the current year due to sunset of the Mathematics and Technology Teacher Pipeline Program on January 1, 2001.
- Reduction of \$332,000 from the General Fund for State Operations and the elimination of five positions.
- Augmentation of \$14,000 and the addition of one limited-term position to continue preparing the 2001 Eligibility Study.
- Augmentation of \$2.1 million federal funds in the current year for additional grants under the Dwight D. Eisenhower Professional Development Program.

Budget Issues/Recommendations

1. PAYMENTS TO TEALE DATE CENTER (ACTION ITEM). CPEC’s budget includes \$96,000 to provide payments to Teale Data Center for data processing and storage on Teale’s Terradata system. However, in 2000 CPEC moved its data “in house” and has not used Teale Data Center’s services since. Nevertheless, CPEC continues to make payments of \$8,000 per month to Teale for these unused services.

The Legislative Analyst recommends that CPEC terminate its payments for the Terradata services and that \$96,000 be deleted from CPEC’s budget and reverted to the General Fund. CPEC concurs with LAO’s

recommendation but requests that it be allowed to retain the \$96,000 to offset current-year and budget-year reductions.

ACTION:

2. INVENTORY OF OUTREACH PROGRAMS (ACTION ITEM). The Governor's Budget proposal includes a second year of funding (\$150,000) for CPEC to develop an inventory of K-12 student outreach programs. While \$150,000 was initially appropriated for the study in the current year, the funding level for the inventory has been reduced to approximately \$85,000 in current year due to mid-year budget reductions; bringing the total amount appropriated for the study to approximately \$235,000. The Legislative Analyst recommends that the committee adopt Budget Bill Language, as follows, specifying the parameters and data elements to be included in the study:

Of the amount appropriated in Schedule (2), \$150,000 in one-time funds is included to complete a comprehensive study of state student outreach programs. This study shall include the name and County-District-School code of all public elementary, middle, and high schools participating in the following K-12 outreach programs: Advancement via Individual Determination program; Collaborative Academic Preparation Initiative; Precollegiate Academic Development program; California Academic Partnership Program; Educational Opportunity Program; Student Opportunity Access Programs; Early Academic Outreach Program; Mathematics, Engineering, and Science Achievement; Puente; and K-12 School-University Partnerships. For each school, the study shall also include the number of students participating in each program, and estimated program expenditures. Finally, the study shall identify overlap and duplication among these programs. The study shall be submitted to the Legislature and the Governor on or before March 1, 2003.

ACTION:

3. CONVENING OF A STUDENT FEE POLICY WORKGROUP (ACTION ITEM). Since 1997, the state has been without a long-term student fee policy to guide potential increases or decreases in the level of student fees at the University of California, California State University or California Community Colleges. Unlike UC or CSU, the fee level for community colleges is set in statute and requires legislation to change. According to the Legislative Analyst "changes to student fee levels have been influenced more by the availability of state funds in any given year than through an established policy for sharing the cost of higher education between the state and students."

In order to move the state towards a comprehensive long-term student fee policy, the LAO and staff recommends that the committee adopt Supplemental Report Language requesting CPEC to convene a workgroup to develop, for recommendation to the Legislature, a long-term student fee policy. Proposed language is as follows:

The Legislature requests that the California Postsecondary Education Commission convene interested constituent groups, including but not limited to, the postsecondary education systems, students, the Department of Finance, the Office of the Legislative Analyst, and the California Student Aid Commission to develop, for future legislative consideration, a long-term student fee policy for California's public university systems.

In developing a long-term student fee policy recommendation, it is the intent of the Legislature that the Commission carefully consider the impact of its recommendations on each of the following: (1) the State General Fund; (2) student access to higher education; (3) student financial aid needs and requirements; (4) the resources needed by the State's public university systems to offer high quality instructional programs and (5) identifiable subgroups of students.

In developing the long-term student fee policy recommendations, it is the intent of the Legislature that the Commission be guided by the following policy principles:

Paying for the cost of a public postsecondary education is a shared responsibility of students, families and the State;

Changes in student fees should be gradual, moderate, and predictable in order to allow students and their families to prepare financially to accommodate college expenses.

Financially needy students should be provided with sufficient grant aid to offset increases in student fees.

The Commission shall forward its recommendations to the Legislature by December 1, 2002.

ACTION:

7980 Student Aid Commission

The Student Aid Commission (SAC) administers federal and state student financial aid programs including grants, work study, and loan programs for postsecondary students attending California educational institutions. The SAC provides leadership on financial aid issues and makes policy recommendations concerning student financial aid programs. In addition, the SAC compiles information on student financial aid issues, evaluates financial aid programs compared to the needs of the state’s student population and, provides financial aid information to students, parents and California’s education community.

Summary of Expenditures				
(dollars in thousands)	2001-02	2002-03	\$ Change	% Change
General Fund	\$571,448	\$733,705	\$162,257	28.4
Federal Trust Funds	9,480	9,481	1	0.0
Federal Student Loan Operating Fund	90,870	90,870	0	0.0
Federal Student Loan Reserve Fund	468,190	468,190	0	
Reimbursements	7,455	7,155	(300)	-4.0
Total	\$1,147,443	\$1,309,401	\$161,958	14.1

Highlights

In 2000, the Legislature and the Governor established the Cal Grant Entitlement Award Program (Chapter 403, Statutes of 2000) which guarantees a financial aid grant to all students meeting the minimum grade point average and family financial need requirements. After a budget decrease of \$63.8 million in the current year -- due primarily to discrepancies in the estimates used to budget the number of students eligible for the Cal Grant entitlement awards -- the Governor proposes to increase funding for the Student Aid Commission in the budget year in order to fully fund the Cal Grant guarantee and to continue providing the Student Aid Commission with the resources, staffing and technology necessary to expeditiously and

efficiently implement the entitlement program. To meet this end, General Fund support for the Student Aid Commission (excluding the California Student Loan Program) is projected to reach \$733.7 million in the budget year, representing an increase of \$162.3 million or 28.4 percent over current-year expenditures.

Budget adjustments include:

- \$63.8 million decrease in the current year for the Cal Grant program due to unanticipated savings in that program
 - Net increase of \$97.2 million (\$94.2 General Fund and \$3.0 million Federal Funds) in the Cal Grant Program to fund both the Entitlement and Competitive Award programs (an increase of \$227.4 million). Increased funding is offset by a \$130.2 million decrease primarily due to the phasing out of the old Cal Grant A and B programs.
- \$7.7 million to make loan assumption payments due to the growth in the Assumption Program of Loans for Education (APLE).
 - \$300,000 reduction in reimbursement authority from the Child Development program which sunsets on June 30, 2002.
 - \$483,000 reduction (\$225,000 in current year and \$258,000 in budget year) for State Operations in accordance with the Governor's budget reduction plan.

Student Aid Commission Budget Issues/Recommendations:

1. **UPDATE ON CAL GRANT PROGRAM (INFORMATIONAL ITEM).** Given the dramatic changes in the Cal Grant program in the last two years, both Staff and the Legislative Analyst recommends that the Student Aid Commission provide an update on (1) the second-year implementation of the entitlement program and (2) the revised out-year award and cost projections for the Cal Grant entitlement program.

Note: Remainder of Student Aid Commission budget is recommended for Consent..

III. UC/CSU/CCC Capital Outlay

OVERVIEW:

1. University of California. The Governor's Budget proposes \$699 million from General Obligation (GO) and lease-revenue bonds for 32 projects under the UC's capital outlay program. 23 projects, at a cost of \$85 million are funded in the budget bill from GO bonds and \$279 million for 7 projects from lease-revenue bonds are proposed under separate legislation. The Governor also proposes to shift \$335 million of funding from the General Fund to lease-revenue bonds for the Institutes of Science and Innovation (\$308 million) and the Merced campus (\$27 million). The budget also includes \$356,000 in General Fund for one project.

2. California State University. The Budget proposes \$450 million from GO and lease-revenue bonds for the CSU's capital outlay program. Specifically, \$259 million is appropriated in the budget bill from the proposed 2002 GO bond for 31 projects and \$191 million is appropriated in legislation from lease-revenue bonds for three projects. Of that amount, \$6 million is proposed for expenditure in the current year and \$185 million is in the budget year.

3. California Community Colleges. The proposed capital outlay program for the community colleges totals \$340 million, and is funded in both the Budget Bill and separate legislation. Specifically, legislation proposes to fund \$109 million in the current year and \$62 million in the budget year from lease-revenue bonds, while the Budget proposes to fund \$169.4 million from GO bonds (\$7.6 million from 1998 bond funds and \$161.8 million from the proposed 2002 GO bond measure).

Higher Education Capital Outlay Budget Issues/Recommendations

1. INTERSEGMENTAL CAPITAL OUTLAY ISSUES. The Legislative Analyst recommends deleting or reducing funding for three University of California facility projects and five California State University projects due primarily to the following four reasons: (1) campus assumptions regarding summer enrollment; (2) the utilization of existing facilities; (3) cost guidelines for construction; and (4) the potential use of Garamendi lease-revenue bonds at the UC to finance research facilities.

A. ASSUMPTION OF FULL SUMMER ENROLLMENT FOR CAPITAL OUTLAY PLANNING (INFORMATIONAL ITEM). Currently the UC, CSU and Community Colleges each incorporate assumptions about student enrollment during the summer term into their future year capital outlay plans; however, the university systems do not assume “full” year round operations. For the purpose of capital outlay planning “full year round operations” would be defined as enrollment levels at or near campus capacity and/or summer enrollment levels equal to or near student enrollment during the fall and spring terms. The Analyst argues that “if full use of instructional facilities in the summer is not the basis for developing capital outlay plans, the plans may indicate a need to construct new instructional facilities to accommodate enrollment growth, when there is actually capacity to increase enrollment in summer and avoid the need to build new instructional facilities.”

While the LAO recommends Supplemental Report Language requiring the UC, CSU and Community Colleges to assume full summer enrollment when planning for capital outlay, staff notes that “full” summer enrollment is an unrealistic expectation (no college in the nation exceeds summer enrollment that is 40% of fall and/or spring term enrollment). If the segments were required to base their capital outlay needs on this flawed assumption, facilities necessary to accommodate enrollment growth in future years would not be available to meet student’s needs.

B. UTILIZATION OF EXISTING FACILITIES (ACTION ITEM). The Legislative Analyst raises concerns regarding the standards by which UC, CSU, and the Community Colleges utilize existing facilities. Specifically, the Analyst notes that while UC has utilization standards, neither CSU nor the Community Colleges have such standards. The Analyst defines “utilization” as the amount of time rooms and seats in classrooms or laboratories are used for instruction.

In order to better understand how CSU and Community College space is currently utilized and to help move towards the better utilization of existing space, the LAO and staff recommend that the committee adopt the following supplemental report language:

1. California Community Colleges are directed to report by November 1, 2002 and at least biennially thereafter, the utilization of classrooms and teaching laboratories for each district and campus. Such report shall include for each campus the total number of rooms, number of

stations, weekly student contact hours, and weekly station hours. The report shall also include the average weekly room hours, average percent station occupancy and actual utilization.

2. The California State University is directed to report by November 1, 2002 and at least biennially thereafter, its utilization of classrooms and teaching laboratories. Such report shall include for each campus the total number of rooms, number of stations, weekly student contact hours, and weekly station hours. The report shall also include the average weekly room hours, average percent station occupancy, average weekly hours of station use, and actual utilization as a percent of the utilization standard.

ACTION:

C. CONSTRUCTION COST GUIDELINES (INFORMATIONAL ITEM). The Legislative Analyst recommends reducing the appropriation levels for various UC and CSU projects due to construction costs which the Analyst believes are too high. Specifically, the Analyst notes concerns with the guidelines used by UC and CSU to determine the cost of the specified projects. The Analyst concluded that the UC does not use cost construction guidelines and that CSU's cost guidelines have been inflated this year at a rate which exceeds the annual California Construction Cost Index, as calculated by the Department of Finance.

In response, both UC and CSU believe that their building construction costs are reasonable and in line with similar types of facilities. Further, CSU notes that it budgeted for increased construction costs (above the California Construction Cost Index) in order to build higher-quality facilities which will likely decrease deferred maintenance and replacement costs in future years. Staff notes that since the state only provides a portion of the funding needed to accommodate all the segments' facilities needs, UC, CSU and the community colleges have a built-in incentive to keep project costs reasonable.

D. USE OF GARAMENDI LEASE-REVENUE BONDS BY UC TO FUND RESEARCH SPACE (INFORMATIONAL ITEM). Existing law authorizes the UC and the Public Works Board to finance the construction, renovation, and equipping of research facilities at UC campuses through the issuance of revenue bonds (known as Garamendi bonds), which pledge future increases in research-related revenue. The Legislative Analyst recommends the reduction of state General Obligation Bond funding for two UC projects (UC Irvine Computer Science facility and the UC Los Angeles Engineering Seismic Replacement) based on the assumption that the UC should use lease revenue bonds instead.

Staff notes that UC already utilizes Garamendi lease-revenue bonds and is currently financing approximately \$1.5 billion worth of facility projects using this mechanism. In order to use Garamendi bond financing (like all lease revenue bonds), the UC must identify a funding stream for repayment of the bonds. In particular, the funding stream for Garamendi bonds must come from an increase in the amount of research money available to the campus, due to the construction of the newly built facility. Since the primary source of research dollars to the UC is the federal government, it is important to note that, in most disciplines, federal research budgets have declined in recent years, with the exception of the health sciences (through the National Institutes for Health).

Staff notes that the two projects identified by the Analyst for Garamendi bond support do not appear to lend themselves to this type of financing mechanism. Specifically, the UC Los Angeles Engineering Seismic Replacement Project is simply a replacement of an existing facility and will not include any new research space, and as such, does not have the potential to generate new or additional research dollars. While the Computer Science Unit 3 project at UC Irvine contains new research space, and as such may have the capacity to generate additional research dollars, it is unlikely given the trends in the federal research budgets that new research funding would flow to the University as a result of this project. Furthermore, the UC Office of the President notes that UC Irvine has incurred a substantial amount of lease-revenue debt and is at or near its debt capacity ceiling.

2. SPECIFIED PROJECTS (ACTION ITEM). After discussion of the above four topics, staff recommends that the committee approve the following projects, which were initially singled out by the Analyst for reduction or alternative funding methods:

- A. UC Irvine: Computer Science Unit 3 (*cost of construction & use of Garamendi Bonds*)
- B. UC Los Angeles: Engineering 1 Seismic Mitigation (*cost of construction & use of Garamendi Bonds*)
- C. UC Santa Cruz: Humanities and Social Sciences Facility (*cost of construction*)
- D. CSU, Los Angeles: Science Replacement Building (*summer enrollments & utilization of existing space*)
- E. CSU, San Luis Obispo: Engineering and Architecture Renovation and Replacement, Phase II (*summer enrollments & cost of construction*)
- F. CSU, San Francisco: J. Paul Leonard Library, Addition and Renovation, Phases 1 & 2 (*cost of construction*)
- G. CSU, San Marcos: Academic Hall 11, Building 13 (*Cost of Construction*)
- H. CSU, Stanislaus: Science II Seismic (*Cost of Construction*)

ACTION:

IV. Consent

Staff recommends that the following budget items be Approved as Budgeted. No issues have been raised with regard to any of these items:

- 6420-001-0890 Support, California Postsecondary Education Commission., payable from the Federal Trust Fund, \$430,000
- 6420-101-0890 Local Assistance, California Postsecondary Education Commission, payable from the Federal Trust Fund, \$8,163,000
- 6600-001-0001 Support, Hastings College of Law, \$15,422,000
- 6600-001-0814 Support, Hastings College of Law, payable from the California State Lottery Education Fund, \$154,000
- 6600-301-0628 Capital Outlay, Hastings College of Law, 200 McAllister Street Facility for Code Compliance Update Preliminary Plans, \$831,000
- 6600-490 Reappropriation, Hastings College of Law.
- 7980-001-0001 Support, Student Aid Commission, \$12,217,000
- 7980-101-0001 Local Assistance, Student Aid Commission, \$720,498,000
- 7980-101-0890 Local Assistance, Student Aid Commission, payable from the Federal Trust Fund, \$9,481,000
- 7980-102-0001 Local Assistance, Student Aid Commission, Proposition 98, for the California Student Opportunity and Access Program (Cal SOAP), \$990,000
- 7980-495 Reversion, Student Aid Commission.

Staff recommends that the following capital outlay items be Approved as Budgeted. No issues have been raised with regard to any of these projects:

CALIFORNIA COMMUNITY COLLEGES:

	District	College	Project Name	Ph.	New GO Bonds	Lease Rev Bonds	Prop 1A Bonds
1	Allan Hancock CCD	Allan Hancock College	Library/Media Tech Center	w	315,000		
2	Butte-Glenn CCD	Butte College	Learning Resource Center	w	608,000		
3	Cabrillo CCD	Watsonville Center	Watsonville Center Phase 2	e	1,005,000		
4	Cerritos CCD	Cerritos College	Seismic Retrofit-Metals	c	1,148,000		
5	Cerritos CCD	Cerritos College	Seismic Retrofit-Electronics	c	750,000		
6	Cerritos CCD	Cerritos College	Science and Math Complex - Life Safety	c	14,646,000		
7	Chabot-Las Positas CCD	Las Positas College	PE Gym - Phase I	w	466,000		
8	Chaffey CCD	Chaffey College	Science Bldg.	c	9,489,000		
9	Citrus CCD	Citrus College	Math/Science Bldg. Replacement	ce		8,438,000	
10	Contra Costa CCD	Diablo Valley College	Life Sciences Reconstruction	e	713,000		
11	Contra Costa CCD	Diablo Valley College	Life Science Remodel for Laboratories	w	141,000		
12	Contra Costa CCD	Diablo Valley College	Seismic Retrofit- Technical Education Building	pwc			1,153,000
13	Contra Costa CCD	Los Medanos College	Learning Resource Center	w	284,000		
14	Contra Costa CCD	San Ramon Valley Center	Phase I Bldg.	w	1,085,000		
15	Desert CCD	Desert, College of the	Seismic Retrofit-Dining Hall	c	989,000		
16	Fremont-Newark CCD	Ohlone College	Child Development Center	c	4,635,000		
17	Glendale CCD	Glendale College	Allied Health /Aviation Lab	w	332,000		
18	Grossmont-Cuyamaca CCD	Cuyamaca College	Science & Technology Mall	w	562,000		
19	Grossmont-Cuyamaca CCD	Grossmont College	New Science Bldg.	w	439,000		
20	Hartnell CCD	Hartnell College	Library/Learning Resource Center Complex	w	690,000		
21	Lake Tahoe CCD	Lake Tahoe College	Learning Resource Center	w	214,000		
22	Long Beach CCD	Long Beach City College-PCC	Replacement of Technology Buildings	ce	8,146,000		
23	Long Beach CCD	Long Beach City College-PCC	Child Development Center	e	197,000		
24	Los Angeles CCD	East Los Angeles College	Technology Building	e	1,945,000		
25	Los Angeles CCD	Los Angeles City College	Child Development Center	c	4,580,000		
26	Los Angeles CCD	Los Angeles Mission College	Child Development Center	w	470,000		
27	Los Angeles CCD	LA Southwest College	Child Development Center	w	162,000		
28	Los Angeles CCD	Los Angeles Trade Tech College	Child Development Center	w	117,000		
29	Los Angeles CCD	LA Valley College	Health Sciences Building	w	435,000		
30	Los Rios CCD	American River College	Learning Resource Center Expansion	w	310,000		
31	Los Rios CCD	Folsom Lake Center	Instruct Facilities Phase 1B	ce		35,770,000	
32	Mendocino CCD	Mendocino College	Science Building	ce		7,023,000	
33	Merced CCD	Merced College	Interdisciplinary Academic Center	ce		9,028,000	
34	Monterey Peninsula CCD	Monterey Peninsula College	Plant Service Complex (Health & Safety)	e	70,000		

	District	College	Project Name	Ph.	New GO Bonds	Lease Rev Bonds	Prop 1A Bonds
	35Mt. San Antonio CCD	Mt. San Antonio College	Seismic Retrofit - Four Buildings	c	1,880,000		
	36Mt. San Antonio CCD	Mt. San Antonio College	Science Bldg. Replacement	c	18,879,000		
	37Mt. San Jacinto CCD	Menifee Valley Center	Learning Resource Center	ce		10,548,000	
	38North Orange County CCD	Cypress College	Library/Learning Resource Center	w	499,000		
	39North Orange County CCD	Fullerton College	Library/Learning Resource Center	c	15,926,000		
	40Palo Verde CCD	Palo Verde College	Technology Bldg. Phase II	w	246,000		
	41Palomar CCD	Palomar College	High Technology Building	ce		29,358,000	
	42Rancho Santiago CCD	Santiago Canyon College	Library/Learning Resource Center	ce		8,975,000	
	43Rancho Santiago CCD	Santa Ana College	PE Seismic Replacement/Expansion	w	223,000		
	44Riverside CCD	Riverside College	Learning Resource Center	e	2,534,000		
	45Riverside CCD	Moreno Valley Center	Child Development Center	w	65,000		
	46Riverside CCD	Norco Valley Center	Child Development Center	w	70,000		
	47San Bernardino CCD	San Bernardino Valley College	Child Development Center	e	125,000		
	48San Bernardino CCD	San Bernardino Valley College	Seismic Retrofit - Art/Art Gallery	c			1,457,000
	49San Bernardino CCD	San Bernardino Valley College	Seismic Retrofit - Campus Center	c			1,653,000
	50San Bernardino CCD	San Bernardino Valley College	Seismic Retrofit - Administration	c			2,450,000
	51San Francisco CCD	Mission Center	Mission Center Building	c	26,429,000		
	52San Francisco CCD	Chinatown Campus	Campus Building	w	1,185,000		
	53San Joaquin Delta CCD	San Joaquin Delta College	Electrical System	c	2,766,000		
	54San Jose-Evergreen CCD	San Jose City College	Science Building	pw			844,000
	55San Luis Obispo CCD	Cuesta College	Theater Arts Bldg.	w	397,000		
	56San Luis Obispo County CCD	Cuesta College	Library Expansion & Reconstruction	ce		12,555,000	
	57San Luis Obispo County CCD	North County Center	Initial Bldg.. - Science Cluster	c	8,107,000		
	58San Mateo County CCD	Districtwide	Fire Alarm Replacement, Phase 2	c	1,998,000		
	59San Mateo County CCD	College of San Mateo	Seismic Retrofit-Student Svs. Bldg. #6	c	3,745,000		
	60San Mateo County CCD	Skyline College	Seismic Retrofit-Gym Bldg. #3	c	1,431,000		
	61San Mateo County CCD	Skyline College	Seismic Retrofit - Bldg. 7 & 8	c	3,923,000		
	62Santa Barbara CCD	Santa Barbara City College	Gymnasium Remodel	w	164,000		
	63Sequoias CCD	College of the Sequoias	Multi-Media Learning Center	ce		13,910,000	
	64Sequoias CCD	Sequoias College	Science Center	w	390,000		
	65Shasta Tehama Trinity Jt CCD	Shasta College	Library Addition	w	243,000		
	66Sonoma County CCD	Santa Rosa Jr. College	Learning Resource Center	w	1,028,000		
	67Southwestern CCD	Southwestern College	Child Development Center	w	193,000		
	68State Center CCD	Madera Co. Education Center	Facilities, Phase 1B	ce		17,343,000	
	69State Center CCD	Reedley College	Learning Resource Center Addition	w	195,000		
	70Ventura County CCD	Moorpark College	Learning Resource and Technology Center	e	2,708,000		
	71Ventura County CCD	Moorpark College	Child Development Center	w	103,000		
	72Ventura County CCD	Ventura College	Learning Resource Center	e	2,848,000		
	73Victor Valley CCD	Victor Valley College	Advanced Technology Complex	ce		17,520,000	

District	College	Project Name	Ph.	New GO Bonds	Lease Rev Bonds	Prop 1A Bonds
74 Victor Valley CCD	Victor Valley College	Seismic Retrofit-Auxiliary Gym	c	1,000,000		
75 West Hill CCD	Kings County Center	Phase 2B Classrooms/Laboratories	w	372,000		
76 West Valley-Mission CCD	Mission College	Main Building 3rd Floor Reconstruction	w	167,000		
77 Yuba CCD	Yuba College	Adaptive Physical Therapy	c	1,218,000		
78 Yuba CCD	Woodland Center	Science Building	c	5,844,000		
Subtotals				161,844,000	170,468,000	7,557,000
Total					339,869,000	

University of California Campus	Project	Ph	New GO Bonds (\$000's)	Lease Rev Bonds (\$000's)	Prop 1A Bonds (\$000's)	Other (\$000's)
Davis	Watershed Science Research Center (2002 Water Bond)	PWC				3,000
	Seismic Corrections, Thurman Laboratory (General Fund)	PWC				356
	Veterinary Medicine 3A	C		66,126		
	Robert Mondavi Institute for Wine and Food Science	P	900			
Berkeley	Seismic Safety Corrections, Hertz Hall	PWC	4,830		850	
	Stanley Hall Seismic Mitigation	C	16,737			
Irvine	Natural Sciences Unit 2	CE		55,319		
Merced	Site Development & Infrastructure, Phase 2	WC		16,449		
	Classroom & Office Building	PWCE		26,739		
	Site Development & Infrastructure, Phase 3	W			566	
Riverside	Engineering Building, Unit 2	C		35,675		
	Biological Sciences	WC	17,813		894	
San Diego	Engineering Building, Unit 3B	CE		37,369		
	Pharmaceutical Sciences	W			1,658	
	Biomedical Library Renovation & Addition	PW	1,800			
	West Campus Utilities Improvements	PW	360			
	Student Academic Services Facility	P	959			
	Campus Emergency Services Facility	PW	443			
Santa Barbara	Life Sciences Building	CE		26,904		
	Engineering-Science Building	E			1,454	
	Psychology Building Addition and Renewal	W	476			
	Snidecor Hall Office Wing Seismic Replacement	PW	1,178			
Santa Cruz	Engineering Building	CE		41,183		
	Emergency Response Center	P	517			
San Francisco	Health Sciences West Improvements, Phase 1	W	618			

California State University Campus	Project	Phase	New GO Bonds (\$000's)
Statewide	Minor Capital Outlay	PWC	20,000
		C	
Bakersfield	Telecommunications Infrastructure		5,336
		E	
Channel Islands	Science Lab Building		1,262
		E	
Chico	Education Classroom/Faculty Office Addition, Phase I		678
		P	
	Student Services Center		811
		E	
Dominguez Hills	Technology Center, Health & Administration Services Building Renovate and Upgrade Electrical Infrastructure	PWC	3,802 2,855
		C	
Fresno	Telecommunications Infrastructure		18,149
Fullerton	Life Safety Modifications Campuswide	PWC	9,649
		E	
	Physical Education Addition/Renovation		987
		C	
	Telecommunications Infrastructure		6,724

Hayward	Business & Technology Building	PWC	11,500																
Los Angeles	Remodel Music Building	E	795																
		E																	
Long Beach	Peterson Hall Addition		3,780																
	Library Addition and Renovation	PWC	19,083																
		E																	
Maritime Academy	Engineering Building Renovation/Addition		1,037																
		C																	
Monterey Bay	Telecommunications Infrastructure		10,988																
Northridge	Engineering Renovation, Phase II	PWC	14,739																
Pomona	Library Addition and Renovation	PWC	33,209																
		E																	
San Diego	Chem/Geo/Business Admin./Math Building Renovation		3,805																
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">California State University Campus</th> <th style="text-align: left;">Project</th> <th style="text-align: left;">Phase</th> <th style="text-align: left;">New GO Bonds (\$000's)</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td>C</td> <td></td> </tr> <tr> <td>San Diego</td> <td>Telecommunications Infrastructure</td> <td></td> <td>11,248</td> </tr> <tr> <td>San Francisco</td> <td>Renovate Hensill Hall Seismic</td> <td>E</td> <td>225</td> </tr> </tbody> </table>				California State University Campus	Project	Phase	New GO Bonds (\$000's)			C		San Diego	Telecommunications Infrastructure		11,248	San Francisco	Renovate Hensill Hall Seismic	E	225
California State University Campus	Project	Phase	New GO Bonds (\$000's)																
		C																	
San Diego	Telecommunications Infrastructure		11,248																
San Francisco	Renovate Hensill Hall Seismic	E	225																

		C	
	Telecommunications Infrastructure		14,593
		E	
San Jose	Joint Library		8,095
		C	
	Telecommunications Infrastructure		7,008
		E	
San Luis Obispo	Engineering/Architecture Renovation & Replacement Phase I		2,430
		E	
San Marcos	Library Information Center		7,431
		C	
	Telecommunications Infrastructure		1,986
Stanislaus	Drama Ceiling, Seismic Upgrade	PWC	675

Jack O’Connell, Chair

John Vasconcellos

Bob Margett

K-12 EDUCATION AGENDA

April 3, 2002

1:30 p.m., or Upon Adjournment of Rules Committee — Room 113

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I. Governor's Initiatives

A. Instructional Materials. The Governor's 2002-03 budget proposes \$625.0 million for the "Instructional Materials Realignment Initiative." The proposal includes \$250.0 million (ongoing) for a new Instructional Materials Block Grant which replaces four existing instructional materials categorical programs, the funding for which totaled \$356 million in the current year. They include: 1). Instructional Materials K-8; 2). Instructional Materials 9-12; 3). School Library Materials; and 4). K-4 Classroom Library Programs. These programs, together with \$250 million from the Schiff-Bustamante Standards-Based Instructional Materials Program, which will sunset in the current year, make up the \$606.3 million General Fund appropriation for instructional materials in the current year. The Governor's budget increases by \$19.0 million (3 percent) the total instructional materials funding in the budget year by providing one-time funding from the Proposition 98 Reversion Account for three programs in addition to the instructional material block grant. They include: \$200.0 million for a Textbook Block Grant; \$100.0 million for school districts to purchase school library materials or K-12 classroom library materials; and \$75.0 million for school districts to purchase science lab equipment and materials to provide standards-based science instruction in grades 7-12.

1. Instructional Materials Block Grant (6110-189-0001) (AB 1781 Hertzberg). The Administration's intent in establishing the \$250.0 million Instructional Materials Block grant is to allow schools to purchase standards-aligned instructional textbooks in the K-12 core curriculum areas of language arts, mathematics, history/social science, and science. Once school districts certify that every student has been provided a full set of standards-based textbooks, the block grant funds may be used for any instructional materials purpose now served by the five separate text book and library materials programs available in the current year. As part of the Governor's initiative, AB 1781 (Hertzberg) was introduced to specify the terms of the various grants (e.g.: a 2-year maximum carryover provision), and also to appropriate \$1.9 billion in future Proposition 98 funds to fund the instructional materials block grant for an additional four fiscal years following the budget year:

Governor's Instructional Materials Block Grant (General Fund Proposition 98)				
<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>
\$250	\$350	\$450	\$550	\$600
State Board of Education Adoptions Schedule:				
English/Language Arts* (2002)	Health (2004)	History- Social Science* (2005)	Science* (2006)	Mathematics* (2007)
*Standards-aligned				

The Administration states that its purpose in proposing the advance appropriations is to more closely align the allocation of state funding with the planned state textbook adoption cycle and estimated cost of, and demand for, the newly adopted materials. Funding for the more expensive Language Arts textbooks in the budget year, however, is supplemented by the proposed \$200 million in one-time Proposition 98 Reversion Account funds.

The Legislative Analyst's Office (LAO), while supporting consolidation of the existing instructional and library materials programs into a single block grant to provide districts greater flexibility, identifies the overall initiative's internal inconsistency in restricting the use of \$375 million in one-time funds to the three narrowly defined uses for textbooks, library materials, and science lab equipment and materials. **The LAO**

recommends, instead, redirecting the initiative's entire \$625 million to the LAO-proposed \$1.5 billion Academic Improvement Block Grant.

Subcommittee #1 Action:

The LAO also recommends denying the Administration's proposal for \$1.9 billion in advance appropriations in fiscal years 2003-04 through 2006-07 for the Instructional Materials Block Grant. According to the LAO, "there are too many 'moving parts' in this cycle to reliably predict necessary state levels of funding up to four years in advance." In addition, the LAO opines that such Proposition 98 allocation decisions are better left to Legislative deliberations, based on annual reassessment of K-14 education needs, through the budget process.

Subcommittee #1 Action:

2. Library Materials. Base funding for both the K-12 school libraries program (\$158.5 million), and the K-4 school libraries program (\$25.0 million) are consolidated into the proposed Instructional Materials Block Grant. As part of the Governor's overall initiative, an additional \$100.0 million (one-time) is proposed to allow school districts and charter schools to purchase library books for school libraries or K-4 classroom libraries.

The CDE has expressed concern that even with the additional \$200.0 million of one-time funds proposed in anticipation of district purchases of the recent reading/language arts text adoption, the \$250.0 million in block grant funds will not be sufficient to meet the textbook need and as a result, little if any funding will remain for library materials. Various education organizations estimate that even with the additional one-time funds, there will be an additional \$212 million needed in 2002-03 and another \$378 million in 2003-04 to fully fund school district purchases of the newly adopted Reading/ Language Arts textbooks.

In addition, the CDE asserts that while the current Instructional Materials Fund program allows up to 30 percent of that allotment to be used for library materials, the growing demand and cost for standards-aligned textbooks following the adoptions results in less than 14 percent of that funding going to school libraries. It is unclear whether the "30 percent rule" is, in effect, negated under the Administration's proposal due to the requirement that districts must give first priority to the purchase of standards-aligned materials.

The 1998, California Public Schools Library Act created a separate line item for school library materials with the intent of fostering the development of school library collections. According to the CDE, prior to Library Act funding, California's school libraries were at or near the bottom of school library statistics. Library Act funding, the Department asserts, has been instrumental in raising the average copyright date of a California school library book from 1972 to 1982, in the four years it has been in existence. However, CDE statistics still show California, with only 11.9 "up-to-date, relevant, and enticing" library books per student, lagging behind the national average of 20. The CDE, therefore, supports continuing a separate line item for school libraries.

Subcommittee #1 Action:

3. Proposition 98 Reversion Account. The Governor's Instructional Materials Realignment Initiative includes three one-time programs totaling \$375 million funded from the Proposition 98 Reversion Account.

- **\$200.0 million** for eligible school districts and charter schools to purchase instructional materials. To be eligible the local education agency must certify to the State Board of Education prior to the beginning of the 2002 school year that it will purchase a standards-based adopted Reading/Language Arts textbook for each pupil by the beginning of the 2002 school year. (9 months from the adoption). **LAO recommends 21 months as a more reasonable and realistic time frame and which would allow districts time to "pilot" the materials before purchasing them.**
- **\$100.0 million**, apportioned on a per-pupil, K-12 enrollment basis, for school districts and charter schools to purchase library books for school libraries or K-4 classroom libraries.
- **\$75.0 million**, to be allocated on a per pupil, grades 7-12, enrollment basis, for the purchase of science lab equipment to provide standards-based instruction in science.

Staff notes that should the Legislature adopt the LAO recommendation (articulated in the K-12 Overview Hearing on March 13th) to defer action on the Administration's reversion account proposals and adopt urgency legislation to substitute all (\$535 million), or a portion, of the one-time Proposition 98 Reversion Account funds for an equal amount of Proposition 98 appropriations in the current year—in order to "free up" General Funds in the budget year—that the above programs would be eliminated. However, should the Proposition 98 minimum guarantee increase in May, the Legislature could choose to restore what it considers the most meritorious of the Administration's Proposition 98 Reversion Account proposals.

Subcommittee #1 Action:

B. Independent Study 10 percent Revenue Limit Reduction. (AB 3005, Assembly Budget Committee). Based on the assumption that non-classroom-based instruction is less expensive to provide than classroom-based instruction, the Governor's budget proposes a 10 percent, non-waivable reduction in funding for non-charter school students served through non-classroom-based, or "independent" study. The reduction is to be implemented by counting a full day of independent study as nine-tenths of an ADA, thereby reducing funding for revenue limits and ADA-based categorical programs. Recently, the Administration added an amendment to this proposal that would reduce the level of funding for County Community School Type C* children (participating in independent study), to that of a student's district of residence. The provisions for both proposals are included in AB 3005, the annual Education Omnibus Trailer bill. **The Administration now estimates General Fund (Proposition 98) savings of \$35.0 million** in the budget year if both proposals are approved. This estimate of total savings takes into account an anticipated adjustment in May Revise to fix a miscalculation that included Charter School enrollment in the Administration's original, budgeted \$42.0 million savings estimate. Charter schools are not included in this proposal due to the enactment of SB 740, O'Connell (Chapter 892, Statutes of 2001), which, in effect, could potentially reduce funding for charter schools offering independent study programs. (See Discussion In **II. Charter Schools** below).

*Probation-referred, on probation or parole; mandatory expelled (as specified in Education Code Sec. 48915(c)).

1. Background: Independent Study, an educational alternative to classroom instruction, allows students, under the supervision of a credentialed teacher, to receive attendance credit for work completed outside the classroom that is based on a written agreement specifying the school district's course of study requirements. "Time value" of the work submitted by a student for attendance credit is determined by the student's teachers. According to the Department of Education, independent study can provide accommodation, offer individualized approaches and strategies for effective learning and provide necessary counseling individualized support services. While County Community Schools—serving students who are expelled, or who are referred by the juvenile court, probation officer, a School Attendance Review Board (SARB) or other agency—may offer independent study as part of their program, County and District Community Day Schools—which provide an educational placement for specified expelled students—may not.

2. Legislative Analyst's Office (LAO) Issues. The LAO withholds a recommendation on the proposal to reduce the funding rate for independent study pending receipt and review of Administration district-level cost data supporting its contention that the per-pupil cost of providing independent study is less costly than classroom based instruction. While some costs of providing independent study may lower (facilities), some may be the same (teacher cost) or higher (instructional materials), the LAO states that it is difficult to determine the overall cost comparison without district level data. However, the LAO does raise the following points regarding the Administration's proposal:

a. Estimated Savings includes Charter School Enrollment Data. The Administration's original \$42 million savings estimate assumed that 89,800 or 1.5 percent of statewide ADA would participate in school district and county office of education independent study programs in 2002-03. While the Administration's proposal excludes charter school independent study programs, the data, based on the independent study enrollment figures collected in the California Basic Education Data System (CBEDS) includes charter school enrollment. Based on SDE independent study enrollment data which excluded charter schools and, instead, pegs independent study enrollment at 56,700 ADA in school districts (51,000) and COEs (5,700) in 2002-03, the LAO estimates that the Administration's budget overstated the expected savings from the independent study proposal by \$13.0 million.

The Administration has acknowledged this error and states that an adjustment will be made in the May Revision. It should be noted, however, that the Administration currently believes that the additional savings from the amended proposal, to reduce the funding level for County Community Schools independent study programs to that of the student's district of residence, will increase the total adjusted savings estimate back up to at least \$35 million.

b. DOF Estimates Are Based on Enrollment v. ADA. The Department of Finance savings estimates are based on "enrollment" rather than average daily attendance (ADA). Enrollment figures are generally 5 percent higher than ADA figures since ADA considers that the average student school attendance rate is 95 percent. Here, again, the DOF estimates may be too high.

c. Independent Study Proposal Assumes No Change in Level of Service.

(1) The 10 percent Funding Reduction. The overall proposal to achieve General Fund savings by reducing the funding level of school district and county office of education independent study programs does not take into consideration the extent to which school districts may react to the reduction. Some districts may choose to offer less non-classroom-based instruction in favor of more classroom based instruction thus negating at least a portion of the estimated savings.

(2) Funding Reduction for County Community Schools offering Independent Study. The Administration's proposal to include County Community School's funding for "Type C" kids participating in an independent study program in the Education Code Section affected by the 10 percent reduction, includes a provision to reduce the County Community School funding level for these kids to that of the participating student's district of residence. The DOF estimates that the General Fund savings attributed to this reduction will be approximately \$10 million.

County Community Schools are operated by County Offices of Education to serve students who are expelled from their regular schools, or who are referred by the juvenile court, by a deputy probation officer or by a School Attendance Review Board (SARB). Offering a 240 minute minimum day, and which includes an independent study option, they are designed to transition students to an appropriate educational, training and /or employment setting. Funding for County Community Schools, except for "Type C" kids, is determined by the base revenue limit of students' district of residence. The County is provided with a higher level of funding for its "Type C" students; approximately \$8,036 per student. Should the Legislature adopt the administration's proposal to reduce funding to Community School "Type C" students participating in independent study; County Offices of Education may drop these programs due to the significant drop in funding and, instead, compel the resident school districts to establish, within the district more expensive and structured Community Day Schools in which they could situate these displaced students.

Community Day Schools, which can be established by either a school district or a county office of education, require a 360 minute minimum day and cannot offer independent study, provide an educational placement to all students who are expelled. Priority placement is given to those students expelled for mandatory expulsion offenses. The placement must be in a program of study that can appropriately accommodate students with discipline problems, is not provided in a comprehensive school, and is not housed at the school the student was attending at the time of expulsion. Community Day Schools are provided with a higher revenue limit (\$7,957), with Community Day Schools serving "Type C" kids receiving an additional \$4,550 per student. Since it is not economically feasible for a Community Day School to serve less than 10 kids, the district can apply to the State Board of Education for a waiver to be funded as a "necessary small school." The funding rate for Community Day Schools that are necessary small schools is approximately \$83,140 plus a supplemental amount of \$4,550. The less students served in these schools the higher per pupil cost to the state.

The LAO does not assume that all County Offices of Education operating Community Schools will shut these schools down as a result of the funding reduction, (they may just abandon the independent study program). However, it is a option that may appeal to enough counties to negate any cost savings realized from the rate reduction.

C. Reading Incentive Programs. The Governor's budget proposes \$4.75 million General Fund (Proposition 98) for the ongoing Governor's Reading Award Program (\$4.0 million) and the California READs (\$750,000) program.

1. Governor's Reading Award Program. This program, now in its third year, provides competitive awards to K-8 schools based on the number of books students read; specifically, the number of pages or books reported to have been read per pupil, as an incentive for K-8 students to read. Winning schools receive a maximum award of \$5,000. In 2001-02, 800 schools (200 in each API quartile) receiving an award earned the maximum \$5,000 award. While administered by the CDE, the program's awardees are selected by the OSE. The OSE states that most school awardees use the funds to purchase library and classroom library books, though some schools also purchased maps, library computers and supplemental instruction materials in reading.

According to the LAO, the small amount of awards, the one-time nature of the purchases, and the fact that the awards are based on a competitive quantity of reading versus quality of reading (i.e. reading content or comprehension) is not clear that this is a cost effective program to instill better reading skills among the targeted students.

2. California READs Program. This is a collaborative program involving the Governor's Office, CDE, the federal Eisenhower State Grant Program (which, under the newly reauthorized ESEA, has been combined with federal CSR funds into a new state formula grant that focuses on preparing, training and recruiting high quality teachers) and Books and Beyond Nonprofit Corporation. It encourages recreational reading by K-8 students through various incentive based activities e.g.: read-a-thons, parental involvement activities and professional development.

The LAO recommends deletion of both programs for a General Fund "savings" of \$4.75 million for the following reasons:

- 1. Unknown effectiveness of either program.**
- 2. Elimination would not effect quality of instruction or level of service for students.**
- 3. School districts can provide alternative reading award activities with local funds.**
- 4. The "savings" from the programs' elimination can fund other educational priorities.**

Subcommittee #1 Action:

D. High Tech High Schools. The 2001-02 Budget Act, as revised by Chapter 1, Third Extraordinary Session, Statutes of 2002, provided \$6.0 million in one-time Proposition 98 funding to establish the High Tech High Schools Grant Program, reduced the proposed number of high tech high schools from 10 to 5, and extended the repeal date of the program from January 1, 2003 to January 1, 2004. The Governor's budget proposes \$4.0 million (one-time) from the Proposition 98 Reversion Account for the 2002-03 fiscal year to provide the remainder of the funding to establish five high tech high schools.

The five new high tech high schools, modeled after two existing schools located in San Diego and Napa counties, are to be established throughout the state through a one-time, dollar-to-dollar matching grant of \$2.0 million per school. A high tech high school is defined as a comprehensive high school maintained by a school district or charter school that integrates technology with a rigorous college preparatory curriculum emphasizing math, science, and engineering and that have smaller student populations and competitive admissions requirements. Instruction is required to be consistent with State Board of Education-adopted academic content standards and the applicable curriculum framework content standards.

The LAO has cited similar concerns with this high tech high proposal as those expressed in the 2001-02 budget deliberations, i.e. significant additional costs due to frequent technology upgrades and lower teacher to student ratios; questionable cost effectiveness based on the small number of students served versus the high start-up and annual operating expenses; and the indeterminate need for state assistance in light of substantial support from both the private and federal funds. In light of these concerns, the state's fiscal situation and the availability of alternative funding sources, **The LAO recommends deletion of the \$4.0 million proposed for this program in the budget year.** The LAO notes that the \$6.0 million current year funding would, if evenly distributed over the current and budget years, would provide the five schools with \$1.2 million with which to leverage other funds.

Q: Could potential High Tech High Schools access funds proposed in Item 611-122-0001, Specialized Secondary Programs?? This program was enacted to assist in the establishment of specialized high schools to provide advanced instruction and training in high technology fields and in the performing arts.

Subcommittee #1 Action:

E. Governor’s Distinguished Math and Science Scholars Program (0954-101-0001).

The Governor’s Budget provides \$14 million to the Scholarshare Investment Board for the Governor’s Distinguished Math and Science Scholars Program; an \$8 million or 133 percent increase from 2001-02 to cover expanded eligibility costs. Chapter 404, Statutes of 2000, (SB 1668, Polanco) established both the Governor’s Merit Scholars Program (\$112.0 million) and the Governor’s Distinguished Math and Science Scholars Program (\$6.0 million).

1. The Governor’s Distinguished Math and Science Program. This program provides \$2,500 scholarships to those students who qualify to receive the \$1,000 Governor’s Merit Scholarships and who achieve the highest scores, a 4 or 5, on advanced placement tests in calculus (5 on the AB test; 4 or 5 on the BC test), and either of the biology (5), chemistry (5) or physics(5) exams. The approximately 2,400 students who will qualify for these awards represent the top 7/10ths of 1 percent of the state’s high school students. Eligibility for the Distinguished Scholars program was expanded by Chapter 734, Statutes of 2001 (AB 804, Assembly Committee on Education) to include students who took AP tests prior to January 1, 2000, and otherwise met test score criteria and those students who achieved equivalent levels on an International Baccalaureate test.

The LAO, as it has in prior years, opines that the students who qualify for these awards tend to be high achievers anyway, and are motivated as much or more by college admissions considerations and the cost savings for receiving credit for the college-equivalent courses than by a monetary award. **The LAO, therefore, recommends that the Legislature enact legislation to eliminate the Governor’s Distinguished Math and Science Scholar Program and use the \$14 million for other legislative priorities.**

Subcommittee #1 Action:

2. Governor’s Merit Scholarship Program. In an effort to assist the Legislature in addressing what the LAO estimated to be a \$5.0 billion budget problem—in addition to that identified by the Administration and the LAO in November—the LAO included in its February “Options for Addressing the State’s Fiscal Problem,” a proposal to legislatively suspend, on a one time basis, the Governor’s Merit Scholarship program. This would represent a General Fund (non Proposition 98) savings of approximately \$112.0 million. The Governor’s Merit Scholarships provide \$1,000 scholarship savings accounts to ninth through 11th graders (maximum \$3,000), based on their scoring in the top 5 percent statewide or in the top 10 percent of their high school class on the standards aligned STAR exam. According to the LAO, a one year suspension of this program would mean that one cohort of 9th graders would have two opportunities, instead of three to earn scholarships in their high school careers.

Subcommittee #1 Action:

F. Adult Education

1. CalWORKS Recipient Services. The Governor's Budget proposes a \$36.0 million reduction from Item 6110-156-0001 (K-12 Adult Education) to reflect a deletion of funds allocated for services to CalWORKs recipients. Of the \$36.0 million proposed reduction, \$26.0 million is an elimination of adult education and ROCP education services for CalWORKs recipients, \$10.0 million from remedial and job training services for CalWORKs recipients through an interagency agreement with the Department of Social Services. According to the DOF, these funds are in excess of the maintenance of effort (MOE) monies required as a condition of the state's receipt of federal Temporary Aid for Needy Families (TANF) grant funds. The excess funds have been used primarily to allow Adult Education and Regional Occupational Centers and Programs (ROCPs) to claim funds above their average daily attendance cap if they used the additional funds to provide instruction to CalWORKs recipients. The DOF asserts that these funds are no longer necessary to ensure that the state meets its MOE requirement for its federal TANF grant and that CalWORKs recipients can still access adult education and ROCP programs or other CalWORKs employment or training services and funds through the counties, by counties. According to the DOF approximately \$15 million of the \$36.0 million was not spend on MOE activities but could only be spent on "overcap" services.

While K-12 ROCP and adult education programs are not required to serve CalWORKs recipients, i.e.: CalWORKs recipients must compete for these services if there is excess demand, counties can contract with providers if these programs are seen as a county priority. However, in this time of shrinking revenues, funding these programs may come at the expense of other county priorities.

Subcommittee #1 Action:

2. Workforce Development Proposal (Update). As part of his January 10, Budget Summary, the Governor outlined a proposal to reform and streamline the State's \$4.6 billion workforce development system which he described as a "patchwork of 34 job training programs administered by 13 different state entities. The proposed "Labor and Workforce Development Agency while subject only to a Legislative veto, must gain approval of the 13 member Little Hoover Commission to be enacted. The Governor has set up a task force within his Administration to vet his proposal with key constituency groups including community colleges and K-12 education. Among the stated goals of the proposed Agency are:

- Streamline the existing job training system to provide better access to services for those out of work and those seeking skills for career ladder development
- Consolidate all existing job training programs that provide core employment services, economic development and job training services under a proposed new Labor Agency.
- Consolidate all existing apprenticeship programs under the Department of Industrial Relations (DIR).
- Consolidate all vocational and adult education programs under the Community Colleges system.
- Block grant all existing job training funds to the extent permitted by federal law to consolidate the focus of resources to various workforce development needs.
- Apply rigorous standards of accountability to state and local job training programs.
- Shift the focus of the current workforce development system from short-term job training to economic development.

The Governor's Office has recently stated that there will be no proposed transfer of authority of funding for services of K-12 career technical programs. While services and funding for workforce development programs will be among the programs reviewed, no changes will be included in the May Revise to transfer authority for funding to another entity.

II. Charter Schools

A. Background. A charter school is a public school that may provide instruction in any of grades K-12. This type of school is usually created or organized by a group of teachers, parents and community leaders or a community-based organization and initiated through a charter petition that is usually submitted to and approved by a local public school board. By statute, county offices of education and the State Board of Education also have chartering authority in cases where a petition has previously been denied by a school district governing board. Specific goals and operating procedures for the charter school are detailed in an agreement (or "charter") between the sponsoring board and charter organizers.

A charter school is generally exempt from most laws governing school districts, except where specifically noted in the law. However, charter schools are required to participate in the STAR (Standardized Testing and Reporting) program. The law also requires that a public charter school be nonsectarian in its programs, admission policies, employment practices, and all other operations, and prohibits the conversion of a private school to a charter school. Public charter schools may not charge tuition and may not discriminate against any pupil on the basis of ethnicity, national origin, gender, or disability.

B. Charter School Direct Funding Model. The 1999 Budget Act Omnibus Education Trailer Bill, Chapter 78, Statutes of 1999 (AB 1115, Strom-Martin), adopted the Charter School Direct Funding Model which provides charter schools with operational funding that is equal to the total funding that would be available to a similar school district servicing a similar pupil population. The Model provides funding to charter schools through:

- **Revenue Limits:** Equal to the state average revenue limit as determined by type (elementary, unified, high school) and distributed through a continuous appropriation in the annual Budget Act.
- **Charter School Categorical Block Grant (6110-211-0001):** Provides Charter schools a per-pupil amount equivalent to what a school district receives for the average student through 34 specified categorical programs. In addition, such schools will be ineligible to apply for any new categorical programs created by the Legislature, unless the legislation specifically requires charter schools to participate in order to receive funding.
- **Direct Application Programs.** Charter schools must apply directly for numerous programs and must adhere to all laws governing those programs. These programs include K-3 class size reduction, staff development buyout, after school and summer school programs, home-to-school transportation, state testing, Digital High School, English Language Acquisition program (AB 1116), Child Nutrition Programs, After School Learning and Safe Neighborhoods Partnerships Program, all federal programs and numerous other programs.

1. Access to Revenue Limit Funding to Sunset July 1, 2002 (Information Only) . The provisions of Chapter 78 that provide charter schools with a continuous appropriation of revenue limits will sunset on July 1, 2002. A budget driven evaluation of charter school effectiveness, however, is scheduled to be submitted by RAND by July 1, 2003. Without a legislative extension of this sunset or enactment of an alternative funding mechanism, charter schools would no longer be able to receive revenue limit (or approximately 60 percent of their) funding. Assemblyman Nation has introduced AB 168 to extend the sunset of the continuous appropriation to July 1, 2005. A similar bill, AB 1132, (Canciamilla) was vetoed last year for reasons unrelated to the extension provision. Senate Bill 168 passed the Senate Education Committee 12-0, on March 13th.

2. District Funding Model Option to End in 2002. Under current law, all charter schools must participate in the Charter School Direct Funding Model by 2002-03. Schools chartered before June 1, 1999, had or have the option in 1999-00, 2000-01, and 2001-02 of either continuing their current funding arrangement with their chartering school districts or participating in the Charter School Direct Funding Model. Schools chartered June 1, 1999 or later had to participate in the funding model for 1999-00 and subsequent years.

According to CDE, 277 charter schools—representing an ADA of 91,911—have chosen, or were required, to participate in the Charter School Funding Model in the current year. There are 74 charter schools—representing an ADA of 41,381—not participating. Of those not participating, 6 charter schools, representing 4,100 ADA are also designated as charter districts; on which the Education Code is silent as to whether or not they are required to join the direct funding model even absent the grandfather clause. In addition, the CDE indicates that of the 68 non-district charter schools, 60-70 percent receive revenue limits in excess of the charter school block grant rate. Therefore, if the remaining non participating schools are required to transition to the direct funding model there may be a state savings. This savings would be difficult to determine, however, due to the lack of disaggregated data representing a district's, and, therefore, an individual school's, various revenue limit components; one of which is state aid.

The LAO estimates that there would be a \$15.0 million funding shift from school districts to the Charter School Categorical Block Grant, as categorical funding followed the charter schools now funded out of the block grant. However, for at least one year following the fund shift to the Charter School Categorical Block Grant, school districts would retain their same categorical funding level since categorical funding is based on prior year ADA. Since the data may not be available to allow the CDE to “back out” prior year charter school ADA, this could represent a one-time \$15.0 million cost to the state General Fund. According to the CDE, however, except for the first year the funding model was in place, the CDE has adjusted the authorizing district's ADA to reflect the ADA “taken away” by the charter. Therefore, there is no double counting that would result in a funding shift cost to the state.

The LAO recommends that the Legislature extend the date by which charter schools must transition over to the Categorical Block Grant two years (2004) in order to allow the Legislature to consider the direct funding model as part of reauthorization of charter school law. The alternatives would, for 2002-03, be to fund a higher categorical block grant level and, concurrently, reduce the funding level of those district categorical programs upon which the charter school categorical block grant is based.

Subcommittee #1 Action:

3. Funding Model Calculation Based on May Revise not Final Budget Act Numbers.

The Charter School Categorical Block Grant (CSCBG) was created to provide funding in lieu of any categorical programs for which charter schools are not required to apply separately. Anticipating the creation of new categorical programs over time, Chapter 78 requires the DOF to submit at the annual May Revise, the funding growth rate of categorical programs for which charter schools do not have to apply separately. It is this calculation upon which CSCBG funding level is based. In effect, the DOF can therefore determine which categorical programs are not included in the block grant and for which

they must apply separately. The LAO cites four problems with basing the CSCBG funding level on May Revision calculation versus final Budget Act calculations.

- a. The anticipated benefits of using the May Revision calculation to determine CSCBG funding level are not met.
- b. Legislative Authority is compromised when it takes a subsequent budget actions contrary to that proposed by the DOF in the May Revision. The DOF CSCGB funding assumes adoption of DOF May Revision proposals affecting the block grant, thereby potentially preventing a charter from either receiving funding for a categorical program in the block grant or being able to apply for it separately.
- c. The CSCBG calculation does not necessarily reflect the Budget Act as adopted by the Legislature.
- d. It is difficult for stakeholders to verify the DOF calculation because much of the fiscal data needed to make that calculation is not publicly available at the time of the May Revision.

The LAO, therefore, recommends that the Legislature amend current statute to have the DOF calculate the CSCBG funding level based on the adopted Budget Act and accompanying trailer bill legislation.

Subcommittee #1 Action:

C. Basic Aid District Students Attending a Non-Basic Aid District Charter School. Chapter 586, Statutes of 2001, (SB 955, Alpert) limits—to the lesser of the charter school’s revenue limit or the basic aid district’s property tax per pupil—the amount of property tax transferred in support of pupils who reside in a basic aid district, but attend a charter school in a non-basic aid district. The purpose of this funding adjustment was to ensure fiscal neutrality for the state and, as a result, potentially save the state an estimated \$1 million (Proposition 98) per 220 students.

A basic aid district is a school district in which the amount of property taxes exceeds its revenue limit. These districts, numbering 61 in 1999-00, may retain the excess funds and still receive the state General Fund basic aid of \$120 per ADA (or minimum \$2,400 per district).

Due to lack of comprehensive data regarding the number of basic aid district students attending charter schools in non-basic aid districts, or how many basic aid districts have charter schools outside their district, the CDE has not implemented, and the Governor’s Budget does not assume, any General Fund (Proposition 98) savings pursuant to the implementation of SB 955.

The Subcommittee may wish to: 1. Ask the CDE to report on the status of its data collection for, and implementation of, SB 955. 2. Ask the DOF if there are discussions or plans to assume any budget year SB 955 savings in the May Revision.

D. Independent Study (SB 740) Update. While neither current nor budget year “savings from the enactment of SB 740 O’Connell, (Chapter 892, Statutes of 2001) are assumed in the Governor’s January 10, budget, charter schools are not included in the Governor’s independent study proposal. Senate Bill 740, in effect, could potentially reduce funding for charter schools offering independent study programs. Chapter 892 required the State Board of Education (SBE) to develop a policy to review funding for charter

schools providing 80 percent or less of their instruction in a classroom-based environment. Based on data provided by these charter schools—the CDE has never been required to collect non-classroom based instruction ADA data—the SBE can decide not to fund a charter school for its non-classroom based instruction; reduce a charter schools funding by up to 30 percent over three years, beginning with 10 percent in 2001-02, or fully fund the charter offering non-classroom based instruction. At its March 7th, meeting, the Board of Education approved 46 determinations at the 95 percent funding level and 44 determinations at the 100 percent funding level. An additional 28 funding requests were deemed late or incomplete and will be considered by the Board at its April 25th meeting.

III. Mandate Claims

A. Background. Current law provides for the reimbursement of costs incurred by local agencies and school districts for costs mandated by the state; i.e., any increased cost which a local agency or school district is required to incur after July 1, 1980 as a result of any statute enacted after January 1, 1975, or an executive order implementing such statute which mandates a new program or higher level of service of an existing program. Estimated claims that show costs to be incurred in the current fiscal year and reimbursement claims that detail the costs actually incurred for the prior fiscal year may be filed with the State Controllers Office (SCO). Claims for on-going programs are filed annually by January 15. When a program has been reimbursed for three or more years, the COSM may approve the program for inclusion on the State Mandates Apportionment System (SMAS) in which the SCO determines each claimant's entitlement based on a consecutive three-year average actual costs adjusted by the implicit price deflator. Claimants with an established entitlement do not file further program claims. The SCO is authorized to make payments for costs of mandated programs from amounts appropriated by the State Budget Act, the State Mandates Claims fund, or specific legislation. In the event the appropriation is insufficient to pay claims in full, claimants will receive prorated payments in proportion to the dollar amount of approved claims for the program. Balances of prorated payments will be made when supplementary funds are made available.

B. School Bus Safety II Mandate. Between 1994 and 1997, the Legislature enacted several measures that imposed additional requirements intended to increase school bus student safety. Among the provisions were requirements to provide expanded instruction to pupils in school bus safety; prepare, follow and revise transportation plans; provided written information to parents on school bus safety; and employ flashing signal lights under a broader set of circumstances. In December 1997 a test claim—which has come to be known as School Bus Safety II—was filed with the COSM regarding these additional requirements. The COSM found, in July 1999 that the new requirements constituted a reimbursable state mandate. By 2001-02 the liability had grown to, and the Governor had set aside, \$290 million for this mandate. Of this amount, \$223.7 million was proposed as a one-time allocation from the Proposition 98 Reversion Account to reimburse prior-year and 2000-01 fiscal year costs. Another \$66.7 million was proposed from the General Fund (Proposition 98) for the estimated 2001-02 costs of this mandate. The \$66.7 million was to be included in the annual “claims bill.” The Commission on State Mandates (COSM) estimated that the state would be responsible for similar annual costs in the future.

During the course of its 2001-02 budget analysis, the LAO reviewed approximately 50 cost claims and found a number of irregularities that it felt warranted further investigation. They included:

- Considerable cost variations across districts of equal size and transportation use.
- Claims for staff time spent on mandated activities that may or may not have involved added costs.

- Claims for “fundamental” activities that are so related to the job of school bus driver that they may likely be outside the scope of the new requirements.

The Legislature in 2001-02 decided to delete the entire \$290 million School Bus Safety II mandate claims payment pending the results of an investigation of the appropriateness of the costs of this mandate by the State Auditor’s Office. This report was released March 28th. Based on findings that include the following:

- The costs for the mandate are substantially higher than was initially (\$1.0 million per year) expected.
- The cost claims for the 7 districts reviewed varied significantly depending on the approach taken by the various consultants hired by 6 districts as well as the one district which “self-filed.”
- The various approaches appeared to result from the lack of clarity in the Commission-adopted guidelines.
- Most districts lack sufficient documentation for the amounts they claimed.
- The Commission could have avoided approximately 14 months in delays in determining whether a state mandate existed and in developing a cost estimate.

The Bureau of State Audits made the following recommendations to the Legislature:

- The Legislature enact legislation to amend the parameters and guidelines to more clearly define activities that are reimbursable and to ensure that those activities reflect what the Legislature intended.
- The Commission should ensure that all relevant state departments and legislative fiscal committees are provided with the opportunity to provide input on test claims and parameters and guidelines and notify all relevant parties including legislative fiscal committees of the decisions made at critical points in the process e.g.: the test claim statement of decision, the adoption of parameters and guidelines and the adoption of the statewide cost estimate.
- The Commission should ensure it carries out its process for deciding test claims approving parameters and guidelines, and developing the statewide cost estimate for mandates in a timely manner.
- School Districts should ensure that they have sufficient support for the costs they have claimed
- The Commission should work with the Controller, state agencies and other interested parties to make sure the language in the guidelines and claiming instructions reflects the Commission’s intent and the Controller’s expectations relative to supporting documentation.

Subcommittee #1 Action:

C. Governor’s Proposal to Defer/Suspend Mandates. The Governor’s 2002-03 Budget proposes to delay the budget year reimbursement appropriation (\$66.7 million) for the School Bus Safety II mandate and also suspend five other education mandates (\$23.0 million) for a total of \$89.7 million. The Budget assumes that this \$89.7 million is “freed up” for use for other K-14 educational purposes proposed in the Governor’s 2002-03 Budget. It should be noted that the “deferral” of the School Bus Safety II mandate does not free local agencies from the need to comply with the mandate’s requirements. The proposed “suspension” for the other five mandates would make the requirements “permissive.” Suspension of a mandate requires a statutory change. The Administration proposes to effect these changes in AB 2995 (Assembly Budget Committee), a budget trailer bill designated for this purpose. The LAO views this

proposal as reasonable under the state's fiscal circumstances with the caveat that the state will be required to eventually pay any unfunded mandate liabilities (with interest, at the Pooled Money Investment Account rate—about 3 percent) through future budget acts.

Governor's Proposal to Defer/Suspend Mandates 2002-03 (in millions)		
Mandate	Requirements	Amount
School Bus Safety II	Certain school bus safety measures such as implementing a transportation safety plan.	\$66.7
School District of Choice Transfer and Appeals	Notify parents of attendance options.	10.2
Habitual Truants	Hold at least one conference with pupil's parents and classify pupil as a habitual truant after four trancies in the same year.	5.4
Discipline Rules	Develop and adopt rules for pupil discipline every four years and distribute these rules to pupils and parents.	1.7
Absentee Ballots	Districts must provide ballots to registered voters upon request.	1.3
Pupil Suspensions	Staff who refers students for suspension must participate in conferences and report the cause to the district board. Pupils found to have weapons must be suspended immediately.	1.0
Total		\$86.3

Subcommittee #1 Action:

D. Potential Mandate Liabilities. The Governor’s Budget provides \$153.3 million* (Proposition 98) for education mandates (see table below). This figure assumes approval of the proposed mandate “suspensions” outlined above and also assumes suspension of the “Open Meetings Act” mandate (\$3.4 million) that was recently withdrawn from the Governor’s proposal. The LAO, in advising the Legislature that any deferred/unfunded mandate liabilities must eventually be paid, cites several types of current and potential future mandates for which the state could be liable. To the extent the Proposition 98 minimum funding level increases in May, the LAO indicates that the Legislature should consider funding at least a portion of these liabilities.

*Does not include the Administration’s withdrawal of its proposal to eliminate the Open Meetings Act mandate (\$3.4 million).

<ul style="list-style-type: none"> • Deferrals—The Administration has not budgeted for the either the current year (\$66.7 million) or the budget year proposed (\$66.7 million) deferral for the School Bus Safety II Mandate: 			\$133.4 million												
<ul style="list-style-type: none"> • Deferral of Mandate Deficiency (2001-02) Based on Administration underestimates of mandate costs attributed to the 2001-02 fiscal year, the COSM estimated a \$193.8 million mandate deficiency in 2001-02. The 2001-02 Budget Act provided only \$62.5 million of that amount. 			131.3 million												
<ul style="list-style-type: none"> • Potential Mandate Deficiency (2002-03). Estimate assumes a similar level of mandate deficiencies in the budget year as in past years. 			100.00 million												
<ul style="list-style-type: none"> • Newly Identified Mandates (2002-03) \$ 7.0 million (ongoing) \$ 47.0 million (PY/CY) <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: center;"><u>Ongoing</u></td> <td style="text-align: center;"><u>Total</u></td> </tr> <tr> <td>1. Financial and Compliance Audits (additional LEA audit requirements)</td> <td style="text-align: right;">\$904,000</td> <td style="text-align: right;">\$7.89m</td> </tr> <tr> <td>2. School Site Councils (abbrev. set of open meeting requirements)</td> <td style="text-align: right;">\$6.047 m</td> <td style="text-align: right;">\$45.77m</td> </tr> <tr> <td>3. Physical Education Reports (new reporting/compliance requirements)</td> <td style="text-align: right;">\$ 8,000</td> <td style="text-align: right;">\$48,000</td> </tr> </table>		<u>Ongoing</u>	<u>Total</u>	1. Financial and Compliance Audits (additional LEA audit requirements)	\$904,000	\$7.89m	2. School Site Councils (abbrev. set of open meeting requirements)	\$6.047 m	\$45.77m	3. Physical Education Reports (new reporting/compliance requirements)	\$ 8,000	\$48,000			<u>54.1 million</u>
	<u>Ongoing</u>	<u>Total</u>													
1. Financial and Compliance Audits (additional LEA audit requirements)	\$904,000	\$7.89m													
2. School Site Councils (abbrev. set of open meeting requirements)	\$6.047 m	\$45.77m													
3. Physical Education Reports (new reporting/compliance requirements)	\$ 8,000	\$48,000													
Total			\$418.8 million												

98 State-Mandated Local Programs -- Local Assistance	2001-02*	2002-03*
Ch. 36/77 et al. Annual Parent Notification	\$3,585	\$3,667
Ch. 77/78 & Ch. 920/94 Absentee Ballots-Schools	1,295	-- ^a
Ch. 87/86 School Discipline Rules	1,726	-- ^a
Ch. 161/93 Intradistrict Attendance	5,262	5,383
Ch. 172/86 Interdistrict Attendance	1,789	1,830
Ch. 172/86 Interdistrict Attendance Parent's Employment	1,111	1,137
Ch. 160/93 School District of Choice Transfer and Appeals	10,207	-- ^a
Ch. 486/75 Test Claims and Reimbursement Claims	11,856	12,129
Ch. 498/83 Graduation Requirements	13,898	14,217
Ch. 498/83 Notices of Truancy	7,975	8,158
Ch. 624/92 School Bus Safety	938	960
Ch. 641/86 Open Meetings Act	3,395	3,400
Ch. 781/92 Charter Schools	598	612
Ch. 799/80 PERS Death Benefits	771	789
Ch. 818/91 AIDS Prevention Instruction	3,118	3,190
Ch. 961/75 Collective Bargaining	40,532	41,463
Ch. 965/77 Pupil Classroom Suspension (counseling)	1,794	1,835
Ch. 965/77 Pupil Health Screenings	3,212	3,286
Ch. 1011/84 Juvenile Court Records	336	344
Ch. 1107/84 Removal of Chemicals	1,302	1,332
Ch. 1117/89 Law Enforcement Agency	1,510	1,545
Ch. 1176/77 Immunization Records	3,444	3,523
Ch. 1253/75 Expulsion Transcripts	28	29
Ch. 1284/88 Pupil Suspensions: Parent Classroom Visits	1,019	1,042
Ch. 1306/89 Notification to Teachers of Public Expulsion	2,853	2,919
Ch. 1347/80 Scoliosis Screening	2,242	2,294
Ch. 1398/74 PERS Unused Sick Leave Credit	3,191	3,264
Ch. 1607/84 School Crimes Reporting	1,557	1,593
Ch. 1659/84 Emergency Procedures	14,229	14,555
Ch. 1675/84 School Testing—Physical Fitness	680	696 ^b
Ch. 98/94 Caregiver Affidavits	387	396
Ch. 1213/91 Collective Bargaining Disclosures	271	277
Ch. 1184/75 Habitual Truants	5,397	-- ^a
Ch. 783/95 Investment Reports	157	161
Ch. 498/83 Pupil Expulsions from School	2,427	2,483
Ch. 668/78 Pupil Health Exclusions	387	396
Ch. 134/87 Pupil Suspensions from School	1,022	-- ^a
Ch. 975/95 Physical Performance Test	1,176	1,203
Ch. 1463/89 School Accountability Report Cards	2,115	2,164
Ch. 778/96 American Government Course Document**	202	207 ^b
Ch. 309/95 Pupil Residency Verification and Appeals	219	224
Ch. 558/97 Criminal Background Check	5,090	5,207
Ch. 731/94 School Bus Safety II	66,728	-- ^a
Ch. 929/97 Annual Parent Notification-Staff Development	1,290	1,320
Ch. 410/95 School Crimes Reporting II	<u>7,301</u>	<u>7,469</u>
Totals	<u>\$239,622</u>	<u>\$156,699^c</u>

*Dollars in thousands, except in salary range.
^a Mandates Administration proposed for suspension for 2002-03.
^b Mandates LAO proposes for suspension for 2002-03
^c Includes proposed restoration of \$3.4 million for the Open Meetings Act mandate.
NOTE: COLA is provided by ER unit.

Subcommittee #1 Action:

E. Mandates and Categorical Reform Mandates. As mentioned during the Categorical Reform discussion at the Subcommittee's March 13th, overview hearing, the LAO includes in its recommended block grants the budgeted funding (Proposition 98) for 31 education mandates. These mandates are, for the most part, categorized in the Academic Improvement (\$52 million in mandates) or School Safety Block Grants (\$39.9 million). First priority for these block grant funds would be to cover the costs associated with meeting requirements of the specified mandates. In what LAO considers the unlikely event that a school district's mandate cost is greater than the funding it receives through a proposed block grant, the school district would be eligible for state reimbursement of the unfunded portion of the cost of meeting the mandate requirements. The advantages cited for including mandates in the block grants are four-fold:

1. School districts would have an incentive to meet the requirements of the mandates in a cost-effective manner since school districts would be allowed to redirect their (administrative) savings from mandate implementation to the education purposes permitted by the block grant.
2. The incentive to maximize claims, a process that contributes to the large amounts of deficiency requests, would be eliminated.
3. School districts' administrative costs would decrease due to the elimination of the labor-intensive reimbursement process.
4. Districts would have an incentive to share information regarding which mandates appear, from their perspective, no longer to be cost-effective; perhaps prompting the Legislature to reassess the need for certain education mandates.

Subcommittee #1 Action:

F. Test Claims and Reimbursement Claims. The Governor's budget proposes \$12.1 million for the Proposition 98 portion of the reimbursable mandate created by Chapter 486, Statutes of 1975 (AB 1375, Knox). This mandate is for the administrative costs associated with filing an initial test claim and with the process and procedures involved in filing a reimbursement claim. **Should the Legislature enact the LAO's recommended categorical program block grants, which include mandated programs, the LAO further recommends that the Legislature reduce the appropriation for this mandate by \$6.0 million (leaving a balance in the base to fund potential future test claims).**

Subcommittee #1 Action:

G. Collective Bargaining Mandates. The Governor's budget proposes \$41.5 million from the General Fund (Proposition 98) to reimburse K-14 districts for collective bargaining costs in 2002-03.

1. Background. The 1975 "Rodda Act" (Chapter 961, Statutes of 1975. SB 160 Rodda) provided K-14 employees with the right to bargain collectively over working conditions and the scope of employment. In 1998, the predecessor agency to the COSM, the Board of Control, found that the Rodda Act imposed a state-reimbursable mandate on K-12 districts because it included provisions requiring that

districts “meet and negotiate, thus setting up a “collective-bargaining atmosphere for public school employees.” Subsequent Budget Acts have appropriated funds for reimbursement of the this mandate. The LAO points out however, that at the time the Rodda Act was declared a reimbursable mandate, reimbursement of such mandates was a frequently waived statutory provision versus a constitutional requirement which came after the passage of Proposition 4 in 1979 and therefore, the Board had little legal precedent upon which to guide its decision making. In the late 1980’s, however, California appellate courts ruled that a mandate was created when a the state requires local governments to provide a new or upgraded program to the public , or imposes a new requirement on local governments that do not apply generally to residents and entities in the state. In two subsequent State Supreme Court decisions the court’s rulings formed the basis of the “law of general applicability; i.e.: if a statute imposes a similar obligation on the private and public sector ,the public sector’s costs to comply with the requirement do not constitute a state-reimbursable mandate. In the case of the Rodda Act, however, the Board of Control only compared the Act’s provisions against local employment obligations in place before it’s enactment. While the commission lacks the legal authority to go back and reconsider the merits of a decision after 30 days; the state never stepped in to reconsider this or any other mandate decision. According to the LAO it’s review of the state’s collective bargaining law indicates that its general intent was to, extend the same collective bargaining rights widely available to their employees to K-14 employees. While the Rodda Act does contain some procedures that may be considered “in excess” of the duties of other employers, e.g. negotiation impasses, unfair labor practices, and public disclosure of collective bargaining proposals, an LAO review revealed that they account for less than 10 percent of the overall claimed costs for this mandate.

2. Points to consider regarding the Collective Bargaining Mandate.

- a. In light of prevailing legal rulings, the Rodda Act may no longer meet the criteria of a state reimbursable mandate.
- b. Uneven funding distribution (more than 20 fold on a per student basis) among districts reflects local record keeping and claim filing practices more than policy objectives, need, or legislative intent.
- c. State reimbursement of costs provide little if any incentive to undertake collective bargaining efficiently.
- d. Based on historical “underestimates” (averaging \$11.9 million) of the per year cost to fund this mandate, which ultimately have led to large deficiencies that are included in deficiency bill every spring, and inflation adjustments, the LAO estimates that K-14 mandate claims under the collective bargaining mandate will actually be above \$54.0 million in 2002-03; \$12.5 million more than provided in the Governor’s budget.

The LAO, therefore, recommends:

1. That the Legislature initiate a reconsideration of the collective bargaining mandate by redirecting funds for the mandate appropriation to other legislative priorities.
2. Approve budget bill language specifying that Chapter 961 (The Rodda Act) no longer meets the criteria of a state-reimbursable mandate.

In making this recommendation, the LAO notes that absent the current existence of any administrative mechanism to reexamine a mandate in light of modern legal rulings, the authority to review mandates rests with the courts. By not funding this mandate in the budget the Legislature will, in effect, initiate that reexamination process by “inviting” a K-14 district to challenge this budget decision. Should a court rule

that any portion of Chapter 961 constitutes a mandate, the state may be liable for the costs of these claims in the budget year with interest; albeit at the Pooled Money Investment Account rate of 3 percent.

Subcommittee #1 Action:

H. School Testing—Physical Fitness Mandate. The Governor’s budget includes \$696,000 General Fund (Proposition 98) for the School Testing—Physical Fitness mandate for 2002-03. The requirements for this mandate, that school districts and COEs conduct physical fitness tests was, repealed by SB 622 (Hart) in 1991 as of January 1, 1995. The Controller’s Office has not received any claims for this mandate since 1996, though the each annual budget since 1997-98 has provided funding for the its potential claims. A different mandate, The Physical Performance Tests mandate, created by AB 265, Alpert (Chapter 975, Statutes of 1995) and beginning in 1996, has a separate budget appropriation of \$1.2 million in 2002-03. In light of the above, **the LAO recommends that the Legislature delete \$696,000 of funding for the expired mandate, thus freeing up this amount of budget year Proposition 98 funds for other education priorities.**

I. American Government Course Documents Mandate. The Governor’s budget provides \$207,000 for the American Government Course Documents mandate, the claims for which have grown significantly since 1996-97, (created by AB 3086 (Olberg) in 1996), and are likely to grow further in the future. Assembly Bill 3086, (Chapter 778, Statutes of 1996), imposed several American Government related requirements on school districts; specifically, that as part of the American Government and Civics courses required for high school graduation, school districts must teach, and students read, The Federalist Papers, the Emancipation Proclamation, the Gettysburg Address, George Washington’s Farewell address, the Declaration of Independence and the Bill of Rights. The LAO points out that all of the requirements for the American Government Course Documents mandate are also part of the State Board adopted (1998) History/Social Science content standards, the standards-aligned curriculum for which, schools are already responsible for providing per implementation of the statewide accountability system. **The LAO recommends, therefore, that the Legislature enact legislation to make compliance with the American Government Course Documents mandate voluntary. (\$207,000 “savings” in 2002-03 if enacted).**

Subcommittee #1 Action:

IV. Section 28.0 Letters—Review.

A. Background: The legislative intent of Budget Bill Section 28.00 is to “provide flexibility for administrative approval of augmentations for the expenditure of unanticipated federal funds or other non-state funds in cases that meet all the following requirements:

1. The funds will be expended for a purpose that is consistent with state law.

2. The funds are made available to the state under conditions permitting their use only for a specified purpose, and the additional expenditure proposed under this section would apply to that specified funding purpose.
3. Acceptance of the additional funding does not impose any state requirement to commit or expend new state funds for any program or purpose.
4. The need exists to expend the additional funding during the [current] fiscal year.

For those Section 28.0 requests that meet the above requirements, the Director of the DOF may authorize the augmentation or reduction of 1) the amount available for expenditure for any program, project or function in a budget item schedule or 2) the amount of additional, current year, unanticipated funds expected to be received by the state from any non state sources including local and federal funds for any additional program, project or function.

Augmentations or reductions that exceed either \$200,000 or 10 percent of the amount available for expenditure, cannot be authorized less than 30 days after written notification to the chairs of both the Assembly and Senate Committees on Appropriations, Budget, appropriate Budget subcommittees and Joint Legislative Budget Committee regarding the necessity of the change.

B. 2001-02 Budget Act Section 28.0 Requests. Senator Steve Peace, chair of the Joint Legislative Budget Committee, recently sent a letter to Department of Finance Director Tim Gage, regarding Department's intent to approve several K-12-related augmentations pursuant to Section 28.0 of the 2001-02 Budget Act. He specifically raised concerns, supported by the Legislative Analyst, that the proposed augmentations in an increasing number of K-12 Section 28.0 Letters including the four listed below, do not meet all the requirements of Section 28.0; i.e. that the proposed funds are (1). "unanticipated," (2) are available only for a specified purpose, and (3). need to be expended in 2001-02. Senator Peace, therefore, requested that the DOF defer approving the proposals until both the appropriate Assembly and Senate Budget Subcommittees consider the proposals during a scheduled hearing and report their recommendations to the Joint Legislative Budget Committee.

The issue facing the Subcommittee is whether or not the proposals as dated and outlined below, should be approved under Section 28.0 of the 2001-02 Budget Act or whether they should be addressed as part of the 2002-03 budget deliberations.

1. February 13, 2002. Alternative Assessment. This letter proposes an augmentation of \$1.2 million (federal funds) for the CDE to (1) develop an alternative assessment for special education pupils unable to take the state's standardized tests (even with special accommodations). (2) further develop an alternative accountability model for alternative schools and (3) ensure that students affected by either the alternative assessment or alternative model are also taken into account in the state's overall school accountability system.

2. February 15, 2002. Evaluation of High Risk First Time Offenders Program. This letter proposes \$650,000 from carry-over federal funds (Improving America's Schools Act) for CDE to evaluate the High Risk First-Time Offenders program. These federal carryover funds will replace \$650,000 in General fund originally budgeted for this evaluation but deleted as part of CDE's compliance with an Executive Order which imposed a statewide reduction of at least \$150.0 million in 2001-02 General Fund operating expenses and equipment expenditures.

3. March 5, 2002. High School Reform Grant Program. This letter proposes to increase CDE's federal fund expenditure authority by \$998,000 for a new, one-time High School Reform Grant Program. The United States Department of Education awarded California \$998,000 for high school reform through the High School Reform Grant competition. The CDE has 36 months to expend the award funds intended to help low performing high schools improve student achievement, attendance, and graduation rates. The annual state match, however, increases each year by 10 percent beginning with 30 percent the first year. To minimize the state match requirements CDE proposes allocating the full amount in the first year; providing matching funds from existing Specialized Secondary Programs (SSP) funds.

Subcommittee #1 Action:

V. Consent Calendar

Staff recommends that the following Items be approved as budgeted. No issues have been raised with regard to any of these Items:

1. 6110-001-0119 Support, Administrative Services to local education agencies (LEAs), payable from 1998 State School Facilities Fund, \$1,920,000.
2. 6110-001-0178 Support, School Bus Driver Instructor Training Program, payable from the Driver Training Penalty Assessment Fund, \$1,068,000.
3. 6110-001-0231 Support, Health and Physical Education—Drug-Free Schools, payable from the Health Education Account, Cigarette and Tobacco Products Surtax Fund, \$952,000.
4. 6110-001-0687 Support, Donated Food Distribution, payable from the Donated Food Revolving Fund, \$5,019,000.
5. 6110-001-0975 Library and Learning Resources, \$15,000.
6. 6110-003-0001 Standardized Account Code Structure, \$983,000.
7. 6110-101-0231 Health and Physical Education—Drug Free Schools, for COEs \$3,800,000.
8. 6110-101-0814 Local Assistance from State Lottery Education Fund, \$812,694,000.
9. 6110-102-0231 Health and Physical Ed.—Drug Free Schools, local assistance, \$23,244,000.
10. 6110-103-0001 Apprentices Programs, \$15,852,000.
11. 6110-105-0001 Regional Occupational Centers and Programs (ROCPs). \$375,679,000
12. 6110-106-0001 West Contra Costa Facilities Payment, \$800,000.
13. 6110-108-0001 Tenth Grade Counseling, \$11,460,000.
14. 6110-110-0001 Student Friendly Services, \$500,000.
15. 6110-117-0001 California Association of Student Councils, \$562,000.
16. 6110-119-0001 Educational Services for Foster Youth, \$8,739,000.
17. 6110-122-0001 Specialized Secondary Programs, \$5,128,000.
18. 6110-124-0001 Gifted and Talented Pupil Program, (GATE), \$56,452,000.
19. 6110-131-0001 American Indian Early Childhood Education Program, \$550,000.
20. 6110-139-0001 School Apportionments, Pupil Residency Verification, \$162,000.
21. 6110-151-0001 American Indian Education Centers, \$3,772,000.
22. 6110-152-0001 American Indian Education Centers, (Non-Proposition 98), \$376,000.
23. 6110-158-0001 Adults in Correctional Facilities, \$19,067,000.
24. 6110-163-0001 Early Intervention for School Success, \$2,166,000
25. 6110-177-0001 Local Arts Education Partnership Program, \$6,000,000.
26. 6110-181-0140 Environmental Education, \$800,000
27. 6110-188-0001 School Apportionments, Deferred Maintenance, \$205,360,000
28. 6110-208-0001 Center for Civic Education, \$250,000.
29. 6110-209-0001 Teacher Dismissal Apportionments, \$40,000
30. 6110-224-0001 Year Round School Grant Program, \$84,022,000.
31. 6110-242-0001 California Association of Student Councils, \$33,000.

Subcommittee #1 Action:

SUBCOMMITTEE NO. 1

EDUCATION
Jack O'Connell, Chair
John Vasconcellos
Bob Margett

Wednesday April 10, 2002
1:30 p.m. — Room 2040

I. Commission on Teacher Credentialing – Item 6350

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Fee Waiver for Credential Applicants Page 3
Section 28.00 Request Page 3

II. Teacher Professional Development:

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Reductions/Augmentations to Professional Development Programs Page 6
Math and Reading Professional Development Page 6
UC Professional Development Institutes Page 6
Advanced Placement Challenge Grant Program Page 7
Secondary Schools Reading Program Page 7

III. Consolidation/Block Grant of Professional Development Programs.....Page 7

IV. Update: Federal Funds (Teacher Preparation and Professional Development).....Page 8

V. Consent.....Page 10

6360 – California Commission on Teacher Credentialing

The Commission on Teacher Credentialing is responsible for developing standards and procedures for the preparation and licensing of public school teachers and administrators, issuing and revoking credentials, evaluating and approving programs of teacher training institutions, developing and administering competency exams, establishing policy leadership in the field of teacher preparation and administering Alternative Teacher Certification Programs.

Summary of General Fund Expenditures				
(dollars in thousands)	2001-02	2002-03	\$ Change	% Change
<i>State Operations</i>				
Teacher Credential Fee Buyout	1,650	1,575	-75	-5%
Teacher Credentialing Service Improvement Project	1,200	0	-1,200	-100
Governor's Teaching Fellowships	79	66	-13	-16
Paraprofessional Training Program	60	51	-9	-15
Adjustments	<u>-25</u>	<u>0</u>	<u>25</u>	<u>-100</u>
<i>Subtotals</i>	<i>2,964</i>	<i>1,692</i>	<i>-1,272</i>	<i>-43%</i>
<i>Local Assistance</i>				
Internship Teaching Program	31,800	25,600	-6,200	-19
Pre-Internship Teaching Program	11,800	11,800	0	0
Paraprofessional Training Program	11,478	7,478	-4,000	-35
CA Mathematics Initiative	1,613	1,013	-600	-37
Teacher Mis-Assignment Monitoring	<u>350</u>	<u>350</u>	<u>0</u>	<u>0</u>
<i>Subtotals</i>	<i>57,041</i>	<i>46,241</i>	<i>-10,800</i>	<i>-19%</i>
Total	\$60,005	\$47,933	-12,072	-20%

1. **BUDGET REDUCTIONS (ACTION ITEM).** The Governor's Budget proposes to reduce the amount of funding available for several alternative credentialing programs administered by the Commission on Teacher Credentialing. Specifically, the Governor reduces funding for the Internship and Pre-Internship Programs – which allows participants to receive on-site training as part of their credential curriculum (Internship Program) and provide subject matter preparation as well as basic training for uncredentialed teachers who have not demonstrated subject matter competency (Pre-Internship Program). Further, the Governor proposes to reduce the amount of funding available for the Paraprofessional Teacher Training Program which supports paraprofessionals seeking both a baccalaureate degree and a teaching credential.

The Legislative Analyst recommends that the programs outlined above essentially be Approved as Budgeted and then rolled into a formula-driven teacher professional development block grant (to be discussed below). The Commission on Teacher Credentialing notes that with the reductions, it anticipates still being able to accommodate Intern, Pre-Intern and Paraprofessional Program participants in Budget Year (2002-03); however, participation in

the program would need to be reduced in 2003-04 if the reductions continue into the following fiscal year. Staff recommends that CTC's local assistance budget items be Approved as Budgeted.

ACTION:

2. **DELETION OF FEE WAIVER FOR FIRST-TIME CREDENTIAL APPLICANTS (ACTION ITEM).** The Governor's budget includes \$1.6 million for a teacher credential fee buyout program. This program waives the \$55 application fee for first-time applicants for the multiple subject, single subject, special education, and specialist credential by providing General Fund support to the CTC in lieu of the revenue provided by the fee.

According to the LAO, there does not appear to be evidence suggesting that the \$55 application fee prevents individuals from becoming teachers. Further, the LAO notes that there is also no evidence that waiving the fee helps attract better qualified teachers. As such, the LAO recommends that the fee waiver program for first-time credential applicants be eliminated, resulting in a \$1.6 million savings of General Fund (non Prop-98). Staff recommends that this issue/reduction be placed on the "checklist" and that all other CTC budget items be Approved as Budgeted.

ACTION:

3. **SECTION 28.00 REQUEST (ACTION ITEM).** The committee is in receipt of a Section 28.00 request from the Department of Finance and the Commission on Teacher Credentialing which seeks a \$2,691,000 increase in expenditure authority for item 6360-001-0890 of the Budget Act of 2001, due to the receipt of unanticipated Title II Teacher Quality and Enhancement monies. According to the CTC, funds will be used to contract for the development of a Teaching Performance Assessment, to contract for assistance in developing methodologies to help teacher preparation programs to incorporate new pedagogical and academic requirements, to fund planning grants for teacher preparation programs that agree to pilot the early implementation of the new credentialing standards, and for research into the effectiveness of the new credentialing standards.

This request was initially denied by the Joint Legislative Budget Committee primarily due to the concerns raised by the LAO. The LAO questioned whether the federal funds are indeed "unanticipated" as required by Section 28.00 since \$2.5 million is attributable to prior-year carryover and whether CTC really has a need to expend the funds in the current year. Staff recommends that the Section 28.00 request be approved.

ACTION:

II. Teacher Professional Development Programs: Proposed Reductions & Augmentations

Summary of Proposed Reductions to Professional Development Programs			Dollars in Millions		
(dollars in thousands)	Budget/Fund	Description	Budget Act 2001-02	Revised 2001-02	Proposed 2002-03
• Peer Assistance and Review (PAR)	Prop 98/ CDE	Provides mentoring services to veteran teachers to help them improve performance. Funds allocated by CDE; program at local district determined by collective bargaining.	134.2	84.2	86.9
• CA Professional Development Institutes (PDIs) – Stipends	Prop 98/ CDE	Provides stipends for teachers participating in the UC Professional Development Institutes, which were established to provide specific subject-matter training to both beginning and veteran teachers in various subject areas and grade levels.	54.0	48.0	48.0
• CA PDI's – UC Support	General Fund/ UC	Funding is for the UC to operate the seven statutorily-established Professional Development Institutes. Institutes provide a minimum of 120 hours	56.9	50.9	50.9
• Beginning Teacher Support and Assessment (BTSA)	Prop 98/ CDE	Grants awarded to LEA's to provide individualized support and assessment of teaching practices for beginning teachers	104.6	84.6	88.3
• National Board for Professional Teaching Standards Certification Incentive Program	Prop 98/ CDE	CDE provides a one-time award of \$10,000 to National Board Certified teachers. In 2000-01, awards increased to \$20,000 for teachers who commit to teach in a low-performing school.	15.0	10.0	10.0
• High School Coaching Education and Training Program	Prop. 98/ CDE	Provides grants to high schools to offset the costs of providing education and training to athletic coaches.	1.0	0.0	0.0

• California Subject Matter Projects	General Fund/ UC	Discipline-specific training for teams of teachers. Training usually lasts about three weeks.	35.1	35.1	30.8
• Education Technology Professional Development Program	General Fund/ CSU	Provides professional development on how to integrate technology effectively into the classroom.	12.5	12.5	6.0
• School Personnel Staff Development Plans	Prop 98/ CDE	Funding provided for planning and implementing school professional development plans.	17.3	17.3	0.0
• Regional Professional Development Consortia	Prop. 98/ CDE	Grants provided to COEs to support coordination and direct services related to the implementation of high quality professional development programs by resource agencies and consortia.	4.3	4.3	0.0
• Demonstration Programs in Intensive Instruction	Prop. 98/ CDE	Grant program which was developed in 1969, to help struggling middle school students, and sunset in 1995. 126 middle schools currently receive grants to develop model programs in language arts, math, history/social science and science in grades 6-8.	6.1	6.1	0.0
• Math and Reading Professional Development	Prop. 98/ CDE	An incentive program to encourage districts to provide teachers and aides with standards-based professional development in math and reading. Funded in 2002-03 using a combination of one-time P-98 Reversion Account monies(\$87.1 million) and Prop. 98 (\$22.9 million).	80.0	31.7	110.0
Total					

1. **REDUCTION/AUGMENTATIONS OF PROFESSIONAL DEVELOPMENT PROGRAMS (ACTION ITEM).** On an individual program-by-program basis, the LAO does not raise any issues with the reductions or augmentations proposed within the array of professional development programs. Further, the Governor's Budget proposes to retain a Control Section 12.60 which allows funds to be transferred between a variety of professional development programs (including BTSA, National Board Certification, Instructional Time and Staff Development and PAR) in order to accommodate the ever-changing numbers of participants. Staff recommends that these programs (as illustrated in the chart on the pages 4-5 of this agenda) be Approved as Budgeted (please note UC Professional Development Institute and Math and Reading Professional Development items below).

ACTION:

2. **MATH AND READING PROFESSIONAL DEVELOPMENT PROGRAM (ACTION ITEM).** The Governor's Budget proposes a total funding level of \$110 million in 2002-03 for the Math and Reading Professional Development program (MRPDP), a new program established last year by Assembly Bill 466 (Chapter 737, Statutes of 2001). The purpose of the program is to train every teacher and instructional aide in California, over several years, in the new state reading and mathematics standards. While the program initially envisioned training all teachers within a three-year period, that time frame has since been revised to span a five-year horizon. Specifically, the program provides school districts with \$2,500 per teacher and \$1,000 per instructional aide trained through the program. The program also provides districts with a supplemental "bonus" of \$500 per teacher for those teachers that have attended or plan to attend a UC Professional Development Institute (PDI). The intent of this "bonus" is to ensure that teachers who attended a PDI in a prior year receive training related to the new instructional materials, which may not have been adopted when the initial PDI training occurred.

In the current year, the Legislature reduced the amount of funding available for the MRPDP through Senate Bill 3X 1 (Peace) to reflect the delayed implementation of the program. As a result of the reductions, no funds are being used in the current year to directly train teachers. Of the amount appropriated for the program all \$31.7 million is currently being used to either provide a \$500 per teacher bonus to those districts where teachers have already attended (or plan to attend) a UC Professional Development Institute (\$21.7 million) or to reimburse school districts (at a cost of \$2,500 per teacher) for costs they already incurred to send teachers to PDI training in 2000-01 (\$10 million).

In the budget year, the DOF estimates that approximately 32,100 teachers and 7,100 instructional aides will be trained through the MRPDP program (at a cost of \$87.4 million). It is anticipated that approximately \$1 million will be used to provide \$500 bonuses to teachers that attended a PDI in the current year (2001-02) and \$21.7 million will be used to provide districts with \$500 bonuses for the approximately 43,000 teachers expected to attend a PDI in 2002-03. Staff recommends that funding for this program be placed on the "checklist" pending the May Revision.

ACTION:

3. **MOVEMENT/CONSOLIDATION/REDUCTION OF UC PROFESSIONAL DEVELOPMENT INSTITUTES AND SUBJECT MATTER PROJECTS INTO PROPOSITION 98 (ACTION ITEM).** As part of its consolidation and block grant proposal (to be discussed below), the LAO recommends moving funding for the Professional Development Institutes and the Subject Matter Projects from the UC into the proposed block grant. While the decision to include these programs in the proposed block grant will be dealt with in the legislative process, staff notes that the committee may wish to consider (1) reducing funding and/or (2) shifting funding for these

two programs from UC to CDE, pending the May Revision, in order to save General Fund non-Proposition 98 funds. Under this scenario, a minimal amount of base funding (exact amount to be determined) would need to be retained by the UC in order to preserve the infrastructure and base staff support for these programs. Staff recommends that, independent of any pending legislation, this option be placed on the “checklist” for further consideration, pending the May Revision.

ACTION:

4. **REDUCE FUNDING FOR ADVANCED PLACEMENT CHALLENGE GRANT PROGRAM (ACTION ITEM).** The Advanced Placement Challenge Grant Program provides nonrenewable four-year grants to high schools, with first priority for funding given to schools that offer three or fewer Advanced Placement (AP) courses. CDE states that a majority of the funding is used for staff development, such as sending teachers to College Board AP workshops, UC workshops, or other summer AP training institutes. According to the LAO, the program is already serving almost all of the schools it is designed to serve. Specifically, 56 high schools offered fewer than three rigorous courses in 2000-01; of these schools, 48 already receive AP Challenge Grant Funding and the remainder are very small schools for whom offering additional courses would be difficult. The Governor’s proposed budget appropriates \$16.5 million for the program, which according to the LAO is approximately \$8.3 million more than necessary to fund the third-year commitment to the program.

The LAO recommends that funding for this program be reduced by \$8.3 million and that the funds redirected to its newly proposed competitively-based teacher block grant program. Staff recommends that Item 6110-193-0001 (5) be reduced by \$8.3 million, resulting in a Proposition 98 savings of that amount.

ACTION:

5. **ELIMINATE FUNDING FOR THE SUPPORT FOR SECONDARY SCHOOLS READING PROGRAM (ACTION ITEM).** The Support for Secondary Schools Reading Program (SSSR) distributes grants on a competitive basis to county offices of education or consortia of county offices, to provide professional development opportunities to secondary school teachers who instruct students who are reading below grade level.

The LAO notes that the state already has three other professional development programs that address high school reading. Specifically, the new Math and Reading Professional Development Program provides standards-based professional development for every English and social science public high school teacher in the state over the next four years. In addition, the state supports the High School English Language Institutes and the English Language Learner Institutes, as well as the UC-administered Reading and Literature Project (through the California Subject Matter Projects). Further, the LAO notes that this program was never established in California statute because it was originally a federal program funded with federal dollars.

The LAO recommends eliminating funding for this program and capturing \$8.0 million in Proposition 98 savings; staff notes that the program could be reinstated at CDE’s discretion using federal reading-related dollars, if desired.

ACTION:

III. Consolidation/Block Grant of Teacher Professional Development Programs

1. **CREATION OF NEW FORMULA-BASED AND COMPETITIVELY-BASED TEACHER SUPPORT AND DEVELOPMENT BLOCK GRANTS (INFORMATIONAL ITEM).** The Legislative Analyst identifies a myriad of problems inherent in the current array of teacher preparation, induction and professional development programs. Specifically, the LAO sites the (1) sheer number of programs; (2) duplicative nature of the programs; (3) administrative hurdles faced by districts in accessing the programs; (4) administration and tracking of programs at the state level; and (5) lack of coordination with federal funds available for similar purposes. In order to remedy these problems and provide districts with flexibility, the LAO proposes to consolidate 18 of the existing teacher preparation, induction and professional development programs and create a new formula-based “block grant” which would be allocated by CDE on a per-teacher basis (LAO will present a handout, during the committee hearing detailing the proposal). The funding rate per teacher would vary based on the teachers’ level of preparation and experience. Further, the LAO proposes to consolidate an additional six programs into a \$20 million competitively-based block grant program to be distributed by CDE.

Staff notes that two pieces of legislation which relate to the development of a professional development block grant, Assembly Bill 2120 (Simitian) and Assembly Bill 2433 (Steinberg), are currently under consideration in the Assembly. While the content of these bills is still being determined, it is important to note that the nature and configuration of a “block grant” could vary, pursuant to legislation, and could take a variety of forms.

Staff recommends that: (1) the development of a block grant, (2) designation of which programs are to be included and (3) the specifics regarding how a block grant would be structured, administered and allocated be addressed within the legislative process.

IV. Federal Funds

UPDATE ON FEDERAL FUNDING RELATED TO TEACHER PREPARATION AND PROFESSIONAL DEVELOPMENT (INFORMATIONAL ITEM). Congress recently approved the *No Child Left Behind Act*, which reauthorizes the federal Elementary and Secondary Education Act (ESEA), the longstanding federal law that assists schools serving poor children. The ESEA reauthorization contains a number of major policy changes and increased accountability, as well as increases in the level of funding for California.

Budgetary changes related to the ESEA reauthorization have *not* been included in the Governor’s January budget proposal due to the timing of the federal budget. The Department of Finance expects to present an expenditure plan as part of its May Revision process. Note: *The full federal ESEA reauthorization will be discussed more fully at this sub committee hearing next week (April 17, 2002).*

Specifically related to the areas of teacher professional development, Title II of the ESEA consolidates two existing professional development programs – the Class Size Reduction Program and the Eisenhower Professional Development State Grants – into a single new program known as *State Grants for Improving Teacher Quality*. The net change in funding is expected to increase by approximately \$105 million (46%) as illustrated in the table below. In addition, California is expected to receive an increase of approximately \$30 million to encourage the use of education technology in instruction.

Federal Title II Professional Development Programs (dollars in millions)	2001	2002	\$ Change	% Change
Class Size Reduction	\$174.7	0	\$-174.7	-100%
Eisenhower Professional Development State Grants	53.7	0	-53.7	-100%
State Grants for Improving Teacher Quality	0	333.5	333.5	100%
Education Technology State Grants	55.9	85.5	29.6	53%
Totals	284.3	419	134.7	47.4

In addition to the appropriation changes, the federal reauthorization contains a number of new requirements, including the following:

- ◆ **Highly-qualified teachers in four years.** The new law requires that all teachers in California (not just those at schools receiving Title I funds) be "highly qualified" by December 31, 2005, in order for California to receive Title I funds. "Highly Qualified" is not defined by the federal law and it will be the responsibility of individual states to determine how it is defined. In addition, all Title I teachers hired on or after July 1, 2002 must be "highly qualified". (Charter schools are exempt from this requirement.) The law requires states to establish annual measurable objectives to achieve this goal by the deadline. Districts receiving funding under the new State Grants for Improving Teacher Quality must meet these annual objectives, or face state intervention.
- ◆ **Qualified paraprofessionals in four years.** All Title I paraprofessionals hired after the beginning of this calendar year must have either completed two years of higher education study, or have an associates degree, or have completed a formal assessment. Within four years, all existing Title I paraprofessionals will have to have completed one of the above requirements. These requirements apply to all paraprofessionals, except for translators and those hired for parental involvement purposes.
- ◆ **Professional development.** School districts receiving Title I funds must spend at least 5 percent of their Title I Part A grant to help teachers become credentialed. This is a new requirement, and will provide approximately \$69 million in new funds to districts for this purpose, presumably to help the state meet the requirement to have all teachers be credentialed in four years.
- ◆ **Professional development for K-3 reading.** The federal law creates a new Title I program called the Student Reading Skills Improvement Grants, to support success in reading in grades K-3. Total funding for this program is \$133 million, and the law allows states to use up to 13 percent (\$17.3 million) of this for state-directed professional development related to the program.

V. Consent

Staff recommends that the following items be Approved as Budgeted. No issues have been raised with regard to any of these items:

- 1) 6110-134-0001 Local Assistance, Department of Education (Proposition 98), Program 10 – Instruction,
for allocation to local education agencies 118,650,000

Funds available for teacher recruitment and retention block grant program (Teaching As a Priority – TAP)

- 2) 6110-485 Reappropriation (Proposition 98) Department of Education. Reappropriated from the Proposition 98 Reversion Account.

(6) 7,500,000 to the State Department of Education for the Principal Training Program.

Staff recommends that the following items be approved. No issues have been raised with regard to any of these items:

3) **Section 28.00 Letters**

March 26, 2002 Augment Item 6360-101-0890 by \$229,000 for the implementation of the Transition to Teaching Program over a three-year period. Pilot program will allow 400 existing emergency-permit teachers to participate in either the Alternative Certification Program or the California Pre-intern program, in the current year. This appropriation constitutes the first year of the three-year period.

4) **April Finance Letters**

Addition of Item 6360-101-0890 – Local Assistance, Commission on Teacher Credentialing, Payable from the Federal Trust Fund \$386,000

1. The funds appropriated in this Item shall be for the Transition to Teaching Program, for emergency-permit teachers to transition into either the Alternative Certification Program or the California Pre-Internship Teacher Program, depending on their level of preparation.

This appropriation constitutes the second year of the three-year Transition to Teaching Program

Jack O’Connell, Chair
John Vasconcellos
Bob Margett

K-12 EDUCATION AGENDA

April 17, 2002

1:30 p.m. — Room 2040

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I. Item 6120 – California State Library

The California State Library provides library and information services to the legislative and executive branches of state government, members of the public and California Public Libraries. In addition, the State Library administers and promotes literacy outreach programs such as the California Literacy Campaign, develops technological systems to improve resource sharing and enhance access to information, and administers the Public Library Foundation which, based on a funding formula, provides state funding for basic local library services.

The Governor's proposed budget includes a total of \$105.7 million for the California State Library, a reduction of about \$22.1 million or 17.3% from the revised current-year budget. Of these funds, the Governor's budget proposes \$84.8 million in General Fund support, which represents a \$24 million or 22 percent reduction from the revised current year. Following are the major components of the California State Library Budget:

- **State Operations.** The Governor proposes a reduction of \$3.2 million in the California State Library State Operations budget, which includes the elimination of 18.2 personnel years. These reductions will affect the California Research Bureau, library acquisitions, outreach and technical assistance to local libraries, and regional resource sharing.
- **Library Maintenance and Repairs.** The Governor Proposes a \$76,000 augmentation for maintenance and repairs for the Library and Courts buildings.
- **Public Library Foundation.** As initially introduced, the Governor proposed a current-year reduction of \$7.9 million for this program; however, the Legislature through SB 3X 1 retained funding for the program at the originally-budgeted level. For 2002-03, the Governor proposes to reduce funding for the library foundation by \$11.2 million, leaving a budget of \$41.7 million for the program. This reduction will reduce the amount of funding available to local libraries for acquiring library materials, staff support, and operating expenses and equipment.

Public Library Foundation (Action Item). As part of the November revision to the 2001-02 (current-year) budget, the Governor proposed reducing funding for the Public Library Foundation by \$7.9 million. The Legislature, through Senate Bill 3X 1 rejected this proposal and retained the current year funding level for the program (\$53 million). As an additional note, the 2001-02 budget, as sent to the Governor by the Legislature, contained an additional \$4.1 million for the Public Library Foundation which was subsequently vetoed by the Governor.

For the budget year, the Governor's proposal assumes the continuation of the \$7.9 million cut and further reduces the program by \$3.3 million, for a 2002-03 reduction of \$11.2 million.

The Legislative Analyst offers no recommendations on this program; however staff recommends that funding for the Public Library Foundation be placed on the "checklist" pending the May Revision.

II. No Child Left Behind Act 2001 (Federal Funds)

The federal reauthorization of the Elementary and Secondary Education Act of 1965 was signed into law (P.L. 107-110) on January 8, 2002. The "No Child Left Behind Act of 2001," authorizes approximately \$26.3 billion in federal FY 2002 for federal elementary and secondary education programs targeted to economically disadvantaged students. This is an \$8.5 billion increase from federal FY 2001. California

is slated to receive an additional \$800 million in federal NCLB Act funds, the receipt of which is contingent upon the submittal of a State Implementation Plan that outlines how the state plans to comply with the various new requirements and related state responsibilities imposed by the Act. Because the Governor's budget was crafted prior to the final approval of the federal budget for FY 2002, only \$100 million of these new funds are included in the Governor's proposed budget.

The NCLB Act of 2001 builds upon the accountability and assessment requirements of the ESEA of 1994—for which California recently received a federal waiver until November, 2003 to complete its final Title I assessment system—but is more specific and imposes consequences for non-compliance.

Assessments: Sets deadlines for the development of annual assessments aligned to state standards and the use of achievement on these tests as the primary measure of district and school accountability. The Act requires assessments to include the participation of all students including two additional subgroups: students with disabilities and students with limited English proficiency. Test results must include the individual student scores and be reported by race, income and other categories to measure the progress of various subgroups as well as overall trends. Specifically, states must administer annual reading/language arts and math assessments in grades 3-8 and once in grades 10-12 by 2005-06. Science assessment is required for grades 3-5, 6-9 and 10-12 by 2007-2008. Annual assessment of English proficiency for English learners is required by 2002-03.

Accountability/Adequate Yearly Progress (AYP): Student achievement must be comparable from year to year and all students (not just those in Title I) must make "adequate yearly progress" (AYP) in equal yearly increments toward a "proficient" level of achievement within 12 years. Both "adequate yearly progress" and "proficient" are to be defined by the state. For the last three years, the CDE has defined AYP as achieving the Academic Performance Index (API) annual growth target, which, according to the LAO, may mean redefining how the API is calculated. Relative to proficiency, the State Board of Education (SBE) recently established achievement (proficiency) levels on the language arts assessment but is still developing achievement levels for the mathematics assessment. Based on the state's current proficiency benchmark for language arts—which may not coincide with its definition of proficiency for purposes of Title I—approximately one third of all students taking the California standards test for language arts in grades 4 and 8 currently perform "below basic" or "far below basic." Approximately one half of economically disadvantaged students in those grades tested below basic or far below basic.

Interventions/Sanctions: Title I schools that do not achieve adequate yearly progress (AYP) goals for two consecutive years are identified as a "School Improvement" schools and **must** participate in an intervention / sanction process that becomes more severe for each year a school does not achieve its AYP. According to the LAO, currently 1,281 California schools are at some stage in the School Improvement sanctions process. CDE has identified approximately 18 California schools that could face Title I sanctions in fall 2002. The federal accountability program differs from current California's Public School Accountability Act (PSAA), specifically the II/USP program, in that the state program is voluntary and provides supplemental funding. Among the cumulative federally imposed interventions/sanctions for schools not achieving AYP in consecutive years are:

After 2 years	After 3 years	After 4 Years	After 5 years
Develop two-year improvement plan	Provide supplemental tutoring /after school services from a CDE-approved public or private vendor	Corrective Action: School district must do one of the following:	Sanctions: <ul style="list-style-type: none"> • Prepare plan • Do one of the following within 1 year:
Use 10 % of Title I funds for professional development focused on school improvement Provide student options to transfer to another district school and pay transportation costs		<ul style="list-style-type: none"> • Replace staff • Implement new curriculum, • Significantly decrease management authority at school level • Appoint external expert to advise school • Extend school day or school year • Restructure the internal organizational structure of the school 	<ul style="list-style-type: none"> • Reopen school as a charter school • Replace most of the school staff • Hire private management company to operate school • Turn operation of school over to CDE

Data Collection: The NCLB Act, Title I accountability system requirements include student assessment data and high school graduation rates. According to the CDE, the seventeen ESEA performance indicators the state is mandated to adopt will require a wide range of data to be collected at the student school and state levels. While some of this data is currently available, the CDE states that new systems will have to be developed and existing systems modified to capture all the data and meet the new reporting requirements. California does not currently collect student-level data, however, the Legislature is currently awaiting the imminent completion of two Budget Act studies to assess how the state collects or should collect student data. The DOF contracted study required an independent contractor to report on potential efficiencies and improvements in the CDE data collection and management. The OSE contracted study is to determine how the state should collect data on graduation rates, student and teacher attendance rates and other potential API academic indicators. Meanwhile, the CDE has submitted a proposal to the DOF to develop a state-wide longitudinal data base that will contain student-level STAR, High School Exit Exam, and English Language Development Test data. Specifically, the CDE proposes the establishment of a data management office to implement standards policies and procedures and to coordinate these activities as a key component of the longitudinal student data base system. Finally the CDE proposal requests information technology technical support for project management and oversight, Internet /Web development and applications development and maintenance to bring about the necessary technology changes needed to meet the NCLB requirements. Senator Dede Alpert has introduced SB 1453, to require the CDE to contract with an entity to develop, host and maintain a longitudinal pupil achievement data system for the STAR, California English Language Development Test (CELDT), and the High School Exit Examination (HSEE). Discussion on whether, or how, any longitudinal data system will be linked with the current California Student Information Services (CSIS) system will be further addressed in the context of the Subcommittee's April 24th hearing.

A. State Implementation Plan. Prior to receiving NCLB Act funds the law requires states to develop and submit a plan for implementing the new requirements of the Act. The plan is due to the U.S Department of Education by May 28, 2002. This initial plan, to be refined through a subsequent plan

supplement due in May, 2003, is to outline how the state intends to achieve the 6 mandated “ESEA Performance Goals:”

1. By 2013-2014, all students will reach high standards, at a minimum attaining proficiency or better in reading and mathematics.
2. By 2013-14 all students will be proficient in reading by the end of the third grade
3. All limited English proficient students will become proficient in English.
4. By 2005-06, all students will be taught by highly qualified teachers.
5. All students will be educated in learning environments that are safe, drug-free and conducive to learning.
6. All students will graduate from high school.

The CDE will submit its state plan to the State Board of Education (SBE) for approval at the Board’s April 24-25 meeting. The Legislature will appropriate the new NCLB funds through the 2002-03 budget process.

B. Title I. The federal government provides the state with \$1.78 billion of Title I funds the purpose of which is to focus on improving the quality of education for socio-economically disadvantaged children. While the Governor’s Budget assumes a \$60.0 million increase in Title I program federal funds, the state has since received additional funds and the total increase over 2001-02 is \$411 million, or 30 percent.

1. **Title I Part A. Disadvantaged Children Meet High Academic Standards.** This comprises the largest ESEA program and makes up the bulk of the new federal funds (\$268 million) which are distributed to local education agencies on a targeted grant formula (v. competitive) basis. However, the new accountability provisions of Title I Part A require that states reserve a minimum of 2 percent (increases to 4 percent in 2003-04) of these allocations for “School Improvement” purposes (including interventions and sanctions) in 2002-03. For California, this means \$29.1 million of its \$411 million increase must be used for School Improvement to meet this requirement in the budget year. **Proposals for use of these funds will be discussed in section “IV. Accountability,”** below. It is unclear whether the 2 percent constitutes a “maximum” as well or whether the CDE can or will seek a waiver for the authority to use more of these funds for school improvement in 2002-03. In addition, the NCLB allows a state set aside of up to 1 percent of their total basic grant for related state operations activities. For California, 1 percent of the increased funding for Title I Part A translates into \$7.32 million in additional federal funds (\$14.5 million total) for state operations to implement this program.
2. **Title I Part B. Student Reading Skills Improvement Grants: “Reading First.”** This is a new program to assist states and local education agencies in establishing scientific research-based reading programs for all children in Kindergarten through grade three. It replaces the Reading Excellence Program, a competitive grant program to states. **California is slated to receive \$133.0 million for this program.** Funds for this new program are to go to states under a poverty-based formula. Beginning in 2004, up to 10 percent of new funds would be available as incentive grants to states that successfully increase the number of students reading at a proficient level. States may use 20 percent of the funds to a) develop and implement a program of professional development for teachers of grades K-3 (\$17.3 million—13%); b) provide technical to help local school district in implementing Reading First and Early Reading First and to identify and fund eligible alternative providers of reading instruction selected by the student’s parents (\$6.7 million—5%); and c) provide state support for planning administration and reporting (\$2.66 million—2%). States must distribute at least 80 percent of their funds to LEAs through a competitive process. In doing so states must give priority to high poverty areas in which there are a high percentage of students in grades K-3 reading below grade level. In addition, LEAs are required to target funds within the district to schools with high percentages of students below the

poverty line, or that have a high percentage of K-3 students reading below grade level, and are also identified for school improvement under Title I.

Subcommittee #1 Action:

- C. Title II. Part D—Enhancing Education Through Technology.** New funding for states under the existing Educational Technology Grants results from the elimination of five other federal educational technology programs (LEA competitive grants) that were not reauthorized under the new NCLB Act. Among the major programs eliminated were the: Technology Literacy Challenge Fund, Technology Innovation Challenge grants and Preparing Tomorrow’s Teachers to Use Technology program. **California will receive an additional \$30 million** under the newly authorized Education State Grants program that can be used for: promoting innovative state and local initiatives using technology to increase academic achievement; increasing access to technology, especially for high-need schools; and improving and expanding teacher professional development in technology. Of the local assistance funds, 50 percent of the \$85.5 million in total funds provided in 2002 is to be distributed through a state formula based 100 percent on what the state received under Title I Part A, while the other 50 percent is to be distributed on a competitive basis. Five percent of the total funds (\$4.3 million) can be used to provide technical assistance and to conduct a longitudinal study of the effectiveness of using educational technology to increase student academic achievement.

Subcommittee #1 Action:

- D. Title III. English Language Acquisition, Language Enhancement and Academic Achievement Act.** The NCLB Act consolidates the Bilingual Education Act (a federal competitive grant to LEAs) with the Emergency Immigrant Education program; a total of 13 bilingual and immigrant education programs. Under the new consolidated program, **California is to receive \$115 million**, or \$83.3 million more than it received in 2001 under the former Immigrant Education program. Funds are provided to states on a formula that is based 80 percent on the number of limited English proficient (LEP) children in the state and 20 percent on the number of immigrant children and youth in the state. Ninety five percent of the funds must be used for grants to eligible LEAs to teach limited English proficient (LEP) children. Three percent of the funds (\$3.5 million) are available for state operations purposes and 2 percent (\$2.3 million) for “other state level activities.” \

Eligible entities are able to choose the method of instruction they would use to teach limited English proficient children. (NCLB eliminated the requirement that 75 percent of funding be used to support programs using a child’s native language for instruction). LEAs are required to provide informed parental notification as to why their child is in need of placement in a specialized language instruction program. Parents have the right to choose among instruction programs if more than one type of program is offered and have the right to immediately remove their child from a program for LEP children. NCLB also requires LEAs to implement effective means of parental outreach to encourage parents to become informed and active participants in their child’s participation on a language instruction educational program

The LAO recommends that \$2.1 million of these federal local assistance funds be used to offset the Governor’s proposed General Fund increase of \$2.1 million to cover the additional costs of district

apportionments for administering the California English Language Development Test (CELDT). According to the LAO this would free up \$2.1 million in General Funds for other educational priorities. This use of federal funds seems to meet the federal anti supplanting restrictions on this funding.

Subcommittee #1 Action:

E. Title VI. State Assessment. The NCLB Act provides California with \$28.9 million to offset state costs associated with the new ESEA assessment requirements; specifically, the development and administration of state standards-aligned assessments in language arts and mathematics in grades 3-8.

1. LAO General Fund Offset Proposal. Since California is one of nine states whose current assessment system essentially meets the new federal testing requirement, the LAO is proposing that \$2.1 million of these federal funds be used to offset a corresponding General Fund increase proposed in the Governor's budget, for the state Standardized Testing and Reporting (STAR) program. The LAO reiterates its position regarding federal anti supplanting restrictions on these funds similar to that for federal English Language Acquisition funds, opining that the \$2.1 million in federal funds may be used for cover proposed STAR growth and COLA costs. This would therefore, free up \$2.1 million in General Funds.

Subcommittee #1 Action:

2. LAO Federal Waiver Proposal: Reallocate Assessment Funds for Title I Needs. Considering that California's assessment system substantially meets the new federal NCLB Act requirements and the fact that the potential intervention and assistance needs (discussed in **IV. Accountability** below) for California's low performing schools exceed the funding proposed in Governor's 2002-03 Budget, the LAO recommends that the Legislature direct the CDE to seek a federal waiver to reallocate \$26.5 million of the remaining \$26.8 million (\$28.9 million -\$2.1 million) in federal assessment funds for federally required assistance and intervention in Title I schools. A waiver would be necessary because while the new NCLB Act encourages inter-program funding flexibility to encourage states to move funds into Title I programs, the federal assessment funding does not fall within these flexibility provisions.

Subcommittee #1 Action:

3. LAO Proposal: Assessment funds for CDE STAR-related Workload (6110-001-0890). The state assessment system or Standardized Testing and Reporting (STAR) Program, was established by Chapter 975 Statutes of 1995 (AB 265 Alpert). Reauthorized until January 1, 2005 by Chapter 722, Statutes of 2001 (SB 233, Alpert), the STAR program consists of three tests administered in multiple subjects: The Stanford-9 (nationally norm referenced test), the California Standards Tests and the

Spanish Assessment of Basic Education (SABE II). CDE's assessment related workload has increased over the years in part due to the expansion of grade specific and subject specific tests—mainly the California Standards Tests—(from 42 in 1998 to the current 100). Pursuant to Chapter 722, the CDE also must now link the Golden State Exams—a series of 13 rigorous, standards-aligned (except 2nd year Spanish) exams in key academic subjects for grades 7-12—with the California Standards Tests in subject areas where both are offered. In addition, the CDE, while receiving no additional support when the program was established, must support the Governor's Scholarshare Program (administered by the Treasurer's Office) by dealing with program eligibility issues. In light of the above, the LAO is recommending that the CDE be provided with \$300,000 of the federal assessment funds and three permanent positions to address the increased STAR administration workload. In particular it has been mentioned that a high priority need for the CDE is for a psychometrician, to assist the department with test development and test validity components of the state's assessment system.

Subcommittee #1 Action:

- 4. California Department of Education (CDE) Title IV Proposal.** The CDE, in a Budget Change Proposal submitted to the Department of Finance in March, requested \$29,189,880 from the reauthorized ESEA, No Child Left Behind Act to continue development of California's statewide assessment and accountability system to meet the higher level of accountability required by the Act including the collection and analysis of longitudinal student and school data. The BCP request includes 19 positions for the development, administrative and monitoring tasks required of a state's educational agency under the Act.

According to the CDE, the proposals are designed to meet significant needs within CDE in the assessment and accountability area while also maintaining flexibility over the use of Title VI funds in future years. This flexibility is necessary since final federal regulations governing the Act will not be published until later this year, and it is unclear precisely how the NCLB Act will directly affect California's program. However, a literal reading of the Act suggests that California will have to enact several major changes to its assessment and accountability programs. The CDE proposal, therefore, focuses on those activity areas that may not require federal changes. The proposal also limits to \$17.0 million, or 57 percent, of the \$29.8 million available the amount of ongoing funding obligations to allow future state flexibility in 2003-04 when the final regulations specifying the state requirements will be available. The following is a list of the CDE's proposals:

	<i>(dollars in millions)</i>
• Contract to establish a longitudinal data base that would contain student –level STAR, High School Exit Exam and English Language Development Test data.	\$6.0
• Complete development and continue administration activities for the Alternative Schools Accountability Model (ASAM).	.775
• Training and ongoing technical assistance to ASAM schools and provide ongoing monitoring and evaluation of the impact of the ASAM.	.670
• Improve state assessment accommodations to improve participation of disabled students. (1 position)	.140
• Provide technical assistance to LEAs to refine state standards	.640

and assessments for students with disabilities; \$500,000 of which is for a contract to develop training materials and provide statewide training assisting student in providing a standards-based curriculum to students with disabilities with the appropriate use of accommodations for state assessments. (1 position)	
• Set-aside for development and implementation of an alternate assessment for students who cannot take the statewide HSEE even with accommodations or modifications.	3.0
• Develop and implement the standards-based science tests, as approved by the State Board of Education, for students in grade 5.	.800
• Develop workbooks that students and their parents can use to increase their understanding of the state content standards and the statewide California Standards Test. \$2.5 million of this amount is for the initial development of “camera-ready” copies of student workbooks enabling students and their parents to work together at home to prepare for success on the California Standards Tests, grades 2-11.	2.86
• Develop website targeted at parents to inform them of the purpose of each state assessment and accountability programs.	1.0
• Support for new STAR program options as part of the 2002-05 STAR contract for a new norm referenced test to replace the SAT 9.	2.0
• Increase the level of local reimbursement for the California English Language Development Test (CELDT) to \$5.0 per student.	5.6
• Develop an alternative assessment instrument for English Learners students who are unable to participate in the CELDT even with appropriate accommodations.	.750
• Develop a pilot program for a computer-based version of the CELDT.	.500
• Develop additional CELDT test items	.500
• Develop training materials for teachers on using assessment data on state standards to improve instruction. (3 positions)	2.31
• Develop an Assessment Data Collections and Edit software application usable by any California school district that would simplify districts’ assessment-related administration and result in more accurate and current student demographic information.	.300
• Provide an adequate level of staff support for the existing level of program workload for the CDE Assessment Division. (7 positions)	.920
• Provide funding for three positions in the Policy and Evaluation Division to support the new accountability requirements in the NCLB Act.	.420

III. Assessment (General Fund)

The Governor's budget proposes \$137.6 million for the development and administration of California's assessment programs including the High School Exit Exam, English Language Development Assessment, the STAR examination and the Golden State Examinations.

High School Exit Exam Workbooks. The Governor's budget provides \$2.35 million (ongoing) to the CDE to contract for the development and distribution of student workbooks to help pupils prepare for the High School Exit Exam (HSEE). In 2002-02, \$3.0 million in one-time Proposition 98 Reversion Account funds were provided for this purpose.

According to budget trailer bill language enacted as part of the 2001-02 budget, one workbook is to be distributed to all pupils in the tenth grade. These workbooks are to assist in ensuring the HSEE is fair and legally defensible by helping ensure students have adequate "opportunity to learn" the material included on the HSEE. The workbook is to contain:

- Information on the proficiency levels that must be demonstrated by pupils on the HSEE.
- Sample questions, with explanations describing how these sample questions test pupil knowledge of the language arts and mathematics content standards adopted by the State Board of Education (SBE).

According to the CDE, all four proposals received in response to the Departments RFP for the workbook contract were rejected and another RFP was recently released. A contract is expected to be in place by June, 2002. Therefore, current year funding for the HSEE workbooks has not gone out. The Subcommittee may wish to ascertain whether or not any of the current year funds will be expended in the current year and if any remaining funds could be carried over to the budget year, thus freeing up the budget year funds for other educational purposes.

Subcommittee #1 Action:

IV. Accountability

The Public School Accountability Act (PSAA) (6110-123-0001) was established in Chapter 3x, Statutes of 1999-00, First Extraordinary Session. It encompasses a number of related programs designed to assess the quality and progress of California's public schools. It created a statewide school accountability system which:

- Rewards schools for academic achievement,
- Provides assistance for lower performing schools, and
- Potentially sanctions schools which continue to fail after receiving external assistance.

The three main components of the PSAA are: (1) the Academic Performance Index (API), which measures a school's academic performance and the growth in performance over time and is the measure by which participants of the other two components are determined; (2) immediate Intervention/Underperforming Schools Program (II/USP), which provides assistance to lower performing schools; and (3) the Governor's Performance Award Program (GPAP), which rewards schools for academic achievement. All are currently in the process of being implemented, but complete implementation as intended by statute is still a number of years away.

A. Academic Performance Index (API) -- (Information Only). The API is the cornerstone of the PSAA. Its purpose is to measure a school's academic performance and the growth in performance over time. However, the API is still a work in progress. It is currently based on only one measure, the Stanford 9 test results. This is an "off-the-shelf" nationally normed student assessment published by Harcourt Brace and administered to students in grades 2-11. Beginning with the 2002 API, however, the CDE will include the English-language arts and mathematics (except to the extent that performance standards for the standardized mathematics tests, which have yet to be adopted are involved) California Standards Test in the API. Other California Standards Tests in science and social science will be added to the API in the future. The PSAA requires the API include at least four additional measures: graduation rates, student attendance rate, teacher attendance rate and the High School Exit Exam (HSEE). The purpose of these additional measures is to ensure that increases in the API are based upon real gains in achievement and not temporary fluctuations in a single measure. The CDE has not included these additional measures in the API because either it cannot collect accurate school-level data on either the graduation or attendance rates, and because neither the Standards-Aligned STAR nor the High School Exit Exam are fully operational. Because the API is not fully developed as intended by the PSAA, concerns have been raised on the rationale of awarding millions of dollars in performance awards based solely on an assessment (Stanford 9) which is not even aligned to state academic content standards.

B. API-Related Award Programs.

1. Governor's Performance Awards. The Governor's budget proposes \$157.0 million for the PSAA High Achieving/Improving Schools Program (AKA: Governor's Performance Awards). These awards will be granted to schools that meet the following growth and participation targets as measured by the API:

- A 5 percent API score increase of the difference between the school's prior-year score and 800, or an API score increase of five points, whichever is greater;
- All subgroups meeting 80 percent of the school's target;
- Student participation rate of 95 percent of eligible test takers for elementary and middle schools and 90 percent of eligible test takers for high schools.
- For schools with API scores above 711, the Governor proposed, and the Legislature adopted, budget trailer bill language in 2001, that requires a five point gain versus the current 1 to 4 point gain. It also limits the number of students schools can count in claiming the rewards. Excluded are kindergartners, 1st graders, seniors, and anyone else who does not actually take the exam. In January, 2001, the State Board of Education (SBE), in an attempt to boost test participation, voted to retroactively disqualify any school from the rewards program if 15 percent or more of their students had parental waivers from taking the test last spring.

While the program provides awards for up to \$150 per student, the \$144.3 million allocated for the program in 2001-02—including the additional \$12.7 million current year reduction made in Chapter 1, Statutes of the Third Extraordinary Session of 2002, in January—was only sufficient to fund the Performance Awards at **\$80** per student. However, this was an increase over the previous year's \$63 per student award, perhaps due to the trend whereby fewer and fewer schools are meeting their API growth target.

Subcommittee #1 Action:

- 2. Certificated Staff Performance Incentive Act Awards. (6110-133-0001).** While not officially part of the PSAA, these awards are part of the state's overall accountability efforts and are linked to the PSAA by using the API as a determining measure. The Governor's 2002-03 budget proposes \$50.0 million for site-based Certificated Staff Performance Incentive Act awards. This program was created by AB 1114 (Chapter 52, Statutes of 1999). Under the program teachers and other staff in low performing schools—those ranking in the bottom half of the API—that most exceed their statewide performance targets, are eligible for one-time performance awards of \$5,000, \$10,000, or \$25,000. The actual amount of the awards may vary because under the law, districts and unions must negotiate how the funds are distributed among the certificated school staff. In the November Revision, the Governor proposed reducing the 2001-02 appropriation from \$100.0 million to \$50 million and cutting the number of awards in each category in half. Based on Chapter 52 and SBE regulations, 500 teachers and principals would have received \$25,000 bonuses; another 1,875 member group: \$10,000 bonuses, and another group of 3,750 staff: \$5,000 awards in the current year. The Legislature, in the Third Extraordinary Session, however, suspended this program on a one time basis thus eliminating the program's funding in 2001-02.

The LAO recommends that the Legislature to eliminate the Certificated Staff Performance Award Program; saving \$50.0 million in (Proposition 98) General Funds for other education purposes because:

- The awards may go to schools based on short term fluctuations in test scores v. long term academic growth.
- The small number of awards is not likely to create a strong incentive for teachers and principals because the probability of receiving an award is so small and there is so little direct connection between the receiving the award and their hard work. . In addition, unlike the Governor's performance awards, schools are not able to determine the exact achievement gain necessary to receive an award.
- There is little discretion over the use of the rewards. They can only be used for teacher bonuses and not for improvements in educational services to students.

The DOF, in response to the LAO's comments, cites a report by Dr. David Rogosa, from Stanford University, that examines the progress of a number of elementary, middle and high schools given AB 1114 (Certificated)awards; concluding that these schools, by and large, did continue to improve over the 1999-00 in the 2001-02 period or at least maintained the improvement made in the 1999-00 period.

It should be noted that elimination, opposed to suspension, of this program would require a change in statute. However, since SB 1114 states that the level of awards to teachers can not exceed the amount appropriated for that purpose, the Legislature could also take an action to suspend, i.e.: eliminate the funding for, this program in 2002-03, without removing the program from statute.

Subcommittee #1 Action:

- C. Federal Title I Accountability Requirements.** As mentioned above in the ESEA / NCLB Act Title I discussion, the reauthorization of the ESEA Title I makes major changes to the federal

government's statewide Title I plan. The ESEA reauthorization requires states to have one accountability system meeting both the state and federal requirements. One of the main differences between Title I accountability requirements and the states is how academic improvement is measured. Federal law requires states to improve the achievement of all students to a state defined proficiency level over a 12 year period. A key issue in aligning the state and federal accountability systems will be in redefining the API to measure the progress of students achievement toward meeting the proficiency requirement and defining the term "proficient" which implicitly defines the "adequate yearly progress" (AYP) that schools must make to avoid interventions and sanctions. California's current proficiency designation for the California Standards tests is such that only one third of students presently meet the definition of proficient or above. In some of the state's lower performing schools, only 5 percent to 10 percent of students currently perform at a proficient level. These latter schools would have to achieve unprecedented growth to move all students to a SBE-defined proficiency level over the required 12 year period. To this end, California, to conform to federal law, must also define adequate yearly progress—that to date has been defined as meeting the API growth target annually—to ensure that schools will reach the required proficiency level over a 12 year period. This redefinition will involve adjusting the way the API is calculated.

The LAO recommends that the Legislature amend the PSAA to align the federal Title I accountability systems by :

- **Defining minimum proficiency level for all students for Title I purposes.**
- **Adjusting the API calculation to measure the growth in the number of students meeting the Title I proficiency level.**

Subcommittee #1 Action:

D. Low Performing Schools Assistance Interventions and Sanctions:

In accountability systems, interventions are the first steps taken after a school has demonstrated a lack of progress in meeting its goals. The CDE administers four low performing school intervention programs including:

1. Title I Accountability-School Improvement (federal).
2. The High Priority Grant Program (HP) Check \$38 million Nov Revise.
3. The Intermediate Intervention for Underperforming Schools Program (II/USP).
4. Comprehensive School Reform Demonstration (CSRD) (federal)

Schools participating in these programs must begin to improve the academic performance of its students or face increasingly severe interventions and sanctions. The first set of participating California schools could potentially face sanctions in the fall of this year.

As mentioned earlier, the new accountability provisions of the reauthorized ESEA Title I Part A reserve a minimum of 2 percent, (\$29.1 million in California), of these funds for School Improvement activities in 2002-03. It is unclear whether the 2 percent constitutes a "maximum" as well or whether the CDE can or will seek a waiver for the authority to use more of these funds for school improvement in 2002-03. The Governor's budget does not include the increased Title I Part A

funding so it does not include a spending plan for the \$29.1 million reserved for School Improvement Funds. Noting that this amount may not be sufficient to cover the potential additional costs of implementing interventions and sanctions, the LAO has suggested that the CDE seek a waiver to redirect \$26.5 million of the \$28.9 million in federal funds provided for federal assessment requirements to Title I School Improvement efforts (See II. NCLB Act, D. Title VI State Assessment, above).

1. Title I Accountability-School Improvement. As addressed in the No Child Left Behind Act overview section of this document, Title I schools that do not make “adequate yearly progress” (AYP) for two consecutive years are deemed “School Improvement” schools under federal law and are subject to an increasingly stringent intervention and sanctions timeline for not attaining AYP. Congress added various requirements to these sanctions as part of the ESEA reauthorization including:

- Expanding school choice provisions for school improvement,
- Requiring schools to use Title I funding for public or private tutoring
- Providing more serious sanctions for schools that continue to fail.

The timeline for those schools previously identified as Improvement schools does not start over with the new reauthorization components. Schools that achieve their AYP for two out of three years exit the School Improvement program. However, many schools will have to use their Title I funds to provide greater school choice and offer tutoring and after school vouchers in 2002-03. Some schools will face corrective actions. Currently 1,281 California schools are in some stage of School Improvement intervention. CDE has identified as many as 18 schools that could face Title I sanctions this fall. The number of schools sanctioned is likely to increase in subsequent years.

CDE is required under federal law to determine from a menu of options how School Improvement schools are sanctioned. The sanctions process established by the PSAA would meet the federal sanction requirements.

In order to align the state and federal accountability systems, **the LAO recommends that the Legislature enact legislation to include School Improvement schools subject to federal sanctions in the PSAA sanctioning process.**

Subcommittee #1 Action:

2. The High Priority Grant Program (HP). This program was established by Chapter 749, Statutes of 2001 (AB 961, Steinberg) to provide assistance to the lowest performing schools (deciles 1-5) with priority given to those in deciles one and two. While the \$197.0 originally provided in the 2001-02 budget was deferred to the budget year by the November Revision, funding for the HP program is to provide an additional \$200 per pupil to those schools, as required by the statute, participating in the PSAA’s Intermediate Intervention for Underperforming Schools (II/USP) program, for a total of \$400 per pupil for improvement plan implementation. Chapter 1, Statutes of 2002, Third Extraordinary Session, (SB 1xxx, Peace) did provide \$18 million for planning grants for decile 1 schools in anticipation of the HP program being fully funded in the budget year, with 87 districts representing 359 schools, applying to

receive the planning grants. According to the CDE all but \$50,000 of the \$18 million has been allocated. First priority for these funds was to be given to HP program applicants that committed to apply for participation in the federal Comprehensive School Reform Demonstration (CSRSD) Program (described below) by May 15, 2002. For the 88 decile 1 schools that applied but did not receive state HP planning grant funding, unencumbered federal CSRSD funds are available for this purpose. According to the LAO, approximately \$22.3 million in CSRSD funds must be expended soon in order to avoid reversion back to the federal government. The LAO estimates that the CDE would need to provide the \$200 per pupil grants to 110 schools (with 1,000 ADA) in order not to lose these funds. Another \$29.5 million is available in the budget year that must be encumbered within 3 years, in order not to revert to the federal government.

An additional \$20 million was provided in SB 1xxx, for planning grants for decile 2 schools that applied for both the HP and CSRSD programs and will be distributed during the budget year.

The Subcommittee may wish to ascertain from the CDE the status of the CSRSD funding applications and the implications for fully funding decile 1 schools and encumbering the current year CSRSD funds before they revert back to the federal government.

To streamline the various planning requirements of the various intervention programs, and in light of the fact that the Legislature cannot change the requirements of the School Improvement or School Improvement Plan, **the LAO recommends that the Legislature:**

- a. Allow a CSRSD application or a School Improvement corrective action plan to meet the planning requirements of a II/USP or HP school.
- b. Consolidate the planning requirements of the II/USP and HP intervention programs.

Subcommittee #1 Action:

3. **The Intermediate Intervention for Underperforming Schools Program (II/USP).** The budget includes a \$29.6 million General Fund augmentation (\$190.6 million General Fund and \$33.0 million federal funds) for the Immediate Intervention/ Underperforming Schools Program (II/USP) as established in the Public Schools Accountability Act (PSAA) (SB1, Chapter 3, Statutes of 1999, First Extraordinary Session). The total amount fully funds implementation grants for three cohorts (430 schools each) in the School Accountability, Rewards and Intervention Program at \$200 per pupil. This program provides resources for under-performing schools to support development and implementation of school action plans aimed at increasing student achievement. There are no planning grants funded in the budget year because there is no new, or fourth, cohort proposed in the budget year. The “first” cohort schools, that are receiving their second year of implementation grants in the 2001-02 fiscal year, will be assessed in the fall of 2002 as to whether or not they will be subject to 1) Release from the program for meeting their API targets; 2) sanctions for failing to make “significant progress” toward meeting their API targets; or 3) a third year of implementation funding for achieving “significant progress” toward their API targets. The budget assumes that 80 percent of these cohort 1 schools will qualify for a third year of funding. The remaining 20 percent will be subject to either sanctions or awards. In January, Senator Alpert introduced SB 1310, to provide clarification regarding the implementation of the “take over” provisions of the II/USP, specifically regarding the areas of principal hearings, timing of implementation, funding for schools, exit criteria for sanctioned schools, facilities funds, data issues and deadlines.

Note: SB 1xxx, (Peace), enacted in January as part of the 2001-02 “November Revision,” provided \$8.0 million in one-time Proposition 98 Reversion Account funds to allow II/USP schools which received their first year of implementation funding in 2000-01, to receive a third year of implementation funding if they 1) achieved their API growth targets for two consecutive years, 2) were not receiving CSRSD funds and 3) were in API decile 1 in 2000-01.

At its February, 2002 meeting the SBE defined “significant growth” as making positive growth in one of the two implementation years. Based on data representing the achievement of II/USP schools in their planning and first year implementation grant years (1999-00 and 2000-01) and extrapolating similar data to determine which schools make significant growth (2000-01 and 2001-02) this fall, the LAO estimates that approximately two-thirds v. the Administration’s 80 percent figure, would make significant growth and receive a third year of funding. **The LAO, therefore, estimates that the II/USP program is over budgeted by \$6.0 million.**

- a). **LAO Proposal for “Over-budgeted ” II/USP funds.** Under Chapter 749, Statutes of 2001, (AB 961, Steinberg) the Superintendent of Public Instruction (SPI) may require a school district with an II/USP school that is subject to state sanctions to contract with a “school assistance and intervention team” to provide intensive support and expertise to implement school reform. In that schools would have to pay for these services the **LAO recommends that the Legislature adopt budget bill language authorizing the CDE to use any excess II/USP funds to 1) assist school districts in paying for school assistance and intervention teams and 2). assist school districts in paying for costs of other state sanctions.**

Subcommittee #1 Action:

- b) **LAO Proposal for State Operations Component of Title I Part A School Improvement Funds.** Most of the II/USP schools subject to sanctions are likely to also be School Improvement schools.

While some of the external evaluators currently assisting II/USP schools may be qualified to participate on the above referenced school assistance and intervention teams, these teams presently do not exist and it is questionable whether they will be in place by fall 2002 when they could be initially called upon for school intervention. The LAO recommends that of the \$1.5 million (5 percent) of Title I Part A Improvement funds (\$29.1 million) that the state can use for state operation purposes, a portion of these funds be used to establish and train school assistance and intervention teams.

Subcommittee #1 Action:

4. **The Comprehensive School Reform Demonstration (CSRSD) Program.** Until recently, **only II/USP** eligible schools were allowed to apply to the federally funded Comprehensive School Reform Demonstration Program (CSRSD) which provides competitive grants to low performing schools to

initiate structural reforms, including improved resource allocation, instruction and curriculum, classroom management and professional development. The CDE has expanded eligibility in applying for CSRSD for spring 2002, to all Title I schools in II/USP, HP, and Title I School Improvement. Like the II/USP program, the CSRSD program requires participating schools to contract with an “external evaluator” to assist in school reform. While this program, until the current year, provided a higher, (\$200) per pupil rate than the state program, which has no per student funding guarantee and continues to provide an additional (third) year of implementation grants; eligible schools typically have not availed themselves to this program due to its more competitive application process and rigorous planning, reporting and evaluation process. As a result, the state’s federal CSRSD grant funds have gone largely unused. (Barring corrective action, this problem will likely worsen in the budget year since the 2001-02 Budget Act removed the financial incentive for applying for the CSRSD funds by increasing the per pupil rate from a proposed \$146-\$168 in 2000-01-to \$200.) For example, \$2.5 million of \$26.5 million in federal CSRSD funds available to schools in the 2000-01 Budget Act were reverted back to the federal government when there were no takers for that money by September 30, 2001, the end of the federal fiscal year. For 2001-02, only \$10.6 million of \$32.9 million in CSRSD funds were encumbered by the state’s schools leaving \$22.3 million for which the state needs to encumber prior to September 30, 2002. The state will be receiving an additional \$40.1million in 2002-03. The Governor’s budget assumes a \$32.0 million

Currently, CSRSD applicants must meet 9 CSRSD requirements and complete a 22 requirement II/USP action plan. However, except for a requirement that its components align with state academic content standards, the 9 CSRSD application requirements are very similar to the general goals of the II/USP action plan’s 22 requirements. In order to reduce the current disincentive to apply for the CSRSD program the **LAO recommends that the Legislature enact legislation to allow a State Board of Education (SBE)-approved CSRSD application—with the added requirement that all components of the CSRSD application are aligned to state academic content standards—to substitute for the requirements of the II/USP action plan.**

To provide a long term solution to the problem of timely expenditure of CSRSD funds, **the LAO also recommends that the Legislature adopt legislation to give priority to schools that commit to apply for CSRSD funding when selecting future II/USP cohorts.**

Subcommittee #1 Action:

- E. PSAA Evaluation.** The Governor’s proposed budget contains no additional funds for a second year of the PSAA evaluation. The PSAA requires the CDE to contract for an external evaluation of the PSAA including the Governor’s Performance Awards Program, the II/USP program and the impact of these programs on student achievement. The 2000-01 Budget Act provided CDE with an initial \$250,000 for the PSAA evaluation. Due to a lack of qualified bids received by CDE in response to the summer 2000 release of the Request For Proposal, this amount was carried over in the current year and together with \$250,000 in additional Goals 2000 funds, a total of \$500,000 was available for the evaluation in 2001-02. The CDE has contracted with American Institute of Research (AIR) to conduct the evaluation.

LAO believes that the available \$500,000 is inadequate given the complexity and extensiveness of issues that the evaluation must address including the implementation, impact, costs, and benefits of II/USP and Governor’s Performance Awards Program. In addition, the CDE had requested a

multiyear evaluation costing up to \$500,000 per year in its RFPs for the evaluation and not funding the second year, according to the LAO, would significantly reduce the value of the study. Other considerations include the state's distribution of over \$1.7 billion related to these programs between 1999-00 and 2001-02, and, perhaps most important, as early as fall 2002, schools and employees of schools participating in the II/USP could face sanctions from the state under the terms of the PSAA..

As mentioned earlier, the state has an excess amount of CSRD funds and has in the past had difficulty spending those funds. The federal CSRD grant allows the state to use up to 5 percent of the grant amount to pay the costs of administering the program—including evaluation activities. Since federal law requires the state to evaluate CSRD as part of administering the program, the AIR scope of work focuses mainly on II/USP and CSRD and the effectiveness of these intervention strategies, and federal funds are available for this purpose, the **LAO recommends that the Legislature provide \$500,000 of CSRD funds to continue the PSAA evaluation.**

In addition, since CDE /AIR were not able to begin the evaluation in the current year due to time and funding constraints and, therefore, will not be able to submit a meaningful report on the final evaluation by the current statutory deadline of June 31, 2002 (nor the preliminary findings report due, March 30, 2002), the **LAO also recommends that the Legislature amend statute to extend by one year both the preliminary findings deadline and final report deadline to March 31, 2002 and June 31, 2003, respectively.**

Subcommittee #1 Action:

V. Class Size Reduction (CSR)

Chapter 163, Statutes of 1996 (SB 1777, O'Connell) established California's Class Size Reduction (CSR) program for grades Kindergarten through three. The Morgan-Hart CSR program for high schools which began in 1989 to serve a limited number of grades 9-12 high schools was amended in 1998 by Chapter 334, Statutes of 1998 (SB 12, O'Connell) to fund all ninth graders in two core subject areas. Both these programs are voluntary and are funded through the annual Budget Act.

A. K-3 Class Size Reduction Deficiency Issue (Oversight Issue). The Governor's budget proposes \$1.6 million for K-3 CSR in 2002-03. A similar amount provided for the K-3 Class Size Reduction Program in 2001-02; this after the Legislature remedied a disagreement between CDE and the Administration over the per pupil funding rate for 2000-01—leading to a \$32.0 million deficiency issue for that year—by rebenching the per pupil rate for 2001-02 at \$888 per pupil for the full day option and \$444 per pupil for the half day option. The CDE recently submitted a \$30 million deficiency request to the DOF for the K-3 CSR program in fiscal year 2001-02. According to the CDE, the enrollment projections used in computing the 2001-02 budget appropriation were too low, assuming a decline in K-3 enrollment statewide, though participation in the K-3 CSR program has been increasing each year. The current deficiency, based on estimated participation rates as submitted by LEAs by October 24, 2001 is \$4.6 million. Though actual enrollment won't be known until May or June of this year, the CDE anticipates that the deficit could grow to approximately \$30 million based on prior years' performances.

According to the LAO, while the current year deficiency may increase to \$32 million in the current year, any deficiency in the current year, or as yet unknown in the budget year, could be addressed within Budget Control Section 12.6 which, as adopted in 2001-02, provided unobligated funding

transfer flexibility among specified programs with voluntary participation (including CSR) to the extent needed to fully fund eligible participation.

The Subcommittee may wish to request the DOF, as well as the CDE, to speak to the issue of recurring deficiencies in the K-3 CSR program.

VI. Holdover Item

- A. 2001-02 Budget Act Section 28.0 Requests.** Senator Steve Peace, chair of the Joint Legislative Budget Committee, recently sent a letter to Department of Finance Director Tim Gage, regarding Department's intent to approve several K-12-related augmentations pursuant to Section 28.0 of the 2001-02 Budget Act. He specifically raised concerns, supported by the Legislative Analyst, that the proposed augmentations in an increasing number of K-12 Section 28.0 Letters including the three listed below, do not meet all the requirements of Section 28.0; i.e. that the proposed funds are (1). "unanticipated," (2) are available only for a specified purpose, and (3). need to be expended in 2001-02. Senator Peace, therefore, requested that the DOF defer approving the proposals until both the appropriate Assembly and Senate Budget Subcommittees consider the proposals during a scheduled hearing and report their recommendations to the Joint Legislative Budget Committee.

The issue facing the Subcommittee is whether or not the proposals as dated and outlined below, should be approved under Section 28.0 of the 2001-02 Budget Act or whether they should be addressed as part of the 2002-03 budget deliberations.

- 1. February 13, 2002. Alternative Assessment.** This letter proposes an augmentation of \$1.2 million (federal funds) for the CDE to a) develop an alternative assessment for special education pupils unable to take the state's standardized tests (even with special accommodations); b) further develop an alternative accountability model for alternative schools; and c) ensure that students affected by either the alternative assessment or alternative model are also taken into account in the state's overall school accountability system.
- 2. February 15, 2002. Evaluation of High Risk First Time Offenders Program.** This letter proposes \$650,000 from carry-over federal funds (Improving America's Schools Act) for CDE to evaluate the High Risk First-Time Offenders program. These federal carryover funds will replace \$650,000 in General fund originally budgeted for this evaluation but deleted as part of CDE's compliance with an Executive Order which imposed a statewide reduction of at least \$150.0 million in 2001-02 General Fund operating expenses and equipment expenditures.
- 3. March 5, 2002. High School Reform Grant Program.** This letter proposes to increase CDE's federal fund expenditure authority by \$998,000 for a new, one-time High School Reform Grant Program. The United States Department of Education awarded California \$998,000 for high school reform through the High School Reform Grant competition. The CDE has 36 months to expend the award funds intended to help low performing high schools improve student achievement, attendance, and graduation rates. The annual state match, however, increases each year by 10 percent beginning with 30 percent the first year. To minimize the state match requirements CDE proposes allocating the full amount in the first year; providing matching funds from existing Specialized Secondary Programs (SSP) funds.

Subcommittee #1 Action:

VII. Consent

Staff recommends that the following Items be approved as budgeted. No issues have been raised with regard to any of these Items:

1. 6120-011-0001, Support of California State Library, Division of Libraries and California Library Services Board. \$14,787,000.
2. 6120-011-0020 Support, California State Library. State Law Library - Payable from the California State Law Library Special Account. \$764,000.
3. 6120-011-0890 Support, California State Library. Payable from the Federal Trust Fund. \$4,099,000.
4. 6120-011-6000. Support, California State Library. Library Development Services – Office of Library Construction. Payable from the California Library Construction and Renovation Funds. \$2,461,000.
5. 6120-012-0001. Support, California State Library. Rental payments on lease revenue bonds. \$2,394,000.
6. 6120-013-0001. Support, California State Library. Sutro Library Special Repairs. \$24,000.
7. 6120-102-0001. Local Assistance, California State Library. Library of California. \$3,390,000.
8. 6120-150-0001. Local Assistance, California State Library. Civil Liberties Public Education Program. \$1,000,000.
9. 6120-160-0001. Local Assistance, California State Library. California Newspaper Project. \$300,000.
10. 6120-211-0001. Local Assistance, California State Library. Library Development Services. \$21,120,000.
11. 6120-211-0890. Local Assistance, California State Library. Library Development Services, Payable from the Federal Trust Fund. \$12,518,000.
12. 6110-102-0890. Learn and Serve America Program, payable from the federal Trust Fund, \$2,131,000.
13. 6110-103-0890. Robert C. Byrd Honors Scholarship Program, payable from the federal Trust Fund, \$4,994,000.
14. 6110-112-0890. Public Charter Schools, payable from the federal Trust Fund, \$30,187,000.
15. 6110-141-0890 Title I Elementary and Secondary Education Act (ESEA), Migrant Education, payable from the federal Trust Fund, \$116,585,000.
16. 6110-166-0890. Vocational Education, payable from the federal Trust Fund, \$130,445,000.
17. 6110-176-0890. DELETE. Emergency Immigrant Education, payable from the federal Trust Fund, \$41,191,000. (consolidated under NCLB Title III, Language Acquisition.
18. 6110-183-0890. Health and Physical Education, Instructional Support—Safe and Drug Free Schools and Communities Act of 1994, payable from the federal Trust Fund, \$40,512,000.
19. 6110-232-0001 (9th Grade) Class Size Reduction Program, \$135,185,000
20. 6110-234-0890 DELETE. Federal Class Size Reduction Program, \$174,726,000 (funding eliminated in NCLB Act of 2001).

Jack O'Connell, Chair
John Vasconcellos
Bob Margett

K-12 EDUCATION AGENDA

**April, 24, 2002
1:30 p.m. — Room 2040**

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I. Proposition 98 Update

The Governor's 2002-03 January 10, Budget proposes \$46.0 billion in total (K-14) Proposition 98 spending, a \$1.0 billion (2.2 percent) increase over that provided in the adjusted 2001-02 Budget Act. The budgeted amount, is estimated to fully fund Proposition 98 at the statutorily required minimum "Test 2" level. The proposed K-12 portion of the Proposition 98 minimum guarantee is \$41.2 billion, an increase of \$1.2 billion or \$136 per pupil (2 percent) more than the revised estimate of per-pupil expenditures for 2001-02. In 2002-03, average per-pupil Proposition 98 funding is estimated to be \$7,058. (Combined funding from local, state and federal sources brings the per pupil total to \$9,236).

- A. Background.** Proposition 98, a constitutional amendment passed by the voters in 1988 and amended by Proposition 111, established a minimum funding level for K-12 schools and Community Colleges. Funding from the formula established in Proposition 98 also supports direct educational services provided by other agencies such as the state's Special Schools for the Deaf and Blind and the California Youth Authority.

Proposition 98 funding is generally calculated as the greater of:

- Test 1 – a specified percent (approximately 34.5 percent) of state General Fund revenues.
- Tests 2 and 3 – The amount provided in the prior-year adjusted for K-12 ADA growth and an inflation factor. For "Test 2," this inflation factor is the percentage change in per-capita personal income. For "Test 3" the inflation factor is equal to the annual percentage change in per-capita state General Fund revenues plus 0.5 percent--used only when it calculates a guarantee that is less than that determined by "Test 2."

Note: Proposition 98 also includes a provision allowing the state to suspend the minimum funding level for one year through urgency legislation other than the Budget Bill).

The Governor's budget is based on the assumption that 2002-03 is a "Test 2" year and it fully funds the Proposition 98 minimum according to the Administration's preliminary estimates of the factors that determine that minimum. By contrast, the 2001-02 fiscal year was a "Test 3" year. Adjusted for the additional 2001-02 Budget Act reductions enacted in January, Proposition 98 was ultimately funded at a level that was \$5.7 billion above the 2001-02 "Test 3" minimum guarantee, but \$1.9 billion below the "Test 2" calculation for that year. This \$1.9 billion "maintenance factor," as required by statute, has been restored in the Governor's proposed 2002-03 budget.

- B. The General Fund** makes up approximately 68.2 percent, or \$31.4 billion, of the Governor's total estimated Proposition 98 minimum guarantee. (An estimated \$14.6 billion from local property tax revenues make up the remaining 31.8 percent). The Governor's estimated \$1.0 billion increase in the total Proposition 98 minimum guarantee results from restoration of the full \$1.9 billion 2001-02 Test 3 "maintenance factor" and a combination of estimated statewide ADA growth (1.07 percent); property tax revenues (\$14.6 billion); and the "Test 2" inflation factor (annual change in California per-capita personal income). Based on the Legislative Analyst's Office (LAO) initial projections, however, the General Fund portion of the Proposition 98 minimum guarantee was estimated to be approximately \$715 million higher than that estimated by the Administration. The disparity between their respective Prop 98 "Test 2" minimum guarantee estimates is attributed to their conflicting projections of the inflation factor, or growth in per-capita personal income. The Department of Finance (DOF) assumed less optimistic growth in per-capita personal income (negative 3 percent) than that assumed by the Legislative Analyst's Office (negative 1.5 percent). Existing law relative to Proposition 98 requires the use of a federal personal

income index to determine this Proposition 98 factor. This index was just released on April 23rd. Though not yet official, the new personal income growth estimate for California translates into a per capita change of minus 1.26 per cent. It further translates into a 2002-03 Proposition 98 minimum guarantee that is \$830 million above the Governor's estimate (and \$115 million above the LAO's original \$ 715 million estimate).

The LAO has developed several legislative options for meeting any increase (above the Administration's estimate) in the Proposition 98 minimum guarantee:

1. Additional Current-Year (2001-02) One-Time General Fund Savings.

- a. Reductions.** According to the LAO, current-year reductions in addition to those already enacted in the Third Extraordinary Session are possible because the current year appropriation level for Proposition 98 programs remains well above the minimum "Test 3" minimum funding level required for 2001-02. In addition, the LAO opines that the additional recommended reductions can be implemented with little impact on educational services to public school or community college students:

Table 1
LAO Options for Current-Year General Fund Savings
(Proposition 98)
2001-02 (In Millions)

Program	Amount
Governor's performance awards	\$144.3
Support for secondary schools reading	8.0
Charter school facility grants	5.0
Reading Award Program	4.0
Total	\$161.3

- b. Substitute Proposition 98 Reversion Account funds for Current Year General Funds.** The Governor's 2002-03 budget estimates that the Proposition 98 Reversion Account—into which unspent funds from prior Proposition 98 appropriations are reverted—currently contains \$535 million available for expenditure. While the Governor's 2002-03 budget proposes spending the entire amount on various proposals as indicated below, the Legislature, according to the LAO, could defer approval of all the reversion account proposals and instead substitute these one-time budget year funds for an equal amount of programs funded by Proposition 98 appropriations in the current year. Since Proposition 98 spending in the current year is significantly above the required "Test 3" minimum, the Proposition 98 General Funds "saved" by this action could be carried over into the budget year and used for one-time purposes.

Proposed 2002-03 Proposition 98 Reversion Account Expenditures	
<i>(in millions)</i>	
Textbook Block Grant	\$200.0
School/ Classroom Library Block Grant	100.0
Math and Reading Professional Development	87.1
Science Lab Materials and Equipment	75.0
Community Colleges scheduled maintenance	22.9
Community Colleges Equipment	22.9
California School Information Services (CSIS)	11.0
Principal Training	7.5
CSIS / Fiscal Crisis Management Assistance Team	4.5
High Tech High Schools	4.0
Total	\$534.8

To the extent the Legislature decides to exercise the option of using any or all of the reversion account funds for current-year savings and there is an increase in the Proposition 98 minimum guarantee funding level, the most meritorious of the Governor's reversion account proposals could be restored.

(NOTE: Both current-year options (a) and (b) would require the Legislature to enact urgency legislation that is signed by the Governor by June 30, 2002; the end of the 2001-02 fiscal year. After that date, the 2001-02 level of appropriations would be "set" for the purposes of Proposition 98 and not subject to further adjustment).

2. **Budget Year Savings Options:** Move Non-98 Education Expenditures into Proposition 98. In the event the Proposition 98 minimum guarantee is increased beyond that level estimated and funded by the Governor's proposed budget, the LAO suggests, as an option, that the Legislature "move" certain non-Proposition 98 expenditures into the guarantee (allocating budgeted funds to school districts) and, thereby, helping meet the increased requirement at no additional General Fund cost. Options include:
 - a. **U.C. Professional Development Institutes.** Allocate budgeted funds (\$141 million) to school districts. The districts, in turn, could contract for services with UC or use other teacher training providers.
 - b. **Child Care.** Replace TANF spending on CalWORKs childcare with Proposition 98 funds. The resulting TANF savings (up to \$770 million) could replace General Fund spending in other components of the CalWORKs program. However, to the extent the Proposition 98 minimum guarantee does not increase in May, exercising this option would come at a cost to other K-14 educational programs proposed in the Governor's 2002-03 budget.
 - c. **Early Start Program.** Enact Legislation to authorizing program expenditures--\$45 million in 2002-03 to be counted towards Proposition 98. This program, jointly administered by the Department of Development services and CDE, provides early intervention services to children under age three who have disabilities or are at risk of disabilities.
3. **Meeting Additional K-14 Spending Needs.** An increase in the Proposition 98 minimum guarantee would also afford the Legislature the option of funding those education priorities not included in the Governor's proposed budget. These could include restoring funding for revenue limit equalization (\$42 million) and for the reduction of the Public Employees' Retirement System (PERS) revenue limit "offset" (\$36 million); both of which would increase general purpose or "discretionary" funding for school districts. (See discussion in this agenda under IV. Discretionary Funds).
- C. **K-12 and Community College "Split."** Accounting for the "November Revision" education reductions, the Proposition 98 "split" between K-12 Education and Community Colleges for 2002-03 is 89.8 percent (K-12) and 10.2 percent (Community Colleges). This is the same split as in 2001-02. Current law (Education Code Section 41203) calls for a Proposition 98 funding split, between K-12 and Community Colleges, of approximately 89 percent versus 11 percent. This statutory "split" has been suspended by the Legislature in each of the past 10 Budget Acts to reflect actual spending percentages.

II. State Operations, OSE

The Secretary of Education, a member of the Governor's Cabinet, is responsible for advising the Governor and making recommendations on state education policy and legislation. The Office of the Secretary for Education (OSE) administers several education programs, including the Academic Volunteer and Mentor Service Program, the Governor's Reading Award Program, READ California, and the Education Technology Grant Program.

A. State Operations. The Governor's budget proposes \$1.25 million for support of the Office of the Secretary for Education (OSE) in Item 0558-001-0001. This amount is an estimate of the funding needs for the OSE from January 1, 2003 to June 30, 2003. The Governor's budget also proposes \$1.16 million for support of the OSE in Item 0650-011-0001. This amount is the estimated cost of supporting the OSE from July 1, 2002 to December 31, 2002. The latter funds are included in the Office of Planning and Research pending enactment of legislation establishing an Education Agency. The support funding proposed in the Governor's budget represents a \$6.9 million reduction in OSE state operations, a 74 percent decrease from 2001-02. This includes a reduction of two Associate Intergovernmental Program Analysts, representing a 7 percent decrease in OSE personnel, \$3.0 million in one-time funds for contracting to develop and validate research-based school readiness assessment instruments for the School Readiness Initiative in cooperation with the Children and Families (Proposition 10) Commission, and \$3.8 million for the READ California public involvement campaign to promote reading.

B. Local Assistance

- 1. Education Technology Grant Program.** The Governor's budget proposes a reduction of \$550,000 from this program which was established by Chapter 78 Statutes of 2000 (AB 2882, Reyes), and funded with \$175.0 million in one-time funds in the 2000-01 Budget Act. This reduction represents the balance of unallocated funds from the appropriation. The appropriation was to have provided one-time grants to school districts and charter schools for the acquisition of computers for classrooms and for access to on-line advanced placement courses.
- 2. School to Career Technology Grant Program.** The Governor's budget proposes a reduction of \$440,000 from this program. This reduction represents the expenditure in 2001-02 of the remaining, original \$2.0 million for this program established by Chapter 793, Statutes of 2000 (AB 1873, (Wiggins)).
- 3. Academic Volunteer and Mentor Service Program.** The Governor's budget proposes \$10.0 million Proposition 98 General Fund to maintain funding for this program at the level provided the 2001-02 Budget Act. Under this program, university students offer tutoring services to 20,000 at-risk children and youth. This program, established by Chapter 901, Statutes of 1992 (SB 1114, Leonard), which funds local projects to recruit, screen, train and place volunteers who want to act as mentors to students. Each year, three-year grants of up to \$100,000 are awarded on a competitive basis to over 145 local mentor programs operated by school districts and county offices of education. As the three-year grants expire, funding from these grants becomes available to support new program sites.

Taking issue with past proposals to expand this program beyond the \$10.0 million base, the LAO had raised the arguments that 1. other state and federal mentor programs already exist and 2. There is a lack of conclusive evidence of the program's effectiveness.

The Subcommittee may also wish to consider continuing budget bill language included in this item in 2001-02 that “\$500,000” (or some lesser or greater amount), of the \$10.0 million be prioritized for mentoring programs targeted at youth in foster care placement.

Subcommittee #1 Action:

III.State Operations, CDE

In a series of letters from the Superintendent of Public Instruction to the Administration, the Department of Education has made a number of requests to address it’s state operations needs. In light of an increased workload, additional responsibilities and the administration implications of the receipt of a significant increase in new federal funds, in part due to the newly reauthorized ESEA. No Child Left Behind Act of 2001, the SPI has outlined the following state support needs:

General Fund	
Independent verification consultant(s) for CSIS independent project oversight	\$150,000
Independent Evaluation of the Advanced Placement Challenge Program	500,000
CDE Legal Office Staffing: 5 additional staff attorneys	661,000
Administration funding (restore) for the College Preparation Partnership Program	83,000
Monitoring and close out activities for Federal school-to-work program— extend three limited term positions.	324,024
Restore portion of Governor’s East End Project rent reduction proposal	886,010
Existing lease obligations due to expedited move to East End Project	4,555,155
Principal Apportionment System Rewrite 2001-02 carryover funds	658,666
High Priority Schools Grant Program (to attain full year funding)	494,000
California School Information Services (CSIS) 1 position	118,000
CSIS reauthorization of limited term position	63,000
San Francisco Unified School District Interagency Agreement— desegregation activities (reimbursement authority)	57,027
Oversight of SBE Approved Charter Schools \$130,000 reimbursement authority; \$71,000 for one of two requested new positions	130,000 71,000
CalSAFE Support permanent authorization for limited term position	87,000
<i>Chapman, et. al v. CDE</i> U.S. District Court Case--Attorney General’s Office	536,000
State Board of Education Meeting Minutes	34,000
Data Management Study of the CDE \$275,000 for 3 positions to support and implement state functions associated with comprehensive data management and Develop a Data Management Framework Implementation plan; \$725,000 set aside for systematic work to implement the plan’s recommendations.	1,000,000

Federal Funds	
<u>NCLB Act of 2001</u>	
Title I Reading First Program 13 positions 6 re-directed; 7 new	2,274,000
Title I Policy and Partnership Office 4 positions	796,000
Title III English Learner Programs	4,184,000
Title IV 21 st Century Community Learning Centers Grant Program	2,070,000
High School Leadership Division: Assist regional centers in assisting Low Performing/High Priority schools	1,450,000
NCLB Data Management for ESEA	777,000
School Fiscal Services increased workload to provide fiscal services to NCLB programs	201,000
Quality Teacher Program (per Title II) Regional infrastructure for professional development	558,000
Math and Science Partnerships :technical support, professional development	416,000
Reading First, professional development, upper grades students	352,000
“No Child Left Behind” Uniform Management Information and Reporting System	359,000
ESEA Title V funds: Smaller Learning Communities Grant for Low Performing High Schools	202,000
Audits and Investigations. Increased workload under NCLB Act 3 positions	281,000
Counseling and School Support to assist under performing students and low performing schools. 1 position and a contract to technical assistance network	250,000
Title I and Title II Administrator Support Program	377,000
Assessment and Accountability System 19 positions	14,585,000
Accounting services associated with expansion of ESEA 2 positions	150,000
Title V Innovative Programs 1 position	213,334
Title II New Paraprofessional Standards	1,460,000
Information Technology Support: new/enhanced programs under NCLB 3 positions	309,000
Title I NCLB, Homeless Education (McKinney-Vento Homeless Assistance Act)	183,000
NCLB Rural and Low-Income Schools 1 position	112,000
NCLB Community Services for Expelled or Suspended Students	334,000
State Interventions and Sanctions for Low Performing Schools	371,000
<i>Comité de Padres v. SPI</i> , SBE compliance with court order 15 positions	1,500,000
Even Start Literacy Program 3 positions to support administration/ implementation	1,382,000
Enhancing Education Through Technology: 5 new; 1 reauthorized position(s)	867,000
California Healthy Kids Survey	900,000
<u>Other Federal Funds</u>	
Special Education-operating expenses to meet federal IDEA and state mandates	\$2,400,000
New School Renovation Program—Education Technology Office: AGPA \$96,000-CDE	302,000
Legal workload associated with McGeorge School of Law due process contract	\$2,013,390
Outside contractor: administer Family Empowerment Centers proposals(SB 511)	25,000
Special Education: \$1.995 million in federal carryover funds for critical one-time activities; \$4,681,000 (of additional \$19.3 million federal funds not proposed in the Governor’s Jan 10, budget) for one-time and ongoing state operations activities and grants to LEAs.	6,676,000
Vocational Education - \$330,000 for CDE administration; \$163,000 for CA Community Colleges Chancellor’s Office (CCCCO) administration.	330,000
Child Development Data Collection	163,000
Child Development Audit Resources	3,684,000
	397,000

IV. March 29th Finance Letter—Education

A. Remedial Supplemental Instruction Programs (Issue 405) Items 6110-104-0001, 6110-204-0001, and 6110-205-0001. In its March 29th Finance Letter, the Administration proposes to amend provisional language in the Remedial Supplemental Instruction, 7th and 8th Grade Math Academies and Elementary Schools Intensive Reading programs, as shown below to: (1) clarify that the authority granted by provisional language to transfer funds within the program schedule is in lieu of similar authority granted by Section 26.00, and (2) stipulate that any transfers shall be allowable only for the purpose of providing additional instructional hours. According to the DOF, these technical changes will allow SDE to more effectively administer the program, apportion funds, and address deficiency demands in a timely manner, as intended.

Item 6110-104-0001

“3. Notwithstanding Section 26 of this act, or any other provision of law, the Director of Finance may, transfer funding between schedules, to prevent deficiencies for instructional hours in any of the programs funded by the appropriation in this item; ~~use the authority granted by Section 26.00 of this act to transfer funding between schedules of this item.~~ The Department of Finance shall notify the Joint Legislative Budget Committee of any transfers made pursuant to this provision.”

“5. Notwithstanding any other provision of law, the Department of Finance may transfer amounts between Items 6110-104-0001, 6110-204-0001, and 6110-205-0001 of this act in order to minimize deficiencies for instructional hours in any of the programs budgeted in those items.”

Item 6110-204-0001

“3. Notwithstanding any other provision of law, the Department of Finance may transfer amounts between Items 6110-104-0001, 6110-204-0001, and 6110-205-0001 of this act in order to minimize deficiencies for instructional hours in any of the programs budgeted in those items.”

Item 6110-205-0001

“2. Notwithstanding any other provision of law, the Department of Finance may transfer amounts between Items 6110-104-0001, 6110-204-0001, and 6110-205-0001 of this act in order to minimize deficiencies for instructional hours in any of the programs budgeted in those items.”

Subcommittee #1 Action:

B. Migrant Education Program (Issue 406) Item : 6110-141-0890. In its March 29th Finance Letter, the Administration proposes that Provision 1 of this Item be amended to provide administrative flexibility for redirecting any unexpended federal Mini-Corps funds in excess of \$6 million to local Migrant Education grants. The Mini-Corps program has not fully spent its prior allocations and it is estimated that current year expenditures will be approximately \$6 million.

“1. Of the funds appropriated in this item, the State Department of Education shall use no less than \$6,000,000 and up to \$7,100,000 is for the California Mini-Corps Program.”

Subcommittee #1 Action:

V. California School Information Services (CSIS)

A. Governor's Budget Proposal.

- 1. Local Assistance.** The Governor's budget proposes \$11.0 million from audit recovery funds to FCMAT for CSIS implementation grants to local education agencies (LEAs). To the extent that audit recovery funds are not available, the \$11.0 million is proposed to be backfilled with one-time, prior year Proposition 98 Reversion Account funds. (The Administration proposes to revert \$2.58 million of unexpended funds from the \$11.6 million provided for implementation grants in 2001-02. FCMAT will be unable to use these funds because a school district started, but pulled out of the implementation process before contracting with FCMAT; and not enough quality applications were received to effectively use the entire amount of funding). **(Action Items: See D and E below)**
- 2. Support (FCMAT).** The Governor's budget proposes \$4.5 million from one-time, prior year Proposition 98 Reversion Account funds for support of FCMAT's CSIS operation costs. An additional \$250,000 is proposed to fund FCMAT project management services for CSIS. Both these amounts are the same as that provided for these purposes in 2001-02. **(Action Items: See D below).**
- 3. Support (CDE).** The Governor's budget proposes \$650,000 to support CDE's CSIS-related workload; \$175,000, contingent on the findings of the DOF data management study, the release of which is imminent, for comparability studies associated with the third set of CSIS data collections; and \$150,000 to continue to contract for independent project oversight, including quarterly reports to the Administration and the Legislature. **(Action Item See G, below)**

B. Background. CSIS is a multiyear project to develop, implement, and manage a statewide student-level database and information-transfer network. . CSIS is not intended to maintain or store the student data for LEAs, but is to facilitate the movement of this data from district to district, and aggregate the school district data required for state reporting. CSIS is administered by the Kern County Office of Education's Fiscal Crisis and Management Team (FCMAT) which, under a contract with the state, provides fiscal advice, management assistance, and training to school districts. The CDE is the state's responsible agent for administering the local assistance grants to FCMAT and advises FCMAT on the student level database. The CDE also has a direct role in CSIS implementation by supporting the transition of state data reporting to electronic submission The CSIS program was authorized in the 1997-98 Budget Act and established in the Education Code (§49080) by Chapter 78, Statutes of 1999, (AB 1115, Strom-Martin), an education budget trailer bill.

The goals of CSIS are threefold:

1. To build local capacity to maintain and use student information systems to facilitate informed educational decision making.
2. To enable school districts and school sites to electronically transfer (a) student records (i.e., transcripts, test scores, health records) to any other district or school in the state and (b) student transcripts to institutions of higher education.
3. To simplify and increase the accuracy of district data reported to the state.

C. CSIS Implementation Update: California School Information Services is in the third year of a multiyear implementation plan. As of January of 2002, 12 consortia consisting of 216 local education agencies (LEAs) were participating in CSIS. These LEAs represent over 1.8 million students, or approximately 30 percent of state enrollment. LEA participation in CSIS is voluntary; thus avoiding the risk of state mandate costs, and incentive-driven, largely based on implementation grants covering about 50 percent of implementation costs and, also, the potential benefits to be derived from a student-level data base, (now necessary under the new requirement of the federal No Child Left Behind Act of 2001 for a longitudinal student data for English language learners, high school graduation rates and possibly, assessment data—depending on the federal regulations defining adequate yearly progress (AYP)).

The following is provided by CSIS to illustrate current CSIS implementation efforts:

California School Information Services (CSIS) LEA Implementation Status									
Planning:	The first year during which the LEA new to CSIS participation makes changes in its local Student information system and administrative procedures necessary to conduct electronic state reporting and records transfer activities through the CSIS system.								
Paralleling:	The second or later year of CSIS participation in which the LEA demonstrates the accuracy and reliability of CSIS electronic information exchange by submitting CSIS records in parallel with CDE state reports and paper transcripts to be replaced in order to establish comparability between "old" and "new " systems.								
Production:	LEAs that have successfully demonstrated comparability and have been certified to submit only CSIS records.								
Level/Year	FY 99-00		FY 00-01		FY 01-02		FY 02-03 Projected		
	LEAs	Student Enrollment	LEAs	Student Enrollment	LEAs	Student Enrollment	LEAs	Student Enrollment	
Planning	63	589,000	56	539,700	102	746,115	103	1,478,303	
Paralleling*			63	589,000	71	778,949	106	789,761	
Production*					43	339,827	110	1,075,130	
Total LEAs/Student Enrollment	<u>63</u>	<u>589,000</u>	<u>119</u>	<u>1,128,700</u>	<u>216</u>	<u>1,864,891</u>	<u>319</u>	<u>3,343,194</u>	
* Currently, paralleling and production activities are limited to transitioning of the CDE California Basic Education Data System (CBEDS)									

D. CSIS Full Implementation / Completion Date Issue. Since its inception four years ago, there has been much discussion relative to the intended completion date for CSIS; i.e. when close to 100 percent of school districts would be participating and on track to be certified to electronically submit student data. FCMAT has developed a funding formula, including a separate one for small districts, to estimate the costs to fund grants for the remaining school districts still not participating. School districts, other than small districts, would receive one time implementation funding of \$8.51 per student, plus \$2,500 per school site, plus a COLA. The level of CSIS funding provided by the annual Budget Act could, therefore, ultimately determine, **at least to the extent districts are technically able and desirous of participating**, the rate at which CSIS is fully implemented.

Last fall the Legislature passed, but the Governor vetoed, AB 295 (Strom-Martin), which, among other things required CSIS to be fully operational in 90 percent of LEAs by 2004-05. Prior to the 2001 Budget Act appropriation, Legislative intent and funding for CSIS appeared on track for CSIS to be completed by that year as the program ramped up to accommodate the participation of an increasing number of LEAs.

Budget Act funding in 2001-02 did not keep pace. According to the LAO, if the Legislature chose to continue appropriated around \$11 million annually for LEA implementation grants, the FCMAT would not be able to provide grants to all LEAs until 2007-08. Since implementation takes 2 years, all LEAs would not be fully CSIS operational until 2009-10.

CSIS Funds (in millions)	2000-01		2001-02		2002-03	
	CSIS Requested	Received/ Budget Act	CSIS Requested	Received / Budget Act	CSIS Requested	Proposed 2002-03
CSIS Program Office	4.2*	4.2	4.6	4.5	5.7	4.5
LEA Implementation	12.5	6.09	20.5	11.6	14.0	11.0
Project Management	<.250>	<.250>	.250	<.500>	.250	<.250>
Total	16.7*	10.2**	13.1	16.3	19.7	15.75

* Completion 6/30/04
 **Completion 6/30/05
 <>Included in CSIS Program Office number

The LAO recommends, therefore, that the Legislature align the funding level provided in the budget with the timeline in which the Legislature wants CSIS operational. The LAO further recommends that the Legislature adopt budget bill language stating the intended completion date for CSIS thus providing the Legislature flexibility to modify from year to year the completion timeline for the project, but signal its intent and track the progress toward its goals from year to year.

Subcommittee #1 Action:

- E. CSIS Nonparticipant School Districts—Needs Assessment.** One of the issues in attaining full implementation Of CSIS is the level of preparation necessary, i.e. the ability, of schools to participate. Common problems among those districts not participating are: 1. Not understanding the changes CSIS would require, 2. Poor quality of data in their existing student information system, and inadequately trained staff, antiquated hardware, data stored on multiple information systems and insufficient data security.

According to the LAO, external assistance in preparing school districts assess their data information needs and develop a plan to prepare for CSIS implementation would help ensure a timely statewide implementation of CSIS. The LAO sees this role best filled by FCMAT which has the experience to develop a set of professional standards to assess CSIS readiness, and help prepare district for participation in CSIS.

As noted above, the Governor's budget proposes to revert \$2.6 million from the funding provided in 2001-02 for CSIS LEA implementation grants. The LAO suggests that any future excess LEA implementation funds be used to help LEAs who request such assistance, prepare for future integration into CSIS. The LAO further suggests that FCMAT conduct such a readiness assessment. FCMAT generally knows by November of the budget year in which the funds were appropriated, whether it will be able to use all of the implementation grant funds for that year.

The LAO recommends that the Legislature adopt budget bill language to allow FCMAT to use up to \$2.0 million of its appropriation to conduct a CSIS compatibility and needs assessment for LEAs, if FCMAT determines that it will be unable to expend all of the funding appropriated for CSIS implementation grants. The LAO suggests that Item 6110-485, Provision 7, of the budget bill be amended to read:

(7) \$11,000,000 to the State Department of Education for the purpose of funding the fiscal Crisis and Management Assistance Team's (FCMAT) implementation of the local California School Information Services (CSIS) Project. The first priority for use of the funding shall be to fund CSIS local implementation grants. To the extent that FCMAT determines that not enough quality local implementation grant proposals have been submitted, FCMAT may use up to \$2 million of the appropriation to provide CSIS readiness assistance services to local education agencies.

Subcommittee #1 Action:

F. CSIS Mission Clarification. Since the inception of CSIS the state's data needs and data requirements have evolved. For example, the newly reauthorized Elementary and Secondary Education Act (ESEA), better known as the "No Child Left Behind" (NCLB) Act of 2001, has ostensibly altered states' data requirements to include the collection of student level longitudinal data for English language learners, high school graduation rates, and possibly, depending on the final federal regulations not yet published, student assessment data as it relates to "adequate yearly progress" (AYP).

The Legislature will soon receive the results of two data studies, 1). by the OSE to determine how data on graduation rates, student and teacher attendance rates and other potential academic indicators, should be collected by the state to support the API, and 2). A data management study by the DOF on the data management practices at CDE. The Report is to address potential efficiencies and improvements in the CDE's data collection and management.

The findings of either or both studies may suggest a greater, lesser or different role for CSIS in supporting CDE data collection. According to the LAO, of the three prior mentioned goals of CSIS, the goal of supporting submission of state reporting may need more clarification after the findings of both studies are released.

Among the issues on how CSIS should support state and federal reporting requirements, the LAO recommends the Legislature clarify whether CSIS should:

- Support the data collection necessary to calculate the Academic Performance Index (API)
- Provide the state access to individual student information
- Transmit state data collections and which ones.

The LAO recommends that the Legislature amend statute to clarify the CSIS mission specifically with regard to its role in supporting the API calculation, providing the Legislature and state agencies with individual student information and supporting state and federal data collections.

Subcommittee #1 Action:

G. CDE Implementation of CSIS. The Governor's budget proposes \$650,000 to CDE to continue transitioning to electronic submission of state and federal reporting requirements via CSIS, and an additional \$175,000 contingent on the finding of the DOF data management study.

The CDE has, in a letter to the DOF, requested that the May Revise include an additional \$118,000 for a CSIS Administrator I position in response to recommendations made in the most recent independent project oversight report to separate CSIS and Education Graphics, and the increasing Administrator time demands of CSIS implementation. The CDE has also requested \$63,000 for the reauthorization of a CSIS limited term position.

According to the latest Quarterly Independent Project Oversight Report, CDE was advised to investigate ways to bring more staff to the CSIS Data Integration Project because the current staff assigned to CSIS remains too small for its work..." (See **H. Independent Project Oversight**, # 6 below).

Subcommittee #1 Action:

H. Independent Project Oversight. The Governor's budget also proposes \$150,000 to continue to contract for independent project oversight, including quarterly reports to the Administration and the Legislature. CDE has contracted with Northrop Grumman Information Technology (formerly Logicon) to provide independent project oversight of the CSIS program. The objectives of this oversight are to ensure that the CSIS program is:

- Well structured and well managed
- Utilizing project management practices that conform to accepted industry standards
- Compliant with legal and legislative requirements
- Identifying and mitigating project risks
- Progressing in accordance with project management plans
- Achieving defined success factors and expected objectives.

The most recent Quarterly Independent Project Oversight Report, dated March 22, 2002, found that :

1. CSIS missed its published milestone dates for Fall Submission 2001. The quality of the State Reporting and Record Transfer System (SRRTS) software was not sufficient to meet production demands. While being addressed, these production problems have the effect of delaying submission of CSIS data by LEAs , delaying CSIS validation an aggregation of the data, and delaying transmission of the CSIS State Reporting data to CDE.

2. The major cause of the above problems and delays is an overly aggressive schedule with insufficient time allowed for system integration, testing and both system and business process problem resolution.
3. CSIS is not progressing according to the original plan, as documented in the CSIS Program Charter and the CSIS Strategic Plan. These documents have not been updated since mid 2000 and need to be updated with respect to project scope, expected cost and schedule to more accurately reflect current plans and expectations.
4. CSIS and CDE need to work out more effective coordination of efforts and to re-chart the priority, effort and a realistic schedule to transition other data collections to CSIS.
5. While CSIS staff has grown, it is still small relative to the size and complexity of the CSIS SRRTS software and the number of current and potential participants in the program... **The consultant, therefore, recommends that CSIS more thoroughly assess the resources required to support development and production of CSIS.**
6. CDE Staff remains too small for its work in both analyzing and specifying data collections to transition to CSIS and to preparing to receive and use CSIS data for programs. **The consultant, therefore, recommends the CDE investigate ways to bring more staff to the CSIS Data Integration Project.**

Subcommittee #1 Action:

VI. Hold Over Items

- A. Adult Education: CalWORKS Recipient Services (6110-156-0001).** The Governor's Budget proposes a \$36.0 million reduction from Item 6110-156-0001 (K-12 Adult Education) to reflect a deletion of funds allocated for services to CalWORKs recipients. Of the \$36.0 million proposed reduction, \$26.0 million is an elimination of adult education and ROCP education services for CalWORKs recipients, \$10.0 million from remedial and job training support services for CalWORKs recipients through an interagency agreement with the Department of Social Services. According to the DOF, these funds are in excess of the maintenance of effort (MOE) monies required as a condition of the state's receipt of federal Temporary Aid for Needy Families (TANF) grant funds. It should be noted that the Administration views the CalWORKs MOE funding level as a funding "ceiling" for purposes of the state funding. The "excess" funds have been used primarily to allow Adult Education and Regional Occupational Centers and Programs (ROCPs) to claim funds above their average daily attendance cap if they used the additional funds to provide instruction to CalWORKs recipients. The DOF asserts that these funds are no longer necessary to ensure that the state meets its MOE requirement for its federal TANF grant and that CalWORKs recipients can still access adult education and ROCP programs or other CalWORKs employment or training services and funds through the counties. According to the DOF approximately \$15 million of the \$36.0 million was not spent on MOE activities but could only be spent on "overcap" services.

While K-12 ROCP and adult education programs are not required to serve CalWORKs recipients, i.e.: CalWORKs recipients must compete for these services if there is excess demand, counties can contract with providers if these programs are seen as a county priority. However, in this time of shrinking revenues, funding these programs may come at the expense of other county priorities. According to the

CDE, approximately 71,000 CalWORKS recipients are served by the CDE adult education program; 28,000 of these receive “overcap” services funded through the \$26.0 million allocation proposed to be eliminated in this Item. The CDE further states that a 10 to 20 percent increase in adult education ADA is anticipated in the current year attributable to an increase in CalWORKS clients being served by CDE.

Since the Subcommittee first heard this issue on April 3rd, \$41.0 million in unallocated funds from fiscal year 2000-01 have been identified to offset the Governor’s proposed \$36.0 million reduction in General Fund for CalWORKS purposes. Of these funds, \$28.0 million is unexpended adult education base revenue limit funds and \$13.0 million is unexpended adult education CalWORKS funds. (\$9.9 million in separate TANF funds is still available in the Governor’s proposed budget for adult education and ROCP).

The Subcommittee should also be aware that SB 192 (Karnette) may provide a solution to the “overcap” issue by modifying individual 2.5 percent annual growth caps on adult education programs operated by K-12 districts so that unused units of attendance could be reallocated on a one-time basis and in equal amounts per unit of ADA to districts that were fully utilizing their allowances. The Administration has, in the past, been of the belief Superintendent of Public Instruction (SPI) already had the authority to reallocate unused units of adult education ADA. However, a Legislative Counsel Opinion submitted in July, 2001, opined that the SPI did not have such authority.

In order to address the budget year funding issue, pending enactment of SB 192 or similar Trailer Bill legislation, staff recommends that:

- \$13.0 million of the \$28.0 million in the 2000-01 unexpended funds be reappropriated for adult education / ROCP education services in the budget year.
- \$10.0 million of the \$13.0 million in 2000-01 unexpended funds be reappropriated for the purposes of funding CDE CalWORKS support services in the budget year.
- \$18.0 million, representing the remaining unexpended 2000-01 adult education base revenue limit and CalWORKS funds, be re-appropriated for other one-time educational priorities in the budget year.
- Defer the Maintenance of Effort (MOE) issue relative to CalWORKS funds to Subcommittee #3 on Health, Human Services, Labor and Veterans Affairs .

Subcommittee #1 Action:

VII. Consent Calendar

Staff recommends that the following Items be approved as budgeted. No issues have been raised with regard to any of these Items:

- 6110-001-0001 **Finance Letter**, Healthy Kids Resource Center (Issue 350), \$144,000.
- 6110-021-0001 **Finance Letter**, Healthy Kids Resource Center (Issue 350), -\$144,000.
- 6110-001-0001 **Finance Letter**, Extend Two Digital High School Limited Term Positions for one year. (Issue 451) (position authority).
- 6110-001-0001 **Finance Letter**, Extend for 1 year, Three Limited Term Positions for the federal School-to-Work Program (Issue 501), (increase EDD reimbursements), \$324,000.
- 6110-001-0001 **Finance Letter**, Restoration of CSIS Position inadvertently deleted. (Issue 250).
- 6110-001-0001 **Finance Letter**, Statewide Cost Allocation Plan (Issue 400). Amend to reflect increased Statewide Cost Allocation Plan recoveries.
- 6110-001-0890 **Finance Letter** (Issue 400—continued) Increase by \$1,200,000 to reflect increased Statewide Cost Allocation Plan recoveries.
- 6110-001-0890 **Finance Letter**, Alternative Accountability System (Issue 200), \$1,272,000 and amend Item 6110-001-0001 to pay for the second year of activities associated with developing and Implementing the Alternative Accountability System.
- 6110-001-0890 **Finance Letter**, Assessment Evaluations. (Issue 201). Reduce Item by \$3,300,000 and amend Item 6110-001-0001 to reflect the elimination of appropriation authority provided for conducting an evaluation of the Golden State Exams and for activities associated with ensuring that the HSEE and STAR exams are aligned with State-adopted content standards. (technical error-one time 2001-02 funds were inadvertently duplicated in 2002-03 Budget).
- 6110-001-0975 Library and Learning Services, payable from the California Public School Library Protection Fund, \$15,000
- 6110-013-0001 Audit Resources, 245,000.
- 6110-202-0890 **Finance Letter** New School Renovation and Repair Program (Issue 100). Add Item to allow for the distribution of up to \$138,524,000 in federal School Renovations and Repair Program funding that was received in 2001-02 but has not been expended by CDE. [1760-001-0666 Issue (10) requests that \$136,000 in reimbursements from Item 6110-202-0890 be scheduled in this General Services Item, and that two, two-year limited term positions be approved for workload and program management at the Office of Public school Construction associated with the new federal School Renovation and Repair Program for school facilities].
- 6110-295-0001 **Finance Letter**, (Issue 202) Increase Item to restore funding for the Open Meetings Act Mandate, \$3,412,000.

Senate Budget and Fiscal Review
SUBCOMMITTEE NO. 1

EDUCATION
Jack O'Connell, Chair
John Vasconcellos
Bob Margett

Wednesday May 1, 2002
1:30 p.m. — Room 2040

I. Intersegmental Issues

1. Student Overview Comments and Presentation

- Chris Acuna, Policy Director, CalSACC
- Kenneth Burch, Chair, University of California Student Association
- Brandon Kline, Legislative Affairs Director, California State Student Association

- 2. Year Round Operations Page 2*
3. Institutional Financial Aid..... Page 3

II. University of California

- 1. UC Merced – Support Budget..... Page 5*
2. Student Outreach Page 6
3. Update on Compensation and Collective Bargaining Page 6

III. California State University

- 1. Conversion of Governor's Teaching Fellowships to APLE Awards Page 7*
2. Update on Compensation and Collective Bargaining Page 8

IV. California Community Colleges

- 1. Chancellor's Office – State Operations Budget..... Page 9*
2. Categorical Program Reductions and Proposed Consolidation Page 10
3. Partnership for Excellence Page 12
4. Enrollment Growth Page 13

V. Consent..... Page 14

Intersegmental Issues

1. OVERVIEW PRESENTATIONS BY STUDENT ASSOCIATIONS (INFORMATIONAL ONLY)

2. YEAR-ROUND OPERATIONS (BACKGROUND)

Since 1998-99, the Legislature has strongly encouraged the University of California (UC) and the California State University (CSU) to serve more students during the summer. Expanding summer operations has the benefit of significantly increasing the UC's and CSU's enrollment capacity while reducing out-year costs associated with constructing new classrooms and campuses. Additionally, it increases students' access to high demand campuses and allows students, if they desire, to accelerate their time to degree. It even offers faculty greater flexibility in managing their workload, because they can select the terms they wish to work, without increasing their overall workload.

Prior to the 2000-01 Budget Act, most campus summer session programs were "self-supporting" whereby students paid the full cost of instruction. As a result fee levels were high and the cost acted as a deterrent for students to enroll in the summer. In order to remedy this situation, Chapter 83, Statutes of 2000 (Assembly Bill 2409, Migden) prohibited UC and CSU from charging students more in the summer than during the other academic terms, and the 2000-01 Budget Act provided funding (\$33.7 million; \$13.8 million for UC and \$19.9 million for CSU) to reduce the cost of summer session fees paid by the students. While this funding served the purpose of reducing student fee levels, the appropriation was not sufficient to provide the university systems with the support necessary to "fully subsidize" the summer students at the same rate as other term students.

In 2001-02, the Budget Act provided \$33.1 million in additional funding to "fully subsidize" (at the marginal cost of enrollment) students at three UC campuses (Berkeley, Los Angeles and Santa Barbara) and four CSU campuses (Fullerton, Long Beach, San Diego, and San Francisco). This funding was sufficient to provide campuses with the full marginal cost rate for all existing summer session students. In order to ensure that student enrollments in summer grew, the Legislature adopted (and the Governor approved) Budget Bill language that made the summer session funding contingent upon the university's meeting specified summer term enrollment growth targets.

The 2002-03 Governor's Budget proposes to continue expanding year-round operations by providing marginal cost funding to subsidize students at UC Davis (\$7.4 million) and CSU Chico (\$1.2 million).

A. UPDATE ON YEAR ROUND OPERATIONS AT UC AND CSU (INFORMATIONAL ITEM) Given the expansion of summer operations in recent years, the Legislative Analyst recommends that UC and CSU provide an update on the implementation of year-round operations.

B. FUNDING FOR SUMMER ENROLLMENTS AT DAVIS AND CHICO CAMPUSES (ACTION ITEM). The Governor's 2002-03 Budget proposes to continue expanding year-round operations by providing funding (at the marginal cost of instruction) to fully-subsidize summer session students at UC Davis (\$7.4 million) and CSU Chico (\$1.2 million). The Legislative Analyst generally supports this augmentation with the following caveats: (1) The LAO believes the appropriation to CSU should be reduced by \$180,000 due to a disagreement with the CSU over the marginal cost calculation and (2) the LAO recommends that the committee adopt Budget Bill Language linking the appropriation for year-round operations to enrollment growth.

Staff recommends that the committee adopt the recommended Budget Bill Language (to be distributed by the LAO), and approve the appropriation of \$7.4 million for UC and \$1.2 million for CSU.

ACTION:

3. INSTITUTIONAL FINANCIAL AID (BACKGROUND)

Financial assistance for students comes in many forms and is offered by many entities. The major forms of financial assistance for postsecondary students includes grants (scholarships and fellowships), loans, work study, and investment accounts. The major providers of financial assistance are the federal government, state government, universities, and private benefactors.

The state of California provides student financial aid through the Cal Grant Program, university-based institutional aid, and Governor's Merit Scholarships. Each of the public university systems administers its own financial assistance programs using dollars derived from student fees or the state General Fund. Institutional aid programs total approximately \$172 million at the UC and \$122 million at the CSU (including the reductions proposed by the Governor's Budget).

A. PROPOSED REDUCTION TO INSTITUTIONAL FINANCIAL AID (ACTION ITEM). The Governor's 2002-03 Budget proposes to reduce the UC and CSU need-based institutional financial aid programs by \$17 million and \$14.5 million respectively. The Administration states that the reduction responds to the "excess" financial aid funds that remained at both the UC and the CSU after the state statutorily reduced student fees by five percent in 1998-99 and 1999-2000. During these years the state could have reduced the CSU and UC financial aid budgets on the assumption that lower fees resulted in less financial need on the part of students, but the Governor and the Legislature chose not to make those reductions. The Governor's proposal now recaptures those funds.

While the LAO doesn't specifically make a recommendation on this reduction, staff notes that of the \$30 million in ongoing reductions proposed for the UC, and \$26 million of reductions at CSU, more than half of those dollars are coming from the financial aid program, which directly impacts students' access to postsecondary education. However, given the condition of the state General Fund and the fact that financial aid was not reduced when fees were reduced, staff recommends that this reduction be approved and that the committee adopt Supplemental Report Language asking the UC and CSU to report annually on the expenditure of institutional financial aid funds (language to be provided by the LAO).

ACTION:

B. TRANSFER OF UC AND CSU FINANCIAL AID FUNDS TO CAL GRANT PROGRAM (ACTION ITEM). The Legislative Analyst recommends that the Legislature redirect the monies currently designated for UC and CSU institutional financial aid to the competitive Cal Grant programs in order to create a statewide financial aid policy that is consistent and objective. Specifically, the Analyst believes this shift is necessary because: (1) the state can directly offset increases in student fees through the Cal Grant program; (2) statewide programs have shown better performance; (3) competitive Cal Grant programs are only meeting the needs of one in four qualified applicants; and (4) the state, not the systems, should determine how state resources designated for financial aid are distributed across financially-needy students.

Staff notes a variety of concerns with the LAO's, and would suggest that ultimately, the distribution of financial aid is likely to shift away from a centralized model to a decentralized, campus-based approach. Specifically, the LAO's proposal: (1) fails to recognize that the institutional financial aid dollars are derived primarily from student fees. It does not seem appropriate to move UC or CSU student fee money to the Student Aid Commission for Cal Grants to other student populations. (2) LAO's proposal moves dollars that may be used to support graduate students (at both the UC and CSU) to a program that only supports undergraduates; thereby removing one of the only sources of financial assistance for graduate students at the CSU; and (3) Redirecting funds to the Cal Grant program takes away the ability of campus financial-aid officers to work with and meet the needs of individual students. Many times students have unanticipated

financial needs or needs that aren't reflected in their student aid application from the prior spring. Moving the campus dollars to the Cal Grant program makes it impossible for students to work with their financial aid administrators, mid-year, to make changes and receive additional needed aid. Further, the redirection removes the ability of the campus financial aid officers to "package" financial aid so that students receive a mixture of grants, loans and work-study.

Staff recommends that the committee adopt Supplemental Report Language requesting that CPEC convene a task force to undertake a study of alternative delivery approaches for the Cal Grant Programs and submit a report to the appropriate parties early in 2003.

ACTION:

II. 6440 University of California

Following is a summary of the major components of the University of California’s budget, including current year reductions.

University of California	
Governor’s General Fund Budget Proposals	
	<i>(in millions)</i>
2001-02 Budget Act	\$3,357.7
<i>November revision reductions</i>	
• Ongoing reduction for natural gas costs	-25.0
• Ongoing reduction in funds for Professional Development Institutes	-6.0
• Eliminate one-time funds for teaching hospitals (a)	-5.0
Baseline funding adjustments	
• PERS rate adjustment	0.1
• Transfer funds for Institutes for Science and Innovation from capital outlay budget	5.0
2001-02 Revised Budget	\$3,326.8
• Reduction of one-time expenditures in 2001-02	-77.5
Proposed increases	
• 1.5 percent base increase (b)	47.6
• Enrollment growth (4 percent)	63.8
• Enhance summer courses	8.4
• Increased costs of annuitant health and dental benefits	14.0
• Lease revenue bond payments	5.0
• One-time funds for UC and Governor’s initiatives (c)	8.8
Subtotal	147.7
Proposed reductions	
• Savings from excess financial aid funds provided in prior years	-17.0
• Reduce funding for various outreach programs	-4.2
• Reduce funding for Subject Matter Projects	-4.0
• Reduce funding for K-12 Digital California Project	-4.9
Subtotal	-30.1
2002-03 Proposed Budget	\$3,367.1 (d)
Change from 2001-02 revised budget	
• Amount	\$40.2
• Percent	1.2%
a Chapter 1, Statutes of 2002 (SB 1xxx, Peace), restored these funds.	
b The 1.5 percent augmentation is on an adjusted base of about \$3.2 million that excludes one-time expenditures and includes other adjustments.	
c Initiatives include: recruiting faculty at UC Merced (\$4 million) and support for the California Institutes for Science and Innovation (\$4.75 million).	
d Total may not add due to rounding.	

1. **UC MERCED (ACTION ITEM)** The Governor’s Budget includes an additional \$4 million (one-time General Fund) to support the recruitment and hiring of faculty for the new Merced campus, bringing the total level of support for the Merced campus (not including capital outlay) to \$13.9 million. The Merced campus is scheduled to open in 2004-05 and intends to have a total of 60 faculty hired and in place when the campus opens. To-date no faculty have been hired, but the UC plans to hire 20 permanent faculty beginning in 2002-

03 and an additional 20 faculty in both 2003-04 and 2004-05. The Legislative Analyst recommends that these funds be deleted due to the fact that the UC has yet to spend the \$2 million appropriated in the current year for this purpose. Staff recommends that the support budget for UC Merced be Approved As Budgeted.

ACTION:

2. STUDENT OUTREACH PROGRAMS (BACKGROUND)

In 1995, the UC Regents approved SP-1, a policy that prohibited campuses from using race, religion, sex, color, ethnicity, or national origin as criteria in granting admission. The policy became effective January 1, 1997. In 1996-97, largely in response to the new environment created by SP-1, UC began a major initiative to improve and expand student outreach efforts in order to increase the population of disadvantaged K-12 students that are eligible for admission to the UC.

The UC received substantial augmentations to its K-12 outreach budget to implement this post SP-1 strategy. Prior to the implementation of this comprehensive outreach strategy, the UC spent approximately \$14 million on outreach efforts (in 1997-98). Since then, funding for UC's outreach programs has reached \$66.9 million (in the current year). These augmentations have allowed UC to expand student academic programs and to implement a number of new initiatives which broaden the scope of K-12 outreach.

A. PROPOSED OUTREACH REDUCTIONS (ACTION ITEM) The Governor's 2002-03 Budget reduces the funding level of UC's student outreach programs by \$4.2 million; the reduction will result in the elimination, consolidation or scaling back of eight smaller outreach programs (please see LAO handout). Staff notes that UC is currently working on reconfiguring which programs will be impacted by the reductions. The Legislative Analyst and staff recommend that this reduction be approved; staff further recommends that UC report back to committee, as part of the May Revision, on which specific programs will be impacted by the reductions.

ACTION:

B. CONSOLIDATION OF OUTREACH PROGRAMS – LAO PROPOSAL (INFORMATIONAL ITEM) As part of its Analysis of the Budget Bill, the Legislative Analyst recommends consolidating existing outreach programs and, in certain cases, redirecting funding for certain outreach programs to schools and districts. Staff notes that UC has stated it is actively working internally to consolidate programs with the goal of better delivering outreach services and eliminating administrative and programmatic redundancy. Staff recommends that the UC verbally report to the committee on the potential for consolidation or integration of existing outreach programs.

C. EVALUATION OF OUTREACH PROGRAMS (INFORMATIONAL ITEM) The annual Budget Act appropriates approximately \$1.5 million annually (beginning in 1998-99) to the UC to conduct an evaluation of its student outreach efforts. The LAO notes that the availability of data on the effectiveness of the program is vital to understanding the value of the state's outreach efforts and its monetary commitment to the programs. To meet this end, the LAO and Staff recommend that UC report during the hearing on the status of its evaluation efforts.

3. UPDATE ON COMPENSATION AND COLLECTIVE BARGAINING ISSUES (INFORMATIONAL ITEM)

III. California State University

California State University	
Governor's General Fund Budget Proposals	
	<i>(in millions)</i>
2001-02 Budget Act	\$2,607.4
Baseline funding adjustments	
• Carryover/Reappropriation	35.8
• PERS employer rate increase	84.2
• Ongoing reduction for natural gas costs	-20.0
2001-02 Revised Budget	\$2,707.5
Baseline funding adjustments	
• Reductions for one-time current-year appropriations	-18.9
• Carryover/Reappropriation	-35.8
Proposed Increases	
• 4 percent enrollment growth (12,030 FTE)	78.1
• 1.5 percent base increase	37.7
• Support for summer term at Chico	1.2
• Other	1.0
<i>Subtotal</i>	<i>(118.0)</i>
Proposed Reductions	
• Financial Aid Adjustment	-14.5
• Education Technology Professional Development Program	-6.5
• CalTEACH Teacher Recruitment	-5.0
• Other	-9.1
<i>Subtotal</i>	<i>(-35.1)</i>
2002-03 Proposed Budget	\$2,735.6
Change from 2001-02 revised budget	
• Amount	\$28.2
• Percent	1.0%

1. GOVERNOR'S TEACHING FELLOWSHIPS (ACTION ITEM).

The CSU administers the Governor's Teaching Fellowship program, which was established in 2000. The Governor's budget includes a total of \$21.1 million for the program in the budget year. The program offers non-renewable \$20,000 grants to meritorious students enrolled in teacher-education programs. The CSU issues 1,000 fellowships each year. The Student Aid Commission administers a similar program, the Assumption Program of Loans for Education (APLE), which offers up to \$19,000 in loan forgiveness to meritorious students enrolled in teacher-education programs. The Student Aid Commission annually awards 6,500 loan forgiveness warrants. The Legislative Analyst is recommending that the committee convert the Governor's Teaching Fellowships into APLE awards, allowing the Student Aid Commission to issue an additional 1,000 warrants. The LAO notes that this conversion would help the same number of students and reduce administrative costs. Further, the LAO notes that since loan assumption costs associated with the APLE program won't materialize until after budget year (2002-03), this proposal would save \$21.1 million in 2002-03.

Staff notes that the implementation of this recommendation would require either legislation or Budget Bill Language to override current statute. Although this issue would best be addressed in the policy committee process, given the condition of the General Fund, staff recommends that the committee place this option on

the “checklist” pending the May Revision and request that the LAO draft both the statutory language and Budget Bill Language necessary to implement this recommendation.

ACTION:

2. UPDATE ON COMPENSATION AND COLLECTIVE BARGAINING ISSUES (INFORMATIONAL ITEM)

IV. California Community Colleges

Figure 1					
Community College Budget Summary					
<i>(Dollars in Millions)</i>					
	Actual 2000-01	Estimated 2001-02	Proposed 2002-03	Change	
				Amount	Percent
Community College Proposition 98^a					
General Fund	\$2,640.9	\$2,806.1	\$2,727.8	-\$78.4	-2.8%
Local Property Tax	1,711.5	1,855.3	2,001.9	146.6	7.9
Subtotals, Proposition 98	(\$4,352.3)	(\$4,661.5)	(\$4,729.7)	(\$68.2)	(1.5%)
Other Funds					
General Fund					
State operations	\$12.4	\$13.3	\$11.6	-\$1.7	-12.8%
Teachers' retirement	68.6	66.3	70.9	4.6	7.0
Bond payments	81.7	93.0	108.5	15.6	16.7
Other state funds	12.4	11.9	9.1	-2.8	-23.6
State lottery funds	121.0	138.1	138.1	—	—
Student fees	154.7	162.4	167.3	4.9	3.0
Federal funds	201.7	216.2	219.4	3.2	1.5
Other local	775.3	831.0	843.3	12.2	1.5
Subtotals, Other funds	(\$1,427.6)	(\$1,532.3)	(\$1,568.2)	(\$36.0)	(2.3%)
Grand Totals	\$5,780.0	\$6,193.8	\$6,297.9	\$104.2	1.7%
Students					
Enrollment	1,565,087	1,683,933	1,734,451	50,518	3.0%
Full-time equivalent (FTE)	1,031,206	1,062,142	1,094,006	31,864	3.0
Amount Per FTE Student					
Proposition 98	\$4,221	\$4,389	\$4,323	-\$65	-1.5%
All funds	5,605	5,831	5,757	-75	-1.3
^a Expenditures, including Reversion Account funds.					

3. **STATE OPERATIONS – CHANCELLOR’S OFFICE (ACTION ITEM).** The Governor’s Budget proposes to reduce the state operations funding for the Community Colleges Chancellor’s Office by \$1.2 million and 15.5 positions. Like traditional state agencies, but unlike its other higher education colleagues, the Community Colleges Chancellor’s Office is required to obtain the approval of the Department of Finance and Department of Personnel Administration prior to deleting positions, obtaining an exemption to the statewide “hiring freeze,” reclassifying a position, or adding a new position. The Chancellor’s Office contends that the lack of administrative flexibility will make it difficult to rapidly respond to the categorical program reductions and has in turn requested that the committee take action to grant it the flexibility to determine the exact nature of how the \$1.2 million and 15.5 position reductions will be achieved. To meet this end, the Community College Chancellor’s office intends to present the committee with a specific recommendation on this matter.

ACTION:

Figure 3	
Governor's Community College Budget Proposals	
Proposition 98^a	
<i>(In Millions)</i>	
2001-02 (revised)	\$4,547.9
Enrollment growth—3 percent	
Apportionments	\$114.3
Selected categorical programs	5.9
Subtotal	(\$120.2)
Cost-of-living—2.15 percent	
Apportionments	\$84.4
Selected categorical programs	4.4
Subtotal	(\$88.8)
Proposed new spending	
Replace Reversion Account money in current year with new Proposition 98 funds for ongoing programs	\$91.2
Scheduled maintenance and repairs	9.1
Instructional equipment and library materials	11.1
Subtotal	(\$111.4)
Proposed reductions	
CalWORKs	-\$50.0
Matriculation	-26.8
Telecommunications and technology programs	-19.8
Fund for Student Success	-10.0
Economic development program	-9.9
Faculty and staff development program	-5.2
Subtotal	(-\$121.7)
Adjustments	
Lease purchase costs	-\$24.8
Other (including current-year savings)	-37.9
Subtotal	(-\$62.7)
2002-03 (proposed)	\$4,683.9
Change from 2001-02 (revised)	
Amount	\$136.0
Percent	3.0%
^a 2002-03 appropriations only; excludes Proposition 98 Reversion Account funding.	

1. COMMUNITY COLLEGE CATEGORICAL PROGRAMS

The Governor's Budget proposes to decrease, by a total of \$121.7 million, the following six categorical programs: (1) Services to CalWORKs recipients - \$50 million; (2) Matriculation - \$26.8 million; (3) Telecommunications and Technology - \$19.8 million; (4) Fund for Student Success - \$10 million; (5) Economic Development - \$9.9 million; and (6) Faculty and Staff Development - \$5.2 million.

- A. **LAO CATEGORICAL PROGRAM CONSOLIDATION (ACTION ITEM)** The LAO recommends that, in the aggregate, the above-noted programmatic reductions be approved; however, the LAO believes that the reductions should be accompanied by a categorical program consolidation proposal. The LAO believes that the reductions are reasonable if districts are granted flexibility in the use of the funds. Specifically, the LAO recommends developing two block grants:

(1) *Student Services Block Grant* – would include funds for (a) Financial Aid; (b) Extended Opportunity Programs and Services (EOPS); (c) Disabled Students; (d) Fund For Student Success; and (e) Matriculation.

(2) *Faculty Support Block Grant* – would include funds for (a) Instructional Improvement; (b) Faculty and Staff Diversity; (c) Part-Time Faculty Compensation; (d) Part-Time Faculty Office Hours; (e) Part-Time Faculty Health Insurance; and (f) Faculty and Staff Development.

Staff recommends that the committee request that the California Community Colleges, in conjunction with the various constituency groups, examine the structure of the annual Budget Act and make recommendations to the appropriate fiscal and policy committees for potential consolidation of similar categorical programs, and assess the option of enacting a Budget Act Control Section to allow the Chancellor's Office to transfer otherwise unexpended funds between categorical programs.

ACTION:

- B. **CATEGORICAL PROGRAM REDUCTIONS (ACTION ITEM)** The Governor's Budget proposes reductions (Proposition 98) in the following categorical programs: In the aggregate, the LAO recommends that these programmatic reductions be approved, primarily because reductions would not affect the community colleges' core mission of providing instruction.

(1) *Services to CalWORKs recipients (-\$50 million).* The Governor's Budget, as one of several actions to bring CalWORKs expenditures within the minimum funding amount required by federal law, proposes eliminating \$50 million of Proposition 98-funded community college services to CalWORKs recipients. The Administration believes that many of the services provided with these funds can now be provided by counties and/or absorbed by colleges. The budget retains \$15 million for child care expenditures for CalWORKs recipients enrolled in community college, and continues to pass through \$8 million in TANF funds. Funds for this program have been used by the community college system to cover costs for providing support services and instruction for CalWORKs students, including job placement and coordination; curriculum development and redesign; child care and work study; and instruction.

The community college system has produced an annual report, since 1997-98, on the conduct of its CalWORKs program. Their most recent report found that the community college system served 108,000 students in 1999-00. At the same time, the specific CalWORKs programs on all 108 college campuses served 47,000 students annually with direct services. This represents an increase of 73% since the beginning of welfare reform. Further, the Community College Chancellor's office has recently completed a study of outcomes for CalWORKs recipients. They have found that CalWORKs students substantially increase their earnings after exiting and increase their steady employment after exiting. Staff recommends that the proposed reductions for this program be placed on the "Checklist" pending the May Revision.

(2) *Matriculation (-\$26.8 million).* Community Colleges provide matriculation services to help students identify, assess and meet their educational goals. Matriculation services include enrollment, orientation, skills evaluation, counseling, referrals, and related activities. The current-year budget

provides \$76.3 million for matriculation services. The Governor's proposed 2002-03 Budget reduces this amount to \$49.5 million, which is approximately the amount provided in fiscal year 1996-97. Staff recommends that this reduction be placed on the "checklist" pending the May Revision.

(3) Telecommunications and Technology (-\$19.8 million). The Telecommunications and Technology Infrastructure Program (TTIP) supports the development and expansion of technological applications at community college campuses. Funding is divided among: (1) allocations to all community college districts for the development of computer and related information networks; (2) competitive grants for technology that improve student learning; and (3) allocations to districts to fund faculty and staff training in the use of technology. Funding for TTIP in the current year is \$44.3 million. The Governor's Budget proposes to reduce this amount to \$24.5 million, which is slightly less than the amount provided in fiscal year 1999-2000, and deletes all funding for the faculty and staff training. Staff recommends that this reduction be placed on the "checklist" pending the May Revision.

(4) Fund for Student Success (-\$10 million) The Fund for Student Success was established in 1997-98 mainly to provide competitive, limited-term grants for the development of campus programs that improve student performance. Budget Bill Language requires that competitive grant funding is available for a limited duration, after which programs initiated with Fund for Student Success grants must be absorbed by the college. In the current year, \$16.2 million is provided for this program; this amount is proposed to decrease to \$6.2 million in 2002-03. The \$6.2 million would be available for specified outreach programs, but no funding would be provided for competitive grants. Staff recommends that this reduction be placed on the "checklist" pending the May Revision.

(5) Economic Development (-\$9.9 million). Beginning in 1999-2000, the community colleges budget included additional funding for economic development programs. The amount rose from \$5.2 million in 1990-91 to \$50.2 million in 2001-02. The Governor's proposed 2002-03 budget reduces the amount available for economic development to \$40.3 million, which would provide: \$9.2 million for grants to regional business resources and centers, \$16.4 million for regional development and training program grants, \$3.6 million for economic development networks, \$5 million for job creation for public assistance recipients, \$2.1 million for Mexican International Trade Centers, and \$4 million for nursing programs. Staff recommends that this reduction be placed on the "checklist" pending the May Revision and that the committee request the LAO and community colleges to examine options for implementing the proposed \$9.9 million reduction in a manner that causes the least amount of disruption to the ongoing operations of the regional centers.

(6) Faculty and Staff Development (-\$5.2 million). Since 1992-93, the community colleges have received \$5.2 million annually for campus-based faculty and staff development. Funded activities include training, conferences, workshops, and similar development opportunities to increase the effectiveness of community college faculty and staff. The Governor's 2002-03 Budget proposes to eliminate funding for this program. Staff recommends that this reduction be placed on the "checklist" pending the May Revision.

ACTION:

- 2. PARTNERSHIP FOR EXCELLENCE (INFORMATIONAL ITEM).** The annual Budget Act provides funding for the Partnership for Excellence (PFE) program, which is established in statute and was initially designed to provide supplementary funding to the community colleges in exchange for a commitment to improve student outcomes in specified areas. Statute requires the community colleges to develop specific goals related to (1) student transfer, (2) degrees and certificates, (3) successful course completion, (4) workforce development, and (5) basic skills. The Governor's proposed 2002-03 budget contains \$300 million for this purpose.

Funding is provided to the Chancellor's Office and is then distributed to districts based on student enrollment. Districts are allowed great discretion in the use of the dollars, as long as the funds are expended in a manner that will improve student success and make progress toward the system goals.

The Legislative Analyst takes issue with this program, asserting that the PFE program has failed to meet its objectives and lacks accountability. Specifically, the LAO recommends that the Legislature either modify the PFE program by either (1) requiring that funds (or a portion of the funds) be distributed to districts based on their actual performance in meeting state goals or (2) repeal the program altogether and consolidate the \$300 million worth of funding for the PFE program into the base "apportionments" line item for the community colleges. *Staff notes* that the later option would essentially allow for the program to receive additional funding for growth and COLA (which DOF estimates to be approximately \$15 million annually).

As discussed above, the Governor's 2002-03 Budget proposes to reduce funding for several community college categorical programs by a total of \$121.7 million. The Administration asserts that these reductions are reasonable at least partially because districts would be able to use funding provided under the Partnership for Excellence Program to essentially "backfill" the proposed reductions.

Staff notes that the PFE program was established in statute and any programmatic changes (including its repeal) are best dealt with through the policy committee process. In addition, it is important to note that existing statute calls for the program to sunset January 1, 2005, and its continuation will require further action on behalf of the Legislature within the next two years.

- 3. ADDITIONAL SUPPORT FOR ENROLLMENT GROWTH (ACTION ITEM).** The Governor's 2002-03 Budget proposes \$118.7 million to provide for a three percent growth in student enrollment and selected categorical programs. This exceeds the statutory requirement to provide a 1.94 percent increase for enrollment growth, but falls short of the 3.5 percent increase requested by the Community Colleges Chancellor's Office. If the Legislature were to fund an additional ½ percent enrollment growth the cost would be approximately \$26.2 million. Staff recommends that the committee place funding for this purpose on the "checklist" pending the May Revision. *As an additional note*, in the current year 36 community colleges state wide are overenrolled (by a total of 27,000 students) and have enrolled students for which they receive no funding. Almost half of these "unfunded" students (11,665 students) are enrolled in the Los Angeles Community College District.

ACTION:

V. Consent

Staff recommends that the following budget items be Approved as Budgeted. No issues have been raised with regard to any of these items:

6440-001-0007 – Support, University of California, payable from the Breast Cancer Research Account. \$14,729,000

6440-001-0046 – Support, University of California, Institute of Transportation Studies. Payable from the Public Transportation Account, State Transportation Fund. \$980,000

6440-001-0234 – Support, University of California, payable from the Research Account, Cigarette and Tobacco Products Surtax Fund. \$19,434,000

6440-001-0308 – Support, University of California, payable from the Earthquake Risk Reduction fund of 1996. \$1,500,000

6440-001-0321 – Support, University of California, payable from the Oil Spill Response Fund. \$1,300,000

6440-001-0814 – Support, University of California, payable from the State Lottery Education Fund. \$21,962,000

6440-001-0890 – Support, University of California, federal GEAR UP program. Payable from the Federal Trust Fund. \$5,000,000

6440-001-0945 – Support, University of California, payable from the California Breast Cancer Research Fund. \$480,000

6440-002-0001 – Support, University of California. (\$55,000,000)

6440-003-0001 – Support, University of California, payments on lease-purchase bonds. \$104,689,000

6440-004-0001 – Support, University of California. Planning and startup of Merced Campus. \$13,900,000

6440-005-0001 – Support, University of California. One-time funds to support the California Institutes for Science and Innovation. \$4,750,000

6610-001-0498 – Support, California State University, payable from the Higher Education Fees and Income, CSU Fund. \$706,091,000

6610-001-0890 – Support, California State University, payable from the Federal Trust Fund. \$27,500,000

6610-002-0001 – Support, California State University. Legislative, Executive and Judicial Fellowship Programs and Center For California Studies. \$2,887,000

6610-003-0001 – Support, California State University, payments on lease-purchase bonds. \$60,201,000.

6870-001-0574 – Support, Board of Governors California Community Colleges, Facilities Planning, payable from the 1998 Higher Education Capital Outlay Bond Fund. \$985,000

6870-001-0909 – Support, Board of Governors California Community Colleges, payable from the Community Colleges Fund for Instructional Improvement. \$10,000

6870-001-0925 – Support, Board of Governors California Community Colleges, payable from the California Business Resources and Assistance Innovation Network Fund. \$10,000

6870-101-0814 – Local Assistance, California Community Colleges, payable from the State Lottery Education Fund. \$138,089,000

6870-101-0909 – Local Assistance, California Community Colleges, payable from the Community Colleges Fund for Instructional Improvement. \$1,975,000

6870-101-0925 – Local Assistance, California Community Colleges, payable from the California Business Resources and Assistance Innovation Network Fund. \$15,000.

6870-101-0959 – Local Assistance, California Community Colleges, payable from the Foster Children and Parent Training Fund. \$2,967,000

6870-103-0001 – Local Assistance, California Community Colleges (Proposition 98), payments on lease-purchase bonds. \$37,076,000

6870-111-0001 – Local Assistance, California Community Colleges, CalWORKS services, Americorps, Foster Parent Training, Vocational Education. \$0. (all programs offset by reimbursements).

6870-295-0001 – Local Assistance, California Community Colleges (Proposition 98), Health Fees. \$1,691,000

FINANCE LETTERS:

6870-001-0001 – State Operations, California Community Colleges. Continuation of AmeriCorps Program Interagency Agreement. Increase Reimbursements by \$1,013,000 and extend 6.6 otherwise expiring personnel years.

6870-111-0001 – Local Assistance, California Community Colleges. Decrease reimbursements by \$266,000 pursuant to AmeriCorps Program Interagency Agreement.

6870-301-0574 – Capital Outlay, California Community Colleges. Increase by \$1,881,000 to reflect increases in the following capital outlay projects: (1) Orange Coast College Library, \$1,449,000; (2) West Los Angeles College Child Development Center, \$230,000; and (3) San Bernardino Valley College Art Seismic Replacement, \$202,000.

6870-301-6028 – Capital Outlay, California Community Colleges. Increase by \$4,411,000 to reflect increases in the following capital outlay projects: (1) San Mateo Community College District, Seismic Upgrade, \$1,817,000; (2) Skyline College Seismic Retrofit – Gym Bldg., \$136,000; (3) Cerritos Colleges Science and Math Complex, \$1,797,000; and (4) San Joaquin Delta College, Electron Microscopy Technology Center, \$661,000.

6870-497 – Reversion, California Community Colleges. Add Item to revert appropriations from the following projects which were budgeted in the 2000 Budget Act: (1) Orange Coast College Library Project; and (2) San Mateo Community College District, Seismic Upgrade.

ACTION:

Jack O'Connell, Chair
John Vasconcellos
Bob Margett

PART I

May 8, 2002
1:30 p.m. — State Capitol Room 2040

I. Child Care and Child Development..... Page 2

II. Before and After School Program Page 4

III. Child Development Policy Advisory Committee..... Page 5

I. Child Care and Child Development

Background. The state makes subsidized child care services available to families transitioning off public assistance programs and to other families with exceptional financial need. Child care services provided within the California Work Opportunity and Responsibility to Kids (CalWORKs) program are administered by both the California Department of Social Services and the California Department of Education, depending upon the “stage” of public assistance transition the family is in. Stage 1 child care services are administered by the Department of Social Services to families while on aid, while Stages 2 and 3 are administered by the Department of Education. Families receiving Stage 2 child care services are either receiving a cash public assistance payment or are in a two-year transitional period from cash assistance. Families receiving Stage 3 child care services have either exhausted their two-year Stage 2 eligibility or are deemed to have exceptional financial need; the latter population is better known as the California’s “Working Poor.”

BUDGET ISSUES.

GOVERNOR’S PROPOSED REFORM (BACKGROUND). The Governor’s 2002-03 Budget proposed a major reform of the state’s subsidized child care system which would have modified current eligibility rules, reimbursement rate limits, and family fees. As a result of subsequent discussions, the Administration is in the process of revising the original proposal as part of the May Revision. At this point in time, it is unclear which components of the Governor’s original proposal will remain, and which will be revised or excluded all together.

1. RESTORATION OF EXISTING CHILD CARE PROGRAM STRUCTURE AND FUNDING (ACTION ITEM).

Given the limited amount of time available for the Legislature to review the Governor’s revised Child Care reform proposal, which is due as part of the May Revision, staff recommends that the committee take action to (1) deny the Governor’s January restructuring proposal; (2) reinstate the existing child care system; and (3) fully-fund the Stage 3 “set aside” (estimated at \$110 million above the Governor’s proposed spending level for child care).

In order to finance this additional \$110 million expenditure, staff recommends that the committee: (1) capture savings from previously unexpended funds and (2) capture savings from unallocated program expansion funding, as follows:

A. ***Previously Unidentified Savings.*** Specifically, the Legislative Analyst identifies the following \$51.2 million in previously unidentified (one-time) savings to help restore funding for the Stage 3 “set aside” in the Budget Year:

- \$26.4 million in one-time Proposition 98 savings due to a delay in expanding childcare and state preschool services in the current year;
- \$17.9 million in unanticipated one-time federal funds, which have been made available to the state in the current year explicitly for childcare expenditures;

- \$4.2 million in non-CalWORKS childcare funds carried over from 2000-01;
- \$2.7 million in CalWORKS childcare carryover funds (\$1.3 million Proposition 98 and \$1.4 million federal funds) from 2000-01.

Staff recommends that the committee approve the reappropriation and subsequent expenditure of these funds for the Stage 3 “set-aside”. Further staff recommends that the committee consider implementing additional programmatic changes in order to finance the remainder (\$58 million) of the \$110 million shortfall:

B. Potential Programmatic Changes. The LAO presents the Legislature with a variety of options to reap additional Proposition 98 savings in order to fully-fund the Stage 3 “set aside.” Specifically, the LAO offers the following recommendations:

- *\$24.8 million - Reduction of the State Preschool program.* The Governor’s Budget includes a total of \$308 million (Proposition 98) for state preschool programs. Of this amount, \$14.8 million in expansion funds have yet to be distributed and CDE plans to initiate a request for application process in the budget year to fund additional state preschool slots. In addition, \$10 million has been set-aside within the Child Care Facilities Revolving Fund for state preschool facilities. These dollars will likely not be necessary if the program expansion funds are redirected for other purposes.
- *\$10 million - Deletion of the CalWORKS Center-Based Pilot Program.* The Governor’s Budget includes \$10 million for the implementation of a pilot program which would allow CalWORKS families to receive care in childcare centers, under contract with CDE. These funds were originally appropriated in 1999-2000 and have yet to be expended due to implementation difficulties at the CDE.
- *\$5.5 million - Elimination of 13 year old children from subsidized care.* As part of the Governor’s initial child care reform proposal, the budget includes the elimination of childcare services for 13 year olds, which saves approximately \$5.5 million annually. The Administration contends that no other state provides subsidized childcare for 13 year olds, primarily due to the fact that federal child care funds can only be expended on children up to and including age 12. Further, staff notes that 13 year olds may also be better served through existing Before/After School Programs.
- *\$15.3 million - Elimination of childcare services for “Grandfathered” families.* The Governor’s budget also proposes to eliminate subsidized childcare services to those families whose income exceeds 75 percent of the state median income (SMI), but is under 100 percent of the SMI. These families were initially “grandfathered” into the existing system in 1997, when the state decreased eligibility from 100 percent of SMI to 75 percent.
- *\$34 million - Eliminate payments in arrears.* CalWORKS guarantees the payment of childcare expenses for CalWORKS recipients who are working or in training. Typically, payment for these services begins after the individual’s self-sufficiency plan is approved; however, in certain cases, counties have interpreted this “guarantee” of payment to cover those individuals who were working (or in training) and on aid who, not knowing

subsidized childcare services were available, paid for the care themselves. Since current law does not specifically prohibit counties from retroactively paying CalWORKS recipients for childcare services, counties have interpreted the law to allow for the reimbursement of payment, as long as the recipient would have been eligible for childcare services during the time they paid for those services “out-of-pocket.”

Since retroactive payments have been allowed under current law, these additional cases (and accompanying dollars) have been built into counties Stage 1 CalWORKS childcare estimates (as budgeted within the Department of Social Services). Savings from the elimination of this practice is expected to be between \$34 million and \$47 million annually. Staff recommends that the committee recommend that Senate Budget Subcommittee #3 (Health and Human Services) adopt Trailer Bill Language to eliminate this practice (to be drafted by the Legislative Analyst) and redirect approximately \$34 million annually in savings to Stage 1 childcare services

Action:

2. FINANCE LETTER – CHILD CARE / DEVELOPMENT RESTRUCTURING STUDY (ACTION ITEM).

The Governor’s budget proposes \$300,000 (federal funds) for continuing data analysis associated with the Administration’s childcare reform efforts. The funding level has remained constant over the past two years and has been provided from a pool of funds (\$20 million) which was set-aside to create a statewide childcare data collection system. For the past two years the State and Consumer Services Agency has contracted with a research and consulting firm (The Results Group) to run various scenarios and cost models related to the Governor’s childcare reform proposals. The Department of Finance (through a Spring Finance Letter) has requested a change in the budget bill language that accompanies this appropriation. Specifically, DOF requests that the funds be transferred to the Department of Social Services rather than the State and Consumer Services Agency. This change corresponds with the Administration’s decision to designate the Department of Social Services as the “lead” agency for its childcare reform efforts.

Staff notes that the contract for services is between the Results Group and State and Consumer Services, although the funds are appropriated to the Department of Education. This contracting relationship has caused consternation among CDE staff and legislative staff as they have sought additional, and many time clarifying, information about the population being affected by various reform proposals. Staff recommends that the committee approve the Finance Letter.

Action:

3. CHILD CARE DATA COLLECTION BUDGET BILL LANGUAGE (ACTION ITEM).

The Governor’s 2002-03 Budget carries over unused funding from a \$22 million set-aside established five year ago to implement a statewide childcare data collection system. The 1997-98 budget provided this one-time federal funding to CDE for this purpose, in order to comply with federal reporting requirements and provide basic demographic information to assist state policymakers. Currently, there is no statewide data collection system, and obtaining information related to the number of ages of children currently served (by geographic location and income) is

extremely difficult. As a result, the Administration hired an outside contractor (Results Group) to collect and utilize such data as it was developing its childcare reform proposal.

The Department of Finance proposes budget control language that would specify a number of data elements for the comprehensive data collection system and require that the measures be used to ensure compliance with any enacted child care reforms. DOF has indicated its desire to utilize the Data Collection system to detect fraud, yet this was not the original purpose of the system. Utilizing the system for this purpose would likely require additional technical changes, further delaying its implementation. Staff recommends that the committee adopt the following revisions to the existing Budget Bill Language on this project (Note - this action conforms to an action taken in the Assembly):

Item 6110-196-0001 Provision 8(c)

The State Department of Education shall ensure that any long-term data collection system adopted by the department is able to collect data specified by Provision 8(c)(6) of Item 6110-196-0001 of the Budget Act of 2000 (Chapter 52, Statutes of 2000) to the extent determined feasible by the data collection task force, pursuant to Provision 8(b). ~~Additionally, the State Department of Education shall ensure the data collection system will facilitate childcare reforms consistent with legislation adopted in the 2002 Legislative Session, including cumulative family time receive subsidies, family fee and income verification, and other measure to ensure compliance.~~

Action:

II. After School Programs

Background. The After School and Safe Neighborhoods Partnership Program was created in 1998 to provide much-needed after-school care to students. The program was initiated partly out of concern over high juvenile crime rates between the hours of 3:00 and 6:00 PM, and the linkage between these rates and the lack of supervision for school-age children during these hours. The program has been expanded in the current year (with funding appropriated in the 2001 Budget Act) to allow for a “before-school” component. This program provides competitive grants to schools, which in partnership with communities, provide a safe and constructive academically-rich environment for students in grades Kindergarten through nine.

1. AFTER SCHOOL & SAFE NEIGHBORHOODS PARTNERSHIP PROGRAM EXPANSION (ACTION ITEM)

The 2001-02 Budget Act included an additional \$29.7 million for the After School and Safe Neighborhoods Partnership Program in order to expand the After School program and establish a Before School component, bringing the total budget for the program to \$117.5 million in the current year. However, the expansion of this program was dramatically halted in January 2002 when Senate Bill 1XXX (Peace) reduced funding by \$22.2 million (while retaining \$7.5 million to start the Before-School component during the last three months of the current fiscal year.)

In 2002-03 the Governor proposes to expand the program by \$67.5 million (for a total program budget of \$162.8 million) by: (1) redirecting \$30 million in savings obtained in the child care program (through the implementation of a new fee structure); (2) reinstating the \$22.5 million that was cut in the current year; and (3) expanding the program by an additional \$15 million.

Assuming the Legislature chooses not to implement the Governor's initial childcare proposal, the proposed expansion of the After School Program will either need to be reduced by \$30 million (since there are no new fee revenues to fund the augmentation) or the committee will need to redirect \$30 million in Proposition-98 funds from another program.

Given the condition of the General Fund, staff recommends that all new/expansion funding for this program (\$67.5 million) be placed on the "checklist" pending the May Revision.

Action:

2. FEDERAL 21ST CENTURY LEARNING CENTERS (INFORMATIONAL ITEM)

The federal 21st Century Community Learning Centers provide academic enrichment and recreational activities to students before and after regular school hours. In the past, the federal Department of Education awarded competitive grants for these centers directly to local education agencies (LEAs). The reauthorization of the Elementary and Secondary Education Act (ESEA) converts the 21st Century Centers to a state formula grant program.

The federal budget for federal fiscal year 2002 includes \$41.5 million for California to provide new grants to LEAs for the 21st Century Learning Centers; these funds are not proposed for expenditure in the Governor's January budget. Details on the implementation of the new 21st Century program are still pending; however, the Legislative Analyst recommends that the state regulations governing the Federal 21st Century Program be aligned, as much as possible, to the state's Before and After School Program. Further, the LAO recommends that the Legislature appropriate these funds in the budget year to provide before and after school services to additional students.

Staff notes that if indeed the federal 21st Century Program is closely aligned with the state's Before and After School Program, the committee may wish to reduce funding for the Before and After School Program, and appropriate the federal funds with the understanding that they would be available for a similar program and purpose.

III. Item #4220 Child Development Policy Advisory Committee (CDPAC)

Background. The Child Development Policy Advisory Committee (CDPAC) was created in 1965 (Assembly Bill 1331, Unruh) as the Governor's Advisory Committee on Preschool and Educational Programs. CDPAC operates as a citizen's review board comprised of representatives from five state departments and appointed members, including parents, public members, and family child care and child care center operators. Its mission is to provide a forum for public input on child development, and to provide public policy recommendations to the Governor, the Legislature, the Superintendent of Public Instruction, and the Secretary of Education that encourage policies and programs which are long range, developmentally appropriate and socially advanced.

- 1. PROPOSED ELIMINATION OF CDPAC (ACTION ITEM).** The Governor's 2002-03 Budget proposes to eliminate CDPAC, as of January 1, 2003. Statutory language is proposed for the Social Services Trailer Bill, and the Governor's Budget proposes \$227,000 General Fund and 4.2

positions to cover CDPAC from July 1, 2002 through December 31, 2002. This represents a reduction of \$265,000 and 4.2 positions from its current-year base budget. The budget also decreases CDPAC's expenditure authority to account for decreased reimbursements during its six months of operation.

The Governor's proposal saves \$265,000 General Fund in the budget year, yet it eliminates an organization that has provided non-partisan policy advice and guidance for many years. Staff recommends that the committee take action to retain this agency by:

- (1) Recommending to Senate Budget Subcommittee on Health and Human Services that it reject the Governor's proposed Trailer Bill Language to eliminate the Committee;*
- (2) Restoring 1.1 Personnel Year (for a total of 5.3 PYs); and*
- (3) Appropriating a total of \$612,000 (\$360,000 General Fund and \$252,000 reimbursements).*

This action reflects a ten percent reduction of General Fund Operating Equipment and Expenses and the deletion of 3.1 PYs (with accompanying costs) and amounts to a \$133,000 General Fund increase above the amount proposed by the Governor.

Action:

Jack O'Connell, Chair
John Vasconcellos
Bob Margett

May 15, 2002
1:30 p.m. — State Capitol Room 2040

OPEN ISSUES AND MAY REVISION ISSUES

Brief May Revision Overview (Legislative Analyst's Office).....

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II. Commission on Teacher Credentialing..... Page 2

III. Preschool Education Project..... Page 2

IV Cal Grant Competitive Awards Page 3

V. Consent Page 4

I. California State Library

1. **CALIFORNIA RESEARCH BUREAU. REDIRECTION TO SUPPORT RESTORATION OF TWO POSITIONS (ACTION ITEM).** The California Research Bureau has requested that the committee redirect an existing appropriation to restore funding for two research positions within the California Research Bureau. The Legislature appropriated \$150,000 (ongoing) to the CRB in order for CRB to contract with outside researchers to address public policy research issues. Staff recommends that the committee restore the two previously deleted PYs and amend existing provisional language to allow the funds to be used for personal services.

6120-011-0001 Provision 2.

2. Of the amount appropriated in this item, \$150,000 shall be used ~~by the California Research Bureau, in consultation with the Senate Rules and Assembly Rules Committees, to restore funding and authorization for two research positions within the California Research Bureau, in order to provide public policy research support to the Legislature and the Governor. to contract with outside researchers to address public policy research questions.~~

Action:

2. **MAY REVISION. REDUCE LIBRARY OF CALIFORNIA (ACTION ITEM).** As part of the May Revision, the Governor requests that Item 6120-102-0001 be decreased by \$2,390,000 (from \$3,390,000 to \$1,000,000) in order to meet the state's budget shortfall. According to the Administration, the budget continues to provide public libraries with some resources from available funds for ensuring access to library materials through the California Library Services Act and other program allocations (such as the Public Library Foundation). Staff recommends that this reduction be Approved As Budgeted.

Action:

3. **MAY REVISION. REDUCE PUBLIC LIBRARY FOUNDATION (ACTION ITEM).** As part of the May Revision, the Governor requests that the Public Library Foundation be further decreased by \$11,812,000, from \$41,812,000 to \$30,000,000. This reduction, combined with the reduction originally proposed by the Governor in January (\$11.2 million) would reduce program funding by \$23 million (from \$53 million in the current year to \$30 million in the budget year.)

At an earlier hearing, the committee placed the original \$11.2 million reduction on the "checklist" pending the May Revision. The Legislative Analyst offers no recommendations on this program, and the Administration contends that it has provided substantial increases in funding in previous years when funding was available. Staff recommends that the reduction be Approved As Budgeted.

Action:

II. Commission on Teacher Credentialing

1. **BUDGET BILL LANGUAGE – REPORTING ON FEDERAL FUNDS (ACTION ITEM)** Given earlier discussions within this committee regarding the Commission on Teacher Credentialing's use of federal funds, staff recommends that the committee adopt the following Budget Bill Language. This language conforms to an action taken by the Assembly:

Item 6360-001-0001. New Provision.

By March 15, 2003, CTC shall report to the fiscal subcommittees on (1) the amount of federal carryover money it expects to have at the end of the 2002-03 fiscal year and (2) its plan for expending these monies in the 2003-04 fiscal year.

Action:

III. Department of Education

1. **BUDGET BILL LANGUAGE – PRESCHOOL EDUCATION PROJECTS (ACTION ITEM)** As in prior years, the Governor's Budget proposes to continue the appropriation of \$425,000 for preschool education projects including, but not limited to, projects operated by public television stations in specified cities. The language has been in the budget for at least several years, but does not include Sacramento as one of the municipalities eligible to receive funding under this provision. According to advocates from the region, Sacramento was included in the original group of stations that first sought state funds in support of the Sesame Street Preschool Education Project, but voluntarily dropped out of the program in 1995. Given the recent evolution of the Sesame Street Preschool Education Project to include a more comprehensive ready-to-learn component, Sacramento would like to be added back into the list of stations eligible for the funds. Advocates contend that the other municipalities currently receiving funding have concurred with the need for the change. Staff recommends that the committee adopt the following Budget Bill Language:

Item 6110-196-0001, Provision 7 (e):

The State Department of Education shall allocate \$425,000 to preschool education projects including, but not limited to, those operated by public television stations in Redding, Sacramento, San Francisco, San Jose, Los Angeles, Fresno, and San Diego. Of this amount, the department shall allocate up to \$320,000 to public television stations in Redding, Sacramento, San Francisco, San Jose and Los Angeles, based upon the satisfaction by the projects operated by the public television stations in each of those cities of all of the following criteria: (1) the 30-percent minimum match; (2) a plan that identifies the providers to be trained; (3) number of trainers to be trained; (4) the quality of the training offered; (5) linkages to the child care community; and (6) cost-effectiveness. The balance of the \$425,000 identified in this subdivision shall be made available to support projects in Fresno and San Diego, based upon the determination by the State Department of Education that satisfaction by the projects operated by the public television station in each of those cities of the criteria set forth in (1) to (6), inclusive, of this subdivision. As a condition of receiving

funds as described in this subdivision in the 2002-03 fiscal year, each grantee that received funds in the 2001-02 fiscal year shall complete and submit to the State Department of Education, no later than March 1, 2003, an evaluation of the effectiveness of the project operated by the grantee in improving the quality of child care provided in the affected community.

Action:

IV. Student Aid Commission

BACKGROUND. In 2000, the Legislature and the Governor established the Cal Grant Entitlement and Competitive Awards Program (Chapter 403, Statutes of 2000) which guarantees a financial aid grant to all students meeting the minimum grade point average and family financial need requirements. Students that were ineligible for the Cal Grant Entitlement Program may apply for one of 22,500 Competitive Cal Grant A and B awards, which are available to applicants who meet financial, academic and other program eligibility requirements. Half of the competitive awards (11,250) are set-aside for students who are enrolled at the Community Colleges; these students must meet a later (September 2nd) application deadline.

In the current year, the Student Aid Commission issued 22,500 award letters, notifying students that they were eligible for a competitive award. In any given year, a certain percentage of students will elect not to utilize their Cal Grant award. This choice may be due to a student choosing not to attend college or deciding to attend an out-of-state institution. It is unclear how many students (of the 22,500 that received award letters) will elect to utilize the grant.

1. **CARRYOVER OF UN-UTILIZED COMPETITIVE CAL GRANT AWARDS (ACTION ITEM)** Statute governing the Cal Grant program specifically states that “a total of 22,500 Cal Grant A and B awards shall be granted annually ... on a competitive basis...” and unless a change is made to both the budget bill language and statute governing this item a full 22,500 awards will not be utilized by students in the current year. Staff recommends that the committee take action to allow the Student Aid Commission to “carry over” un-utilized Cal Grant A and B competitive awards, and the accompanying dollars, from one fiscal year to the next. This will allow the Student Aid Commission to provide additional Cal Grants in the Budget Year to offset for the under-utilization of the grants in the current year. Specifically, staff recommends that the committee adopt the following:
 - a) Adopt a new Provision #6 in Item 7980-101-0001 as follows:
 6. *Notwithstanding any other provision of law, the funds appropriated in this item for competitive Cal Grant A and B awards pursuant to Article 5 (commencing with Section 69437) of Chapter 1.7 of Part 42 of the Education Code are available for expenditure without regard to fiscal years.*
 - b) Revise Item 7980-495 to specify that only unencumbered funds from the Cal Grant Entitlement Program will be reverted to the General Fund.
 - c) Recommend to the Senate Education Committee that it adopt Trailer Bill Language specifying that more than 22,500 Competitive Awards may be granted in a particular year if the additional awards equal the number of un-utilized awards from a prior year.

- d) Request that the Student Aid Commission and Department of Finance provide the committee (by Saturday May 18, 2002) with any other 2002-03 Budget Act revisions that may be necessary to implement this recommendation.

V. Consent

Staff recommends that the following items be Approved as Budgeted. No issues have been raised with regard to any of these items:

6110-001-0001. May Revision Finance Letter. Department of Education. Increase reimbursements for Child Nutrition program on a one-time basis to account for reimbursements from the Health As Partners in Education Program (Issue 353).

6110-112-0001. May Revision Finance Letter. Department of Education. Decrease funding for Instructional Time and Staff Development Program by \$1,103,000 to reflect decrease in statutory COLA, with accompanying Budget Bill Language (Issue 602).

6110-123-0001(3) May Revision Finance Letter. Department of Education. Public School Accountability Act, Low Performing Schools, \$197,000,000.

6110-191-0001. May Revision Finance Letter. Department of Education. Decrease funding for Beginning Teacher Support and Assessment Program by \$402,000 to reflect a decrease in the statutory COLA, with accompanying Budget Bill Language (Issue 602).

6110-193-0001. May Revision Finance Letter. Department of Education. Decrease by \$175,000 to reflect a \$449,000 decrease due to the change in the COLA and an increase of \$274,000 in the statutory growth rate from 1.07 to 1.37 percent for the Staff Development Program, with accompanying Budget Bill Language (Issues 601 and 602).

6110-198-0001. May Revision Finance Letter. Department of Education. Decrease by \$35,000,000 to reflect slow ramp up of CalSAFE program (Issue 353).

6110-198-0001. May Revision Finance Letter. Department of Education. Decrease by \$743,000 to reflect a decrease in the statutory COLA for the CalSAFE program (Issue 602).

6110-201-0890. May Revision Finance Letter. Department of Education. Augment item by \$4,200,000 to reflect revised estimate of federal reimbursements for meals to low-income children.

6120-012-0001. May Revision Finance Letter. California State Library. Decrease reimbursements for Lease Revenue Payments (Issue 100) by \$47,000 and increase reimbursements by \$47,000

6120-211-0001. May Revision Finance Letter. California State Library. Decrease funding by \$610,000 for the California Library Services Act (Issue 104).

6360-101-0001. May Revision Finance Letter. Commission on Teacher Credentialing. Decrease funding for California Mathematics Initiative for Teaching (Issue 001) to reflect revised participant estimates.

6360-101-0890. May Revision Finance Letter. Commission on Teacher Credentialing. Increase funding by \$2,763,000 to account for additional Federal Title II funds for the continued development of the Teaching Performance Assessment, with accompanying Budget Bill Language and technical changes (Issue 002).

6360-101-0001. May Revision Finance Letter. Commission on Teacher Credentialing. Decrease current year funding by \$24,350,000 (Issue 002) to capture savings associated with lower than anticipated participation in the Alternative Certification and California Pre-Internship Teaching Programs (\$13.5 million), the Paraprofessional Teacher Training Program (\$10.5 million) and the monitoring of teacher assignments (\$350,000).

6440-001-0001. May Revision Finance Letter. University of California. Increase funding by \$2,784,000 to account for increased annuitant health and dental benefits (issue 112).

6440-003-0001. May Revision Finance Letter. University of California. Decrease General Fund by \$13,803,000 and increase reimbursements by \$1,375,000 to reflect revised lease-purchase payments.

6440-301-0001. May Revision Finance Letter. University of California. Decrease by \$356,000 to delete the UC Davis, Thurman Laboratory Project.

6440-301-6028. May Revision Finance Letter. University of California. Increase item by \$16,175,000 to reauthorize and add construction funds for the Irvine Campus, Rowland Hall Seismic Improvement project due to a change in the seismic solution that increases the size of the project.

6440-301-6028. May Revision Finance Letter. University of California. Add provisional language to extend the period of availability of funds for six months for projects to be funded with the Higher Education Capital Outlay Bond Fund of 2002.

6440-302-0574. May Revision Finance Letter. University of California. Increase item by \$725,000 to add preliminary plan, working drawing, and construction phases for the Santa Cruz Campus, Sinsheimer Laboratories Fire Sprinkler project.

6440-302-6028. May Revision Finance Letter. University of California. Revise Provision 4 of this item to extend the period of availability of funds by six months for projects to be funded with the Higher Education Capital Outlay Bond Fund of 2002.

6440-491 Add Reappropriation Item. University of California (Capital Outlay). Reappropriate funding for following seven projects:

- a) Berkeley, Seismic Safety Corrections, Le Conte Hall—Construction (Fund 0574)
- b) Merced, Site Development and Infrastructure, Phase 1—Working drawings and construction (Fund 0574)
- c) Merced, Site Development and Infrastructure, Phase 1—Construction (Fund 0660)
- d) Merced, Science and Engineering Building—Construction and equipment (Fund 0660)
- e) Merced, Library and Information Technology Centers—Construction and equipment (Fund 0660)
- f) Los Angeles, Health Sciences Seismic Replacement Building 2—Construction (Fund 0574)
- g) Riverside, Heckmann International Center for Management—Preliminary plans, working drawings, construction and equipment (Fund 0660)
- h) Irvine, Rowland Hall Project – Preliminary plans and working drawings (Fund 6028)

6600-301-6028. May Revision Finance Letter. Hastings College of Law. Add provisional language to item to extend the period of availability of funds for six months for projects to be funded with the Higher Education Capital Outlay Bond Fund of 2002.

6600-491 Add Reappropriation Item. Hastings College of Law (Capital Outlay). Reappropriate funding for the 198 McAllister Street Building Renovation project due to litigation delays in finalizing the construction contract.

6610-001-0001. May Revision Finance Letter. California State University. Increase funding by \$38,000 to account for increased annuitant health and dental benefits (issue 105).

6610-003-0001. May Revision Finance Letter. California State University. Increase General Fund and reimbursements by \$209,000 and \$260,000 respectively to account for increased lease-purchase related insurance costs.

6610-301-6028. May Revision Finance Letter. California State University. Add provisional language to item to extend the period of availability of funds for six months for projects to be funded with the Higher Education Capital Outlay Bond Fund of 2002.

6610-301-6028. May Revision Finance Letter. California State University. Increase item by \$26.8 million to reauthorize project and add construction funding for the Humboldt Campus, Behavioral and Social Sciences Building. The bids for this project exceeded the previous construction appropriation and, as a result, the construction funds were reverted in the Budget Act of 2001.

6610-302-6028. May Revision Finance Letter. California State University. Increase item by \$4,311,000 for preliminary plan and working drawing phases and a portion of the construction phase to fully fund the Monterey Bay Campus, Library project. Assembly Bill 16 (Chapter 33, Statutes of 2002), authorized \$43,951,000 in lease revenue bonds for this project.

6610-302-6028. May Revision Finance Letter. California State University. Revise Provision 4 of this item to extend the period of availability of funds by six months for projects to be funded with the Higher Education Capital Outlay Bond Fund of 2002.

6870-101-0001. May Revision Finance Letter. California Community Colleges. Decrease property tax estimate for apportionments by \$11,612,000 to reflect an increase in property tax revenues (Issue 007).

6870-101-0001. May Revision Finance Letter. California Community Colleges. Decrease item by \$2,145,000 to reflect in increase in anticipated revenue from student fees (Issue 009).

6870-101-0001. May Revision Finance Letter. California Community Colleges. Increase by \$342,000 the amount needed to administer the Board of Governor's (BOG) Fee Waiver Program (Issue 010).

6870-103-0001. May Revision Finance Letter. California Community Colleges. Decrease General Fund by \$403,000 to reflect a shift of funding for lease-revenue funded projects from General Fund to Reimbursements (Issue 100).

6870-301-0574. May Revision Finance Letter. California Community Colleges (Capital Outlay). Increase item by \$3,952,000 for the following projects:

- a) Increase of \$230,000 to reflect the addition of equipment funding for the Los Angeles Community College District (CCD), West Los Angeles College, Child Development Center. Equipment was inadvertently reverted and needs to be included because the project is nearing completion.
- b) Increase \$3,722,000 for the construction phase for the Gavilan CCD, Gavilan College, Adaptive Physical Education project. The project was bid twice and both times the lowest responsible bids were over 20 percent of the original construction appropriation. Consequently, this project needs to be reauthorized to provide sufficient funds to award the bid.

6870-301-6028 California Community Colleges (Capital Outlay) Add provisional language to item to extend the period of availability of funds for six months for projects to be funded with the Higher Education Capital Outlay Bond Fund of 2002.

6870-301-6028 California Community Colleges (Capital Outlay) Decrease by \$33,167,000 to reflect the following:

- a) A reduction of \$1,148,000 to reflect the removal of the construction funding for the Cerritos Community College District, Cerritos College, Seismic Retrofit Metals Building project due to soil conditions at the campus which has required a redesign of the structural retrofit solution.
- b) A reduction of \$750,000 to reflect the removal of the construction funding for the Cerritos Community College District, Cerritos College, Seismic Retrofit of the Electronics Building due to soil conditions at the campus which has required a redesign of the structural retrofit solution.
- c) A reduction of \$4,580,000 to reflect the removal of the construction funding for the Los Angeles Community College District, Los Angeles City College, Child Development Center. The college recently completed their facilities master plan in conjunction with the passage of a local bond measure. The master plan recommends the phasing of other locally funded projects first, which will result in a delay of the construction phase of this project.
- d) A reduction of \$65,000 to reflect the removal of working drawings funding for the Riverside Community College District, Moreno Valley Center, Child Development Center project because the district is financing this phase of the project.
- e) A reduction of \$70,000 to reflect the removal of working drawings funding for the Riverside Community College District, Norco Valley Center, Child Development Center project because the district is financing this phase of the project.
- f) A reduction of \$125,000 to reflect the removal of equipment funding for the San Bernardino Community College District, San Bernardino Valley College, Child Development Center project because of a delay in the construction schedule. This is part of an adjustment where the district has also requested a reappropriation of construction funds in 2002-03.
- g) A reduction of \$26,429,000 to reflect the removal of construction funding for the San Francisco Community College District, Mission Center, Campus Building. The District has encountered environmental issues related to the historical

preservation of the existing Mission Theater, which is proposed to be demolished as part of this project. The District is working to resolve these concerns which may result in additional environmental work and the redesign of preliminary plans.

6870-490 California Community Colleges. Reappropriation. Add Following Projects:

The following 19 projects, which were scheduled to proceed to bid by the end of the fiscal year, are currently at the Division of State Architect (DSA) undergoing review. The construction funding for these projects is being reappropriated to prevent delays if the DSA review is not complete and, as a result, the funds are not encumbered by June 30, 2002:

- a) Los Angeles Community College District (CCD), East Los Angeles College, Technology Building—Construction.
- b) Los Angeles CCD, Los Angeles Trade-Tech College, Building F Mechanical System Conversion—Construction.
- c) Cerritos CCD, Cerritos College, Seismic Retrofit, Liberal Arts—Construction.
- d) Cerritos CCD, Cerritos College, Seismic Retrofit, Social Sciences—Construction.
- e) Contra Costa CCD, Diablo Valley College, Seismic Retrofit - Humanities Building—Construction.
- f) Contra Costa CCD, Diablo Valley College, Life Science Renovation—Construction.
- g) San Bernardino CCD, San Bernardino Valley College, Seismic Replacement - Life Science Building—Construction.
- h) San Bernardino CCD, San Bernardino Valley College, Child Development Center—Construction.
- i) San Bernardino CCD, San Bernardino Valley College, Seismic Retrofit, Auditorium—Construction.
- j) San Bernardino CCD, San Bernardino Valley College, Seismic Retrofit, Business Building—Construction.
- k) San Bernardino CCD, San Bernardino Valley College, Seismic Retrofit, Technical Building—Construction.
- l) El Camino CCD, El Camino College, Science Complex Renovation (H&S)—Construction.
- m) Long Beach CCD, Long Beach City College, Child Development Center—Construction.
- n) Monterey Peninsula CCD, Monterey Peninsula College, Plant Services Complex (H&S)—Construction.
- o) North Orange CCD, Fullerton College, Seismic Retrofit, Home-Fine Arts Building—Construction.
- p) Rancho Santiago CCD, Santa Ana College, Seismic Retrofit, Auto Diesel—Construction.
- q) Rancho Santiago CCD, Santa Ana College, Seismic Retrofit, Library—Construction.
- r) San Diego CCD, District Office, Seismic Retrofit, District Headquarters Building—Construction
- s) San Diego CCD, Center City College, Seismic Retrofit, Administration Building—Construction.

The following nine projects are requested for reappropriation for the following reasons:

- a) Los Angeles CCD, Los Angeles City College, Child Care Development Center—Working drawings. The District will be proposing to move the site in order to coordinate with local projects that need to be built first. This is related to adjustment #3 of Item 6870-301-6028 previously referenced.
- b) Los Angeles CCD, Los Angeles Southwest College, Seismic Replacement, Student Services—Construction. The District recently passed a local bond measure and has requested a locally financed third floor addition to the student services building to better meet the needs of the campus. The District has requested a scope change through the Public Works Board and will not be able to encumber construction funds by June 30, 2002.
- c) San Francisco CCD, Mission Center, Mission Center Building—Working drawings. This project was delayed due to environmental issues related to the historical preservation of the existing Mission Theater. The District is working to resolve these concerns which may result in additional environmental work and the redesign of preliminary plans. This is related to adjustment #7 of Item 6870-301-6028 previously referenced.
- d) Cerritos CCD, Cerritos College, Science and Math Complex, Life Safety—Working drawings. During the preliminary plan phase, it was determined that total construction costs were projected to increase due to three changes in the project: (1) soils tests requiring increased foundation work; (2) code changes requiring a more extensive fire alarm system; and (3) recent Title 24 changes requiring a redesign of the lighting and cooling systems. Due to delays to address these changes, the District will not be able to encumber working drawing funds by June 30, 2002.
- e) Cerritos CCD, Cerritos College, Seismic Retrofit Metals—Working drawings. The soil conditions at the campus have required a redesign of the structural retrofit solution. The District will not be able to encumber working drawing funds by June 30, 2002.

- f) Cerritos CCD, Cerritos College, Seismic Retrofit Electronics—Working drawings. The soil conditions at the campus have required a redesign of the structural retrofit solution. The District will not be able to encumber working drawing funds by June 30, 2002.
- g) Mt. San Antonio CCD, Mt. San Antonio College, Science Building Replacement—Working drawings. The District recently passed a local bond measure and has requested a locally financed ancillary science building next to this project, thereby requiring a redesign of the building to encompass a smaller building footprint and the addition of a third floor. The District has requested a scope change through the Public Works Board and will not be able to encumber working drawing funds by June 30, 2002.
- h) San Joaquin Delta CCD, San Joaquin Delta College, Electrical Systems Infrastructure—Working drawings. Delays in completing and approving the preliminary plans may cause the District delays in encumbering working drawing funds by June 30, 2002.

6870-490. California Community Colleges (Capital Outlay). Add item to reappropriate construction funding for the Marin Community College District, Marin College, Child Development Center. Due to a preliminary site assessment, the District discovered an uncharted city utility line that crosses the original site, which will require a redesign and relocation of the building on the site.

6870-491. California Community Colleges (Capital Outlay). Add item to extend the liquidation period for the following:

- a) Preliminary plan funding appropriated in 1999 for the San Francisco CCD, Mission Center Campus project. The District has experienced delays in processing invoices within the remaining period of availability for the funding by June 30, 2002.
- b) Working drawing funding appropriated in 1999 for the Compton CCD, Compton College, Seismic Replacement/Expansion Learning Resource Center project. The District has experienced delays in processing invoices within the remaining period of availability for the funding (June 30, 2002).

6870-497 Add Reversion Item. California Community Colleges (Capital Outlay). Revert funding for the following:

- a) Revert \$1,200,000 in funding for the Cerritos Community College District, Cerritos College, Seismic Retrofit of the Administration Building, due to soil conditions at the campus which are requiring a redesign.
- b) Revert funding for the Gavilan CCD, Gavilan College, Adaptive Physical Education project. Due to increased bidding climate, the construction phase of this project is being reauthorized. This is conforming action to Item 6870-301-0574.

7980-001-0001. May Revision Finance Letter. California Student Aid Commission. Increase state operations by \$53,000 to fund increase in postage costs.

Jack O'Connell, Chair
John Vasconcellos
Bob Margett

AGENDA
Saturday, May 18, 2002
5:00 p.m. — Room 4202

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PART III

Consent	Consent-1
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1. California State Library

1. **May Revision – Item 6120-150-0001. Decrease Funding for Civil Liberties Public Education Grants (Action Item).** The Governor’s May Revision proposes to decrease funding for this item by \$750,000, leaving \$250,000 in the program.

The California Public Civil Liberties Public Education Program was created in 1999 to provide competitive grants for public educational activities and the development of educational materials to ensure that the events surrounding the exclusion, forced removal and incarceration of Japanese Americans will be remembered and so that causes and circumstances of this and similar events may be illuminated and understood. Staff recommends that the reduction be approved; however, if the committee wishes to restore funding for this program, staff would recommend that it redirect approximately \$375,000 in one-time Proposition 98 funds to the State Library, for dissemination to school districts in order to support K-12 curriculum development related to the internment of Japanese Americans.

Action:

2. Higher Education

A. California Postsecondary Education Commission (CPEC)

1. **May Revision – Item 6420-001-0001. CPEC Support Budget (Issues 100 and 102).** Decrease funding by \$2,800,000 to reflect elimination of 39.7 positions and related operating expenses and equipment, with accompanying provisional language, and the elimination of TERADATA services received from the Teale Data Center (an action already taken by this committee).

Citing the continued weakness in the stock market and the economy, the Governor’s May Revision proposes an 84 percent reduction to the California Postsecondary Education Commission. Department of Finance states that this reduction is consistent with its goal to not impact direct instructional services for students.

The proposed reduction leaves the California Postsecondary Education Commission (CPEC) with three positions and \$500,000, which would support the Commission members and the remaining staff. While the May Revision does not propose eliminating the Commission (no trailer bill language accompanies this reduction), the budget cut would not allow for CPEC to continue to fulfill its statutory responsibilities.

Staff recommends that the committee restore full funding and reinstate the 39.7 positions.

The committee may also wish to consider allocating the funding as follows: (a) \$1,352,000 and 19.9 positions for the restoration of partial year funding (through December 31, 2002), in order to allow the Legislature and the Administration to assess both the May Revision reduction as well as recommendations - put forth by the Joint Committee to Develop a Master Plan for Education – related to current CPEC functions or the development of a successor agency; and (b) the remaining

\$1,352,000 and 19.8 positions are contingent upon the passage of Legislation to reform and/or reconstitute CPEC.

Action:

B. California Student Aid Commission

The Governor's May Revision proposes to decrease the amount of funding available in grants and work-study for financially-needy students. Specifically, the May Revision Proposes to eliminate all funding for the California Work Study Program and significantly reduce funding for both the Cal Grant C and Cal Grant T programs, as discussed below. Staff notes that, within the total reduction amount of \$12.3 million, the Student Aid Commission would be supportive of reallocating the cuts among the programs, while staying at the \$12.3 million reduction level.

1. **May Revision – Item 7980-101-0001. California Work Study Program (Issue 102).** The California Work Study Program assists students by placing them in employment settings which will enable them to pay a portion of their educational costs. Recipients are placed in jobs either (1) related to their course of study or career interest, or (2) providing tutoring to elementary or secondary students. This program currently operates in 40 institutions and employers must provide a portion of the students' salaries. Staff notes that without this financial aid option, students will be taking out more student loans and incurring additional debt.

The Governor's May Revision proposes to eliminate funding for the California Work Study Program, with accompanying Budget Bill Language, for a General Fund savings of \$5,263,000. Staff recommends that the committee approve funding to restore this program. Of this amount, \$2.013 million would be redirected from the Cal Grant T program and \$3.25 million would be a one-time augmentation.

Action:

2. **May Revision – Item 7980-101-0001. Cal Grant C Program (Issue 103).** The Cal Grant C program provides financially needy students preparing for vocational or occupational careers with tuition and/or fee support as well as additional support for training-related costs (i.e., books and materials). Unlike the Cal Grant A and B programs, which require students to be pursuing a baccalaureate degree, the Cal Grant C program is the only state-supported grant program that provides funds for students enrolled in shorter term vocational programs. Of the Cal Grant C participants, approximately 60 percent are enrolled at the Community Colleges and the remainder attend private vocational schools.

The Governor's May Revision proposes to decrease funding for the Cal Grant C program by \$4 million to reduce the number of new Cal Grant C awards from 7,761 awards to 4,796 awards, with accompanying Budget Bill language. Given the condition of the state economy, which tends to result in an increased need for shorter-term vocational training, staff recommends that the committee restore \$4 (in one-time funds) for the Cal Grant C program.

Action:

3. **May Revision – Item 7980-101-0001. Cal Grant T Program (Issue 104).** The Cal Grant T program provides tuition and fee funding for financially and academically eligible students to attend a teacher credentialing program. Recipients are required to teach for one year in a low-performing school for each \$2,000 incentive received, for a maximum period of four years. Any recipient who does not fulfill the teaching obligation is required to repay the award. The Student Aid Commission has indicated that this program is presently underutilized.

The Governor's May Revision proposes to decrease funding for the Cal Grant T program by \$3 million to reduce the number of new Cal Grant T awards from 2,495 awards to 1,746 awards, with accompanying Budget Bill language. Staff recommends that the May Revision reductions proposed for this program be approved and that the program further be reduced by \$2,013,000 in order to redirect funds to the California Work-Study program.

Action:

C. University of California

1. **May Revision – Item 6440-001-0001. State-Supported Research (Issue 109).** As part of the May Revision, the Governor proposes reducing state-supported research by \$32,080,000, which leaves \$288,719,000 in ongoing funds in this item for this purpose. Specifically, the May Revision proposes to allow the University to determine the amount of each individual research program reduction, but specifically targets those research projects identified in provisional language and scheduled "set-asides" in the Budget Act. Under the proposed provisional language, the following research programs, among others, would be open for reductions: Substance Abuse Research; AIDS Research; Labor Studies Research; Neurodevelopmental Disorders (MIND Institute); Medical Marijuana Research; Spinal Cord Injury Research Welfare Policy Research; Lupus Research; Viticulture Research; San Diego Supercomputer Research. Specifically, the May Revision proposes to add the following provision:
26. Notwithstanding any other provision of law:
- (a) each individual research program funded as specified in Provisions (12), (13), (14), (17), (19), (20), (21), (22), (23), and (25), shall be reduced by the University, at its discretion, by not less than 6 percent and not more than 30 percent.
 - (b) At the discretion of the University, at least 6 percent, but not more than 30 percent, of the amounts specified in Schedules (5), (6) and (9), shall be transferred to Schedule (1) for the purposes of research.
 - (c) any individual research program funded through Schedule (1), other than those identified in Provision 26 (a), shall be funded, at the University's discretion, at a level that is at least 70 percent but not more than 94 percent of the level funded in 2001-02.

Staff recommends that the committee adopt the \$32 million reduction in research, with alternative provisional language as follows:

26. *Notwithstanding any other provision of law:*
- (a) *Of the amount appropriated in Schedule (1) \$288,719,000 is for research.*
 - (b) *Each of the individual research programs specified in Provisions (12), (13), (14), (17), (19), (20), (21), (22), (23), and (25), shall be fully-funded in the 2002-03 fiscal year.*
 - (c) *Each of the individual research programs specified in Schedules (5), (6) and (9) shall be fully-funded in the 2002-03 fiscal year.*
 - (d) *In order to meet the requirements of this provision, the University of California, at its discretion, will reduce those research programs not otherwise identified in this item by \$32,080,000.*

Action:

2. **May Revision – Item 6440-001-0001. Student Outreach Reductions.** The Governor’s May Revision proposes reductions totaling \$28.4 million from UC student outreach programs. The Governor’s proposal retains \$17.5 million in support for the MESA, Puente and Early Academic Outreach Programs; \$4.5 million for outreach to community college students; \$1.5 million for outreach program evaluation; and \$750,000 for short-term yield efforts.

Specifically, the May Revision proposes reducing the following outreach programs:

UC College Preparatory Initiative (Issue 101). Reduce by \$8,438,000 to eliminate this program.

Arts Bridge (Issue 102). Reduce by \$750,000 to eliminate this program (with conforming Budget Bill language changes.)

ACCORD-Outreach Research (Issue 105). Reduced by \$509,000 to eliminate funding for this program.

K-12 School-University Partnerships (Issue 106). Reduce by \$12,013,000 to eliminate this program, with accompanying Budget Bill language changes.

Central Valley Outreach Programs (Issue 103). Reduce by \$1,937,000 to eliminate this program, with accompanying Budget Bill language changes.

Graduate and Professional School Programs (Issue 104). Reduce by \$4,711,000, leaving \$1 million in ongoing funds to continue these programs, with accompanying Budget Bill language.

Staff recommends that the committee adopt the reduction of \$28.4 million, as specified in the May Revision.

Action:

D. California State University

1. **May Revision – Item 6610-001-0001 California State University – Student Fee Revenue (Issues 100 and 101).** The Governor’s May Revision proposes to increase by \$16,908,000 CSU’s expenditure authority to reflect increased student fee revenues associated with enrollment growth and a 15 percent fee increase in non-resident fees. The increase in non-resident tuition was recently approved by the CSU Trustees and the revenue derived from the increase will be used to fund faculty salary increases approved in the most recent CSU – California Faculty Association contract. Staff recommends that this action be approved.
2. **May Revision – Item 6610-001-0001. California State University. Information Technology, Instructional Equipment, Library Materials and Deferred Maintenance Programs (Issue 102).** The Governor’s May Revision proposes reducing funding for these items, on a one-time basis, by \$43.0 million. In response to concerns by the California Faculty Association (CSU’s Faculty Union), staff recommends that the reduction be adopted and that the committee adopt provisional language specifying that the \$43 million reduction impact the four programs intended. Proposed language is as follows:

It is the intent of the Legislature that the \$43 million in one-time funding reductions included in this item be allocated in the following programs: Information Technology, Instructional Equipment, Library Materials, and Deferred Maintenance.

Action:

3. **Item 6610-001-0001. California State University. Supplemental Report Language Related to Faculty Compensation.** In response to concerns raised by the California Faculty Association related to the amount of funding available for employee compensation, staff recommends that the committee adopt the following Supplemental Report Language:

It is the intent of the Legislature that all money allocated for faculty compensation be spent on faculty compensation in accordance with the collective bargaining agreement. After compensation and benefit increases are processed and annualized for the full fiscal year, if the revised estimate of cost is below the funding appropriated for the compensation pool (salaries and associated benefits) the difference in dollars will be expended on faculty related items and CSU shall report to the Legislature by October 1, 2003 on such expenditure(s).

Action:

E. California Community Colleges

1. **May Revision – Item 6870-101-0001. Increase Funding for CalWORKs Services (Issue 016).**

The Governor's May Revision proposes to increase the amount of funding available for services to CalWORKs recipients from zero to \$20,000,000, and require a \$1 district match for every \$1 provided by the State. Staff recommends that the May Revision letter be adopted and further augmented by \$10 million in one-time Proposition 98 funds. Further, staff recommends that the proposed Budget Bill Language be amended, as follows, to alter the reporting date:

“...As a condition of receipt of the funds appropriated in Schedule (10), by the fourth week following the end of the semester or quarter term commencing in January 2003, each participating community college shall submit to the chancellor's office a report, in the format specified by the chancellor, in consultation with the Department of Social Services, that includes but may not be limited to the funded components, the number of hours of child care provided, average monthly enrollment of CalWORKs dependents served in child care, the number of work study hours provided, the hourly salaries and type of jobs, the number of students being case managed, the short-term programs available, student participation rates, and other outcome data. It is intended that, to the extent practical, reporting from colleges utilize data gathered for federal reporting requirements at the state and local level. Further, it is intended that the chancellor's office compile the information for annual reports to the Legislature, the Governor, the Legislative Analyst, and the Departments of Finance and Social Services by ~~October~~ November 15 of each year as specified in the annual Budget Act.

...Prior to allocation of funds for postemployment services, the chancellor shall first secure the approval of the Department of Finance for the allocations; complete a cumulative report on the outcomes, activities, and cost effectiveness of the program no later than ~~October~~ November 15, 2002, in compliance with the Budget Acts of 1998, 1999 (Ch. 324, Stats. 1998 and Ch. 50, Stats. 1999) and this act, and shall provide the rationale and justification for the proposed allocation of postemployment services to districts for transitional students.”

Action:

2. **Item 6870-101-0001. Economic Development Program. Provisional Language Change.** As discussed earlier in the year, this committee asked the Community College Chancellor's Office to provide Provisional language to re-allocate the \$9.9 million reduction for the Economic Development program as proposed in the Governor's January budget. In response, staff recommends that the committee adopt the following provisional language changes:

23. Of the funds provided in Schedule (22) of this item for the Economic Development Program:

(a) No ~~more~~ less than ~~\$9,186,300~~ \$17,536,000 shall be allocated for grants for regional business resources assistance and innovation Network Centers.

(b) No ~~less~~ more than ~~\$16,387,000~~ \$7,537,000 shall be allocated for Industry Driven Regional Education and Training Collaboratives. These grants shall be made on a competitive basis and the award amounts shall not be restricted to any predetermined limit, but rather shall be funded on their individual merits.

(c) No more than ~~\$3,649,000~~ \$4,149,000 shall be allocated for statewide network leadership, organizational development, coordination, information and support services, or other program purposes.

(d) \$5 million shall be available for Job Development Incentive Training programs focused on job creation for public assistance recipients. Any annual savings from this subdivision shall only be available for expenditure for one-time activities listed under subsection (j) of Section 88531 of the Education Code.

(e) No more than \$2.1 million shall be allocated for Mexican International Trade Centers operated consistent with the requirements of Section (a) of Chapter 959, Statutes of 1999.

(f) \$4.0 million shall be used to continue enrollment growth provided for community college nursing programs pursuant to Section 2(a)(2) of Chapter 514, Statutes of 2001.

(g) The following provisions apply to the expenditure of funds within subdivisions (a) and (b) above: Funds allocated for centers and regional collaboratives shall seek to maximize the use of state funds for subdivisions (g) through (j) of Section 88531 of the Education Code. To retain maximum flexibility and preserve the infrastructure of the program during periods of budget uncertainty and respond to emerging needs for curriculum development, faculty in-service and workforce training; adjustments in the allocations (a) through (f) may be made by the Chancellor pursuant to the annual expenditure plan for the program adopted by the Board of Governors as authorized in Education Code Sections 88500 through 88550. Funds allocated to districts for purposes of subdivisions (g) and (i) of Section 88531 of the Education Code for performance-based training and student internships shall be Matched by a minimum of one dollar of private business and industry funding for each one dollar of state funds. Funds allocated for purposes of subdivision (h) of Section 88531 of the Education Code for credit and noncredit instruction may be transferred to Schedules (1) or (3) to facilitate distribution at the chancellor's discretion. ~~Any funds that become available from Network Centers due to savings, discontinuance or reduction of amounts shall first be made available for additional allocations in subdivision (b) above to increase the level of subsidized training otherwise available.~~

(h) Funds allocated by the board of governors under this provision shall not be used by community college districts to supplant existing courses or contract education offerings. The chancellor shall ensure that funds are spent only for expanded services and shall implement accountability reporting for districts receiving these funds to ensure that training, credit, and noncredit programs remain relevant to business needs. Programs that do not demonstrate continued relevance and support by business shall not be eligible for continued funding. The board of governors shall consider the level of involvement and financial commitments of business and industry as primary factors in making awards. The chancellor shall incorporate grant requirements into its guidelines for audits of Economic Development grants.

Action:

- Item 6870-101-0001. California Community Colleges. Ability to Carry Forward Unused Funds from Current Year.** Given the \$101.7 million in reductions to community colleges categorical programs (CalWORKS, Matriculation, Faculty/Staff Development; Economic Development; Fund for Student Success; and Telecommunications and Technology), the community colleges are requesting that a "reappropriation" provision be added to the Budget Bill.

This provision would allow the community colleges to “carry forward” any unexpended funds from categorical programs and use those funds, in the following fiscal year, to backfill the reductions in the CalWORKS, Matriculation and Faculty and Staff Development Programs. Specifically, the language proposed is as follows:

Add Item 6870-490 -- Reappropriation, California Community Colleges.
Notwithstanding any other provision of law, the balances as of June 30, 2002 of the appropriations provided in the following citations are reappropriated for the purposes and subject to the limitations, unless otherwise specified, provided for in the appropriations and shall be available for encumbrance and expenditure until June 30, 2003:

0001 – General Fund

(1) Item 6870-101-0001, Budget Act of 2001 (Ch. 106, Stats. 2001)

Provisions:

1. Not to exceed \$20,000,000, the fund reappropriated in this item from Item 6870-101-0001, Budget Act of 2001 (Chapter 106, Statutes of 2001) shall be available for Special Services for CalWORKS recipients, Matriculation, and Faculty and Staff Development.

Action:

4. **Item 6870-101-0001. California Community Colleges – Trailer Bill Language: Automatic Property Tax Backfill.** The committee may wish to consider adopting, or recommending to the Senate Education Committee that it adopt or approve Trailer Bill Language to ensure that community college districts, in the aggregate, receive budgeted levels of total general purpose funding, even if budget estimates of property tax income prove to be incorrect. Specific language would provide for the annual estimate and confirmation of community college property tax revenues and provide for the transfer of funds between the General Fund and the State School Fund in order to adjust total allocations to community colleges in the event that budget estimates either under-or over-estimate local property taxes.

Action:

I. K-12 Apportionments

A. **Proposition 98 Guarantee.** The May Revision proposes total Proposition 98 General Fund spending of \$31.5 billion, or 41.1 percent of the General Fund budget. For 2002-03 the Proposition 98 minimum guarantee is established at the “Test 2” level, which adjusts the prior guarantee level for attendance growth and the change in per capita personal income. The May Revision reflects a \$1.184 billion increase in the Test 2 minimum level over the Governor’s January 10 estimate; \$848 million of which is the General Fund share of the increase; \$335 million of which is the projected increase in local property taxes allocated to education. Of the latter amount, \$115 million is attributed to a May Revision proposal to establish Education Revenue Augmentation Fund allocations for multi-county special districts and redevelopment agencies. Current law exempts these multi county entities from property tax assessment.

The May Revision proposes to fully fund the Test 2 level including full repayment of the maintenance factor of \$3.9 billion. All but \$870 million of the maintenance factor was required to be repaid in 2002-03.

The May Revision proposed spending \$7,186 per pupil in 2002-03; and increase of 8.6 percent over 2001-02 after current year adjustments.

B. **Cost Of Living Adjustment (COLA).** The May Revision adjusts the K-12 COLA amounts provided in the Governor’s January 10, budget to reflect the recalculation of the statutory rate from 2.15 percent to 1.66 percent. The resulting change lowers the funding for various categorical programs by \$12.0 million. However, general purpose apportionments for districts and county offices of Education and special education are funded at a higher rate of 2 percent, for which \$107.6 million is provided in the May Revision. Staff recommends that the committee adopt all COLA changes with the exception of the ROC/ROP program, and instead adopt provisional language as follows:

The Superintendent shall transfer as necessary from the ROC/ROP growth item, to the ROC/ROP COLA item, in order to provide a two percent COLA. The total amount provided for the COLA augmentation shall not exceed the total amount allocated to the ROC/ROPs for both growth and COLA combined.

C. **Proposal to Fund the General Fund Share of the Proposition 98 Guarantee. (Informational Only)** The May Revision proposes, through separate current year special legislation, to **“defer” \$1.15 billion** in undisbursed 2001-02 General Fund appropriations until 2002-03. These appropriations will be counted toward the 2002-03 Proposition 98 minimum guarantee without incurring any program reductions. This does not effect the state’s ability to meet the statutory Test 3 minimum guarantee in the current year since the current year guarantee was funded substantially above the Test 3 minimum. However, it does create a higher maintenance factor which is fully funded in 2002-03. An additional **\$503 million** (the components of which are identified in the agenda as a **“fund shift”**) in current year savings are realized by funding this amount of current year Adult education appropriations with Proposition 98 Reversion Account funds—which do not count toward the guarantee since by definition, they were previously appropriated and counted. The current year funds—which, if “freed up,” as proposed, by special legislation before the end of the fiscal year—can be used for other General Fund purposes in the budget year. An additional \$66 million of savings captured in the current year brings the total current year savings to \$1.74 billion.

II. Governor’s Initiatives

A. Instructional Materials (Fund Shift).

1. Shift Funding and Reduce One-time School Library Materials Grants, 6110-149-0001,

(Issue 463) The May Revision proposes that Item 6110-149-0001 be increased by \$80,000,000 to shift funding from Proposition 98 Reversion Account to Proposition 98 General Fund and reduce one-time school library funding by \$20,000,000. Also, the following provisional language is proposed to be added as follows. Staff recommends rejecting the May Revision proposal and instead reducing the item by \$49 million and revising the proposed language as indicated by the “strikeouts” The amount appropriated by this item will be used as a “balancer” for Proposition 98 in the Budget Year.

Provisions:

The funds appropriated in this item are provided ~~on a one-time basis~~ to the State Department of Education for allocation to school districts and charter schools to purchase library books for school libraries or K-4 classroom libraries, in accordance with Provision 2. ~~Future school library materials funding will be provided through the Instructional Materials Block Grant.~~

The State Department of Education shall apportion funds appropriated by this item on the basis of an equal amount per enrolled pupil for Kindergarten and grades 1-12, as certified by the Superintendent of Public Instruction based on the 2001 California Basic Education Data System (CBEDS) data, excluding summer school, and adult and regional occupational program and center enrollment.

Subcommittee #1 Action:

2. Shift Funding and Reduce One-time Instructional Materials Grants, 6110-189-0001,

(Issue 462). The May Revision proposes that this Item be increased by \$150,000,000 to shift funding for one-time instructional materials costs from Proposition 98 Reversion Account to Proposition 98 General Fund and reduce the allocation by \$50,000,000. In addition, it is also requested that (1) Item 6110-189-0001 be scheduled to identify its ongoing and one-time components, (2) a technical adjustment be made to stipulate that the funding flows through the Instructional Materials Fund, and (3) Provision 1 be amended and that Provisions 2 and 3 be added to Item 6110-189-0001 to conform to this action. It is further proposed that Item 6110-189-0001 be amended as follows:

“6110-189-0001—For local assistance, Department of Education (Proposition 98), for transfer to the Instructional Materials Fund, Program 20 Instructional Support
250,000,000 400,000,000

Schedule:

(1) 20.20.020.005—Instructional Materials Block Grant.....250,000,000
 (2) 20.20.020.006 --One-time Instructional Materials Grants.....150,000,000

Provisions:

1. ~~Funds appropriated by this item~~ The funds in Schedule (1) shall be allocated to school districts to purchase standards-aligned instructional materials, pursuant to legislation enacted during the 2002-03 Regular Session.
2. The funds in Schedule (2) shall be provided on a one-time basis to the State Department of Education for allocation to eligible school districts and charter schools based on an equal amount per pupil enrolled in Kindergarten and grades 1-12 in eligible districts, for the purchase of standards-aligned instructional materials, in accordance with Provision 3.

3. To be eligible to receive funding under Schedule (2) of this item, a local education agency must certify to the State Department of Education within six weeks of enactment of this Act, or prior to the beginning of the 2002 school year, whichever is later, that it will purchase a standards-aligned and adopted Reading/Language Arts textbook or basic instructional materials, as defined in Education Code Section 60010(a), for each pupil by June 30, 2003.”

Staff recommends that the committee reject the proposed provisional language and approve the appropriation, pursuant to legislation.

Subcommittee #1 Action:

B. Independent Study

1. Independent Study 10 percent Revenue Limit Reduction. The Governor’s January 10, budget proposed a 10 percent, non-waivable reduction in funding for non-charter school students served through non-classroom-based, or “independent” study. The reduction is to be implemented by counting a full day of independent study as nine-tenths of an ADA, thereby reducing funding for revenue limits and ADA-based categorical programs. **The estimated General Fund savings of this proposal is \$23.1 million**

2. County Offices of Education Independent Study, 6110-608-0001, (Issue 310)

The May Revision notes that the appropriation related to the independent study proposal is estimated to be decreased by \$10,398,000 to reflect additional savings associated with limiting revenue limit reimbursements for students served through independent study programs.

The Administration’s revised Jan 10 proposal to reduce by 10 percent funding for non-charter school students served through independent study programs includes, in the same Education Code section, the funding for County Community School’s “Type C” kids participating in an independent study program. A provision is also included to reduce the County Community School funding level for these “Type C” kids to that of the participating student’s district of residence. The DOF estimates that the **General Fund savings attributed to both components of the County Community school reduction will be approximately \$14.6 million.**

The provisions for both the above proposals are included in AB 3005, the annual Education Omnibus Trailer bill. The Assembly Education Committee rejected the entire independent study program reduction proposal. The Subcommittee, on April 3rd, denied the proposed reductions for County Community Schools but left the proposed 10 percent non-charter school independent study program reduction (\$23.1 million) “open.”

Staff recommends rejecting both the Governor’s January budget proposal and the May Revision proposal.

Subcommittee #1 Action:

C. Reading Awards Incentive Programs (Delay) 6110-147-0001, (Issue 465).

The May Revision proposes that this Item be reduced by \$4,000,000 to delay the Governor’s Reading Awards program for one year. It is further proposed that the schedule and provisions be technically amended to conform to this action, as follows:

“6110-147-0001—For local assistance, Department of Education (Proposition 98), Program 20.50 Instructional Support: California Reads Program ~~Reading Awards Program established by Article 2 (commencing with Section 53050) of the Education Code~~.....4,750,000 750,000

Schedule:

- (1) 20.50.001 Reading Awards Program.....4,000,000
- (2) 20.50.002 California Reads Program.....750,000

Provisions:

- 1. ~~The funds appropriated in Schedule (1) of this item shall be used for the Reading Awards Program established by Article 2 (commencing with Section 53050) of Chapter 16 of Part 28 of the Education Code.~~
- 2. The funds appropriated in ~~Schedule (2)~~ of this item shall be used for the California Reads Program.”

Staff recommends that the committee approve the May Revision reduction and further delete the remaining \$750,000 from the item.

Subcommittee #1 Action:

III. Mandates

A. School Bus Safety II Mandate. The Governor’s 2002-03 Budget proposes to delay the budget year reimbursement appropriation (\$66.7 million) for the School Bus Safety II mandate and also suspend five other education mandates (\$23.0 million) for a total of \$89.7 million. The Budget assumes that this \$89.7 million is “freed up” for use for other K-14 educational purposes proposed in the Governor’s 2002-03 Budget. It should be noted that the “deferral” of the School Bus Safety II mandate does not free local agencies from the need to comply with the mandate’s requirements. The proposed “suspension” for the other five mandates would make the requirements “permissive.” Suspension of a mandate requires a statutory change. The Administration proposes to effect these changes in AB 2995 (Assembly Budget Committee), a budget trailer bill designated for this purpose. The state will be required to eventually pay any unfunded mandate liabilities (with interest, at the Pooled Money Investment Account rate—about 3 percent) through future budget acts. By 2001-02 the liability had grown to \$290 million for this mandate with an estimated annual cost of \$66.7 million.

The following language is provided to suspend the School Bus Safety II Mandate in the budget year:

Pursuant to Section 17581 of the Government Code, mandates identified in the appropriation schedule of this item with an appropriation of \$0 and included in the language of this provision are specifically identified by the Legislature for suspension during the 2002-03 fiscal year:

- (1) School Bus Safety II (Chapter 624, Statutes of 1992; Chapter 831, Statutes of 1994; and Chapter 739, Statutes of 1997)

Staff recommends that the committee adopt the trailer bill language shown above.

Subcommittee #1 Action:

B. School Crimes Reporting II Mandate. The Governor's Budget provides \$7.5 million (Proposition 98) for reimbursement of the costs of complying with school crime reporting mandates. The annual budget also provides \$1.5 million from the General Fund (non Proposition 98) for CDE's costs of administering the school crime report requirements.

1. LAO Review of School Crime Report Methodology. The LAO recently released a report to the Legislature, as required in the 2001-02 Budget Act, in which it reviewed the CDE's school crime reporting validation methodology, reported on the appropriateness of the methodology and provided various recommendations.

The LAO found that the current reporting and validation methodology is fundamentally flawed and results in data that is not useful for the development of effective policy. In addition to recommending that the department review changes to the school crime reporting system to improve its accuracy and usefulness to policymakers and report its recommendations to the Legislature by March 2003, the LAO recommends that the Legislature suspend the mandates on schools and school districts associated with the school crime report, freeing up \$7.5 million (Proposition 98) funds for direct educational or campus safety services in the budget year.

Staff recommends that the committee adopt the LAO recommendation.

Subcommittee #1 Action:

2. May Revision Finance Letter: School Crime Report, 6110-004-0001, (Issue 350)

The May Revision proposes that this item be decreased by \$1,524,000 and that the item be eliminated. According to the Administration, federal funding in the same amount is proposed in Item 6110-001-0890 for school crime and truancy reporting requirements consistent with those specified in the federal No Child Left Behind Act of 2001.

The LAO, in its report, also recommends reducing the appropriation for the department's administrative costs but only to the level (approximately \$300,000) needed to conduct the review of reporting system improvements; (estimated General Fund savings: \$1.2 million).

Staff recommends that the committee reject the May Revision proposal and instead adopt the LAO proposal which would provide \$300,000 in state operations support.

Subcommittee #1 Action:

IV. Child Care and After School Programs

A. May Revision – Item 6110-196-0001. Child Care Survey (Issue 103). The Governor's May Revision proposes provisional language requiring the Department of Education and the Department of Social Services to administer a survey of current child care caseload, eligibility, fee, and reimbursement rate trends to update and adjust the information provided pursuant to the 2000 Budget Act. Staff recommends adopting the May Revision with the following language changes:

Add Provision 4(c) to Item 6110-196-0001 as follows:

4(c) The State Department of Education (SDE) and the State Department of Social Services (DSS) in consultation with the Department of Finance shall administer a survey of current child care practices and trends to update and adjust the information provided pursuant to Provision 8(c)(6) of Item 6110-196-0001 the 2000 Budget Act. A new survey tool along with the data collection methodology and target populations shall be developed by SDE and DSS, in consultation with the Legislative Analyst, and shall be approved by Department of Finance. SDE and DSS shall jointly complete the administration of the survey and the collection of the results. By October 15, 2002, the SDE and DSS shall make available to the Directors of DSS and the Department of Finance and the Legislative Analyst the complete data files to be used for analysis of child care policy. The costs of administering the survey, collecting survey data, and preparing an accurate data file will be funded from funds set aside for interim data collection in Provision 8(a) of this Item.

- B. May Revision –Item 6110-197-0890. 21st Century Community Learning Centers(Issue 001).** The Governor’s May Revision proposes to expend \$41.3 million in new federal 21st Century Learning Center dollars, which will provide grants for before and after-school programs. Within the federal guidelines, the state has discretion regarding specifically how the new 21st Century program is designed; the program is proposed by the Governor to be administered, to the greatest extent possible, with the existing Before and After School Learning and Safe Neighborhoods Programs.

The provisional language proposed in the Governor’s May Revision is as follows:

Add Provision 1 to Item 6110-197-0890 as follows:

1. It is the intent that the 21st Century Community Learning Centers Program be closely aligned with the existing Before and After School Learning and Safe Neighborhoods Partnerships Program pursuant to Article 22.5 of Chapter 2 of Part 6 of Division 1 of the Education Code utilizing the existing grant caps and funding rate limits specified in that Article. The Department of Education shall seek the maximum waiver of federal rules in order to harmonize the federal funding consistent with the current state program. Expenditure of funds from this Item is contingent on the review and approval by the Department of Finance of a program plan, the Request for Applications (RFA) guidelines, and a draft RFA developed by the Department of Education in consultation with a task force consisting of the Legislative Analyst, the Department of Finance, one staff person from each house of the Legislature chosen by the Speaker of the Assembly and the President Pro-Tem of the Senate, and one representative of the field as selected by the other members of the task force.

The above-referenced provisional language has generated a variety of concerns within the California Department of Education. Since all parties have not yet been able to reach a compromise on this issue, staff recommends that the committee approve the expenditure authority for the program (\$41,254,000) and substitute provisional language stating that the program will be developed pursuant to legislation.

V. No Child Left Behind—ESEA Federal Funds

- A. **Longitudinal Database Development (6110-001-0001/0890) (Issue 252).** The May Revision proposes \$10.52 million for the development of a longitudinal database to track student academic progress for purposes of federal reporting requirements associated with the No Child Left Behind Act. The proposal includes provisional language which states:

Of the funds appropriated in this item, \$10,524,000 is for costs associated with the development of a longitudinal database and collection of required data. This database shall be used to track student progress for purposes of federal reporting requirements associated with the No Child Left Behind Act. The Department of Education must receive Department of Finance approval of an expenditure plan prior to expending these funds.

Staff recommends that the provisional language be rejected and the funding be approved, pursuant to legislation.

Subcommittee #1 Action:

- B. **Pupil Testing and Accountability - Title VI (6110-113-0890) (Issues 014, 016,017,018, 019, 020, 023, 024, 031, and 032).** The May Revision includes a number of proposals for the use of \$20.72 million in new Title VI funding. Specifically, the request includes the following:
1. \$10.924 million for a Title VI set-aside. These funds are available for activities related to developing and improving the statewide system of testing and accountability as more information is available regarding federal requirements pursuant to the No Child Left Behind Act. Use of these funds is contingent on prior approval of an expenditure plan by the Department of Finance.
 2. \$1.445 million to continue development of the Alternative Schools Accountability Model to include alternative schools within the State's system of accountability.
 3. \$500,000 in one-time funding to develop training materials and provide technical assistance to schools regarding statewide standards and assessments for pupils with disabilities.
 4. \$3 million in one-time funding to study and develop an alternative assessment for pupils who can not participate in the High School Exit Examination even with accommodations or modifications. Use of these funds would be contingent on prior approval from the Department of Finance of an expenditure plan.
 5. \$800,000 for development of the fifth-grade STAR science test to comply with the No Child Left Behind Act.
 6. \$1 million in one-time funding for the English Language Development Test. Of the total, \$500,000 is for a pilot program for a computer-based version of the exam. The remaining \$500,000 is for additional test item development.
 7. \$300,000 to develop Assessment Data Collection and Edit software to improve pupil demographic information collection on the statewide assessments.
 8. \$831,000 to provide growth funding for the STAR program.
 9. \$1.020 to provide a cost of living adjustment (COLA) for the STAR program.
 10. \$900,000 in one-time funding for an Assessments and Accountability Public Awareness Campaign Website to provide parents and the general public information regarding statewide standards, assessments, and accountability.

Staff recommends that this item be approved with the following changes: (A) delete funding shown in 10 above; (B) use these funds to increase funding in 1; and (C) adopt language stating that the funding in 1 is subject to 60-day notification to the Legislature.

Subcommittee #1 Action:

C. **Innovative Programs - Title V (6110-123-0890) (Issues 026, 028, 029, and 030)** . The May Revision makes several proposals for the use of \$78.874 million in new federal funding. Specifically, this request includes the following:

1. \$39.041 million to allocate to local educational agencies for innovative assistance programs pursuant to Section 5131 of the No Child Left Behind Act.
2. \$32.662 million in Comprehensive School Reform Demonstration funds redirected from Item 6110-136-0890.
3. \$7.081 million to reflect an increase in the federal Comprehensive School Reform Demonstration Program grant.
4. \$90,000 in carryover funds provided for innovative education programs pursuant to previous Title VI. Under the reauthorized Elementary and Secondary Education Act, Innovative Programs has been moved to Title V.

Staff recommends that the committee approve this item with language requiring 60-day notice.

Subcommittee #1 Action:

D. **Reading First Program - Title I, Part B (6110-126-0890) (Issue 001)**. The May Revision proposes \$131.1 million in federal Title I, Part B funds for the Reading First Program, with the following provisional language:

1. The funds appropriated in this item are for competitive grants to local education agencies. These funds may be used to select and administer reading assessments for students in grades K-3, inclusive, and to select and implement scientifically based programs of reading instruction for students in grades K-3, inclusive. These funds also may be used to provide standards-aligned professional development in the area of reading to teachers in grades K-3, inclusive, and to teachers in grades K-12, inclusive, who serve students with special needs.
2. Professional development activities funded with Reading First Program funds shall be conducted via the California Professional Development Institutes authorized pursuant to Article 2 (commencing with Section 99220) of Chapter 5 of Part 65 of the Education Code, and the Mathematics and Reading Professional Development Program authorized pursuant to Article 3 (commencing with Section 99230) of Chapter 5 of Part 65 of the Education Code or any other program approved by the State Board of Education.

Staff recommends that the committee reject the provisional language and approve the funding, pursuant to legislation.

Subcommittee #1 Action:

E. **Reading First Program Administration (6110-001-0001/0890) (Issue 251)**. The May Revision proposes \$1.873 million for administration of the new Reading First program. Of this amount,

1. \$873,000 to redirect 6.0 existing staff to assist in program administration,
2. \$500,000 for SDE to contract with the California State University-operated Center for the Improvement of Reading Instruction for assistance in incorporating Reading First Program methodologies into teacher preparation programs, and
3. \$500,000 for SDE to contract for annual evaluations of Program effectiveness.

Staff recommends that the committee approve the funding and reject provision 2.

Subcommittee #1 Action:

F. Immigrant/Bilingual Education/English Language Acquisition Program - Title III (6110-125-0890, 6110-125-0890, 6110-176-0890) (Issue 422)

Migrant Education (6110-125-0890, 6110-141-0890, Migrant Education) (Issue 430)

The May Revision proposes a number of changes in the area of immigrant, bilingual, and migrant education.

1. \$232.068 million in federal funding for Title III, Immigrant/Bilingual Education. Of this amount, \$1,500,000 is for development costs associated with the English Language Development Test.
2. \$116.585 million for federal Migrant Education funds. This action will appropriate all available federal funds and serve to more closely align the Title III English Language Acquisition program and the Migrant Education program with the student populations they serve, as intended by the federal government.
3. \$108.284 million for the Title III English Language Acquisition program pursuant to the No Child Left Behind Act. The Title III English Language Acquisition program combines funds previously funded through Title VII-Bilingual (direct to local education agencies) and the Emergency Immigrant Education program funds to provide local assistance to ensure that English language learners meet State academic standards.
4. Elimination of Item 6110-141-0890 (Migrant Education, \$116,585,000) and Item 6110-176-0890 (Emergency Immigrant Education, \$41,191,000) to conform to this action.

Staff recommends that the committee approve the funding, with the addition of language requiring 60-day notice.

Subcommittee #1 Action:

- G. Migrant Education Grant Increase (6110-125-0890) (Issue 431).** May Revision proposes an increase of \$5.669 million to reflect an increase in the federal Migrant Education grant. In addition, the following provisional language is proposed:

Provisions:

1. Of the funds appropriated in this item, the State Department of Education shall use no less than \$6,000,000 and up to \$7,100,000 for the California Mini-Corps Program.
2. The funding provided in Schedule (2) of this item shall be used in a manner that conforms to the intent of Education Code Sections 300-340 (Proposition 227).

Staff recommends that the committee approve the funding and reject the provisional language proposed in the May Revision.

Subcommittee #1 Action:

H. **Title I Basic Grants (6110-136-0890) (Issue 421 and 432).** The May Revision proposes an increase of \$290.822 million to reflect an increase in the federal Title I Basic grants. This proposal includes significant provisional language which would apply to all Title 1 funding, not just the increment of new funding:

7. Funds appropriated in schedule (1) from Title I Part A of the Elementary and Secondary Education Act shall be used by local education agencies to accomplish the objectives of the No Child Left Behind Act, consistent with the state consolidated application and any statutory provisions or provisions of this act that apply to the expenditure of these funds. To the extent allowed by federal law including the requirement to provide for parental involvement, funds shall be used to meet identified needs of recipient schools in the following priority order: 1) Planning for and compliance with any plan for remediation for a school upon which sanctions are imposed under the Public Schools Accountability Act or federal law. Funds shall be expended pursuant to a remediation plan approved by the State Board of Education under Sections 52054 and 52055.610 of the Education Code. 2) School improvement plans adopted under the Immediate Intervention/Under performing Schools, the High Priority Low Performing Schools or the Comprehensive School Reform programs. 3) Training of existing teachers to meet the state's standards for highly qualified teachers through the Alternative Certification (Intern) Program. 4) Recruitment and retention of highly qualified teachers. 5) Training of teachers to current state content standards in core subjects through the Math and Reading Professional Development Program, the Professional Development Institutes, or any other program approved by the State Board of Education. 6) Only after each school improves on the Academic Performance Index and all teachers in a local education agency meet state standards for highly qualified teachers and have received appropriate training in state standards-based instruction in all core subjects that they teach, may funds be used for all other purposes authorized under federal law. Each local education agency receiving funds from this item shall certify that its expenditure plan for these funds complies with these conditions and all applicable federal and state laws.
8. Of the funds appropriated in Schedule (1) of this item, \$22,600,000 shall be available for school improvement and intervention programs after federal regulations regarding Title 1, School Improvement Program are fully developed and an expenditure plan is approved by the State Board of Education.

Staff recommends that the committee approve the funding, reject provision 7 and adopt language requiring 60-day notice on funds under provision 8.

Subcommittee #1 Action:

I. **Rural and Low-Income School Program (6110-137-0890) (Issue 428).** The May Revision proposes \$2.426 million for a new federal program called the Rural and Low-Income School Program.

Staff recommends that the committee approve the funding, with the addition of language requiring 60-day notice.

Subcommittee #1 Action:

- J. **Increase Education Technology Local Assistance (6110-180-0890) (Issue 453).** The May Revision proposes an increase of \$28.939 million in federal funds for education technology program. Of that amount \$611,000 would be allocated to the California Technology Assistance Project (CTAP) to provide required technical assistance. The balance would be granted to local educational agencies.

The administration notes that the NCLB makes several changes to federal education technology programs. This act 1) eliminates the existing education technology program, 2) requires that 50 percent (\$41.175 million) of program funds be allocated on a formula basis to local education agencies (K-12) receiving Title I funds, 3) allocates the other 50 percent (\$41.175 million) on a competitive basis, 4) requires competitive grantees to use 25 percent (\$10.294 million) for professional development activities, and 5) allows the State to determine how the remaining 75 percent (\$30.881 million) of competitive grant funds are used.

The May Revision proposes using the discretionary funds for the existing program, which assists schools with planning and purchasing classroom computers for grades 4-8. The proposal includes the following provisional language:

1. The funds appropriated in this item are for allocation to school districts that are awarded formula or competitive grants pursuant to the federal ~~Technology Literacy Challenge~~ Enhancing Education Through Technology Grant Program. The State Board of Education shall review and approve any changes to the criteria and procedure used in the application and award of competitive grant funds during the 2001-02 fiscal year prior to the release by the Superintendent of Public Instruction of the application form to school districts. ~~The discretionary portion of competitive funding shall be used to continue the existing program, which assists schools with planning and purchasing classroom computers for grades 4-8.~~
2. Notwithstanding Provision 1, of the funds appropriated in this item, ~~\$850,000~~ \$1,461,000 is available to provide funding for the California Technology Assistance Project (CTAP) to provide federally-required technical assistance and to help districts apply for and take full advantage of the Fed

Staff recommends that the committee approve the funding, with provisional language as proposed by the California Department of Education.

Subcommittee #1 Action:

- K. **Teacher and Principal Training and Recruiting Fund - Title II, Part A (6110-195-0890) (Issues 001, 002, 003, 004, and 005).** The May Revision proposes \$317.026 million in federal Title II, Part A, funds for various purposes. These funds would be used as follows:

1. \$206.7 million for K-3 class size reduction
2. \$78.3 million for Mathematics and Reading Professional Development Program
3. \$30 million for the Teaching As A Priority Block Grant Program
4. \$1.6 million for the Principal Training Program

5. \$500,000 is unexpended Eisenhower Professional Development Program for any purposes delineated in Provisions 1 through 3 above.

Staff recommends that the committee specify that \$206.7 million is for K-12 class size reduction with priority to mitigate any costs in excess of current funding levels associated with operating an existing K-3 class size reduction program. Further, staff recommends that provision 5 be deleted and those funds redirect to Item 6110-194-0001 Schedule (3) to support professional development at the Exploratorium.

Subcommittee #1 Action:

Other Federal Funds:

M. Adult Education: Citizenship and Naturalization Services. 6110-156-0890. The U.S. Department of Education initiated a one time English Literacy and Civics Education program in federal fiscal year 2000 from set aside funds available from Title II of the Workforce Investment Act which is also known as the Adult Education and Family Literacy Act. (AEFLA). The purpose of this program is to provide integrated English and civics education services to immigrants and other limited English proficient populations and support projects that demonstrate effective practices in providing and increasing access to English literacy programs linked to civics education. The program was increased to \$21.1 million in federal fiscal year 2001.

Senators Chesbro and Polanco have requested consideration of Budget Bill Language to direct the Department to set aside \$5 million of English Literacy-Civics funding for an agreement with the Department of Community Services and Development to provide citizenship and naturalization services. The interagency agreement can include necessary federal requirements to assure that the funding requirements are met. The intention is to utilize an existing network of community based organizations that have since 1998 provide citizenship and naturalization services through performance-based contracts that include a local match, and payment upon completion of naturalization applications by participants. The Department of Community Services and Development has in place the capacity to monitor and support community based organizations to deliver these services cost-efficiently, and within state and federal guidelines. **(See Attachment #1).**

Subcommittee #1 Action:

VI. CDE State Operations (General Fund)

A. State Board of Education Oversight of Charter Schools, 6110-001-0001, (Issue 102)

The May Revision proposes that reimbursement authority be increased by \$130,000 to expend statutory reimbursements for oversight of charter schools that have been approved by the State Board of Education. It is also requested that position authority be provided for one Education Consultant position to be paid out of reimbursements or through the base allocation provided for oversight purposes.

Amend Provision 1 as follows:

“1. An amount equal to or greater than the amount appropriated in Schedule (5) shall be available for support of the State Board of Education (SBE) and shall be directed to meet the policy priorities of

its members. Of the amount appropriated in this schedule, \$130,000 is to be directly allocated to the SBE to provide for statutory oversight of charter schools approved by the SBE. In addition, the State Department of Education is authorized to receive and expend statutory reimbursements of an amount estimated at \$130,000 for purposes of overseeing SBE-approved charter schools."

Staff recommends that the committee approve funding but redirect the funds to the California Department of Education.

Subcommittee #1 Action:

VII. CDE Local Assistance

- A. **May Revision – Item 6110-194-0001. Decrease Funding for Administrator Training and Evaluation Program and Exploratorium (Action Item).** The Governor's May Revision proposes to eliminate funding for the Administrator Training and Evaluation Program (\$1.6 million) and eliminate funding for the Exploratorium (\$1.5 million), with accompanying provisional language revisions. This amounts to a total reduction of \$3.1 million. Due to the availability of federal funds for a variety of teacher professional development opportunities, staff recommends that a portion (\$500,000) of the funding eliminated from the Exploratorium be restored using federal Title II, Part A Teacher and Principal Training and Recruiting Funds (6110-195-0890).

Subcommittee #1 Action:

- B. **Healthy Start.** The Governor's budget provides \$2,375,000 in support but no local assistance funds for the Healthy Start Support Services for Children Act (Healthy Start Initiative) for 2002-03. The base local assistance funding for this program in prior years had been \$39.0 million. The 2001-02 Budget Act had included \$39.0 million for this program but funding was ultimately reduced to 1.0 million by the November Revision reductions that were approved in January (Chapter 1, Statutes 2002, Third Extraordinary Session, SB 1xxx).

Collaborative planning grants of \$50,000 are awarded over a one- to two-year period and operational grants provide \$400,000 (\$100,000 for startup; \$300,000 for implementation) over a three- to five-year period. There are currently 120 grants in some stage of the planning process: 74 awarded in 2000-01 and 46 awarded in 1999-00. A subset of these grants would be ready to submit an application—and would qualify—for an implementation grant should funds be made available for this purpose in 2002-03. The Subcommittee at its May 8th hearing approved \$19.0 million (from unencumbered 2000-01 Budget Act Adult Education funds) to partially restore this program. The following language was adopted—but is to be amended as indicted below—to govern the funds distribution in a manner consistent with comparable grant programs, i.e. on a yearly basis versus the current multi-year "up-front" distribution.

"The amount appropriated in this item is for 2002-03 planning grants and the first year costs of operational grants awarded in 2002-03. It is the intent of the Legislature that the second year costs of operational grants awarded in 2002-03 be appropriated in the 2003-04 Budget and the third year costs for these grants be appropriated in the 2004-05 Budget. First priority for these funds shall be given to operational grants."

Staff recommends that the Subcommittee approve changes to provisional language shown above.

Subcommittee #1 Action:

C. Supplemental Instruction / Elementary School Intensive Reading Program. 6110-205-0001.

The Governor's budget includes \$30.5 million for the Elementary School Intensive Reading Program. This program, established by Chapter 2, Statutes of 1999, First Extraordinary Session (AB 2 Mazzoni) provides multiple, intensive reading opportunities for pupils in grades 1 through 4 and requires a school district, when expending these funds, to give first priority to increasing instructional opportunities for pupils who are experiencing difficulty learning to read. The program is funded on an hourly reimbursement rate with an intended model of 120 hours of instruction. The proposed funding rate as slightly adjusted by May Revision is \$3.44 per hour.

Many school districts have indicated that this funding rate requires student grouping that are too large to allow the most effective reading intervention and assistance. The result is that many school districts do not fully utilize the funding available to them under this program. A number of school districts officials have indicated that additional flexibility under this program would allow more effective use of existing funds.

The result is a pilot proposal within this program to allow the Superintendent of Public Instruction to authorize up to 20 school districts to receive their Elementary School Intensive Reading program funding as a block grant and provide those districts with flexibility in the use of those funds, provided they are used for the purposes of early reading instruction and intervention.

Add Provision 3 to Budget Bill
Item 6110-205-0001

3. Notwithstanding any other provision of law, the Superintendent of Public Instruction may authorize not more than twenty school districts to claim and implement funding appropriated by this item as a block grant for the purposes of providing intensive reading instruction to students in kindergarten and grades 1-4. The Superintendent shall select districts to reflect geographic distribution and include small, medium, and large districts. No district may receive more than the amount to which it is entitled pursuant to the cap for the Elementary School Intensive Reading Program, but the district shall receive that amount as a block grant rather than as an hourly reimbursement. As part of a district's application, a district may request and the State Superintendent may approve waivers of specific requirements of the Elementary School Intensive Reading program. Each participating district shall report data to the Superintendent in the form and in accordance with deadlines required by the Superintendent in order to report to the Legislature on the advantages and disadvantages of the block grant approach. The Legislative Analyst shall, in consultation with the California Department of Education, review the submitted data and report to the Legislature no later than March 31, 2003, on the advantages and disadvantages of the block grant approach and make recommendations to the Legislature regarding the continuation or modification of this budget language.

Staff recommends that the Subcommittee adopt the above provisional language.

Subcommittee #1 Action:

D. Parental Involvement Programs (AB 33) Reappropriation. The CDE is requesting that the current year funding for the Nell Soto Parent Teacher Involvement grant be reappropriated to the budget year.

6110-494 Reappropriation. Department of Education. 4. The unencumbered balance as of June 30, 2002, from subdivision (13) of Item 6110-485, budget Act of 2001 (Ch. 106, Stats. 2001) shall be available **only** for allocation to schools pursuant to Article 2 (commencing with Section 51120) of Chapter 1.5 of Part 28 of the Education Code (Nell Soto Parent/Teacher Involvement Program).

Staff recommends that the Subcommittee approve this proposal.

Subcommittee #1 Action:

- E. **Remedial Supplemental Instruction Programs 6110-104-0001, 6110-204-0001, and 6110-205-0001, (Issue 405).** This April Finance Letter, which the Subcommittee approved at its May 8th hearing, requested that provisional language in these items be amended to: (1) clarify that the authority granted by provisional language to transfer funds within the program schedule is in lieu of similar authority granted by Section 26.00, and (2) stipulate that any transfers shall be allowable only for the purpose of providing additional instructional hours. According to the Administration, these technical changes will allow SDE to more effectively administer the program, apportion funds, and address deficiency demands in a timely manner, as intended.

Staff recommends that this Item be reopened and the language be amended as follows:

Item 6110-104-0001

~~3. Notwithstanding Section 26 of this act, or any other provision of law,~~ ***In addition to reallocations made pursuant to subdivision (d) of Section 42339 of the Education Code,*** the Director of Finance may, transfer funding between schedules, to prevent deficiencies for instructional hours in any of the programs funded in this item. The Department of Finance shall notify the Joint Legislative Budget Committee of any transfers made pursuant to this provision.

~~5. Notwithstanding any other provision of law~~ ***In addition to reallocations made pursuant to subdivision (d) of Section 42339 of the Education Code,*** the Department of Finance may transfer amounts between Items 6110-104-0001, 6110-204-0001, and 6110-205-0001 of this act in order to minimize deficiencies for instructional hours in any of the programs budgeted in those items. The Department of Finance shall notify the Joint Legislative Budget Committee of any transfers made pursuant to this provision

Item 6110-204-0001

~~3. Notwithstanding any other provision of law,~~ ***In addition to reallocations made pursuant to subdivision (d) of Section 42339 of the Education Code,*** the Department of Finance may transfer amounts between Items 6110-104-0001, 6110-204-0001, and 6110-205-0001 of this act in order to minimize deficiencies for instructional hours in any of the programs budgeted in those items. The Department of Finance shall notify the Joint Legislative Budget Committee of any transfers made pursuant to this provision

Item 6110-205-0001

~~2. Notwithstanding any other provision of law,~~ ***In addition to reallocations made pursuant to subdivision (d) of Section 42339 of the Education Code,*** the Department of Finance may transfer amounts between Items 6110-104-0001, 6110-204-0001, and 6110-205-0001 of this act in order to minimize deficiencies for instructional hours in any of the programs budgeted in those items. The Department of Finance shall notify the Joint Legislative Budget Committee of any transfers made pursuant to this provision

Subcommittee #1 Action:

F. Corrective Actions, 6110-123-0001, (Issues 006 and 007). The May Revision proposes that the Corrective Actions program be added and that \$6,000,000 in expected Immediate Intervention/Underperforming Schools Program savings be transferred from Schedule (1) to this program for costs associated with School Intervention and Assistance Teams. It is also requested that provisional language be added as follows:

Pursuant to legislation enacted during the 2001-02 Regular Session, the funds appropriated in Schedule (4) shall, upon approval by the State Board of Education, be available to support schools working with School Assistance and Intervention Teams as part of the Immediate Intervention/Underperforming Schools Program.

The LAO has proposed additional language to create a separate schedule for these funds and to allow the funds to be transferred between schedules.

Staff recommends that the Subcommittee adopt the LAO recommendation.

Subcommittee #1 Action:

G. Charter School Categorical Block Grant, 6110-211-0001 (Issue 353). The May Revision proposes that this item be reduced by \$2,354,000. The adjustment reflects revised estimates of charter school ADA and an Administration proposal to fund the item based on a one-year lag in Proposition 98 appropriations. (The DOF has proposed trailer bill language to effect this change—See Agenda Item VIII Trailer Bill Language, Sections 3 and 4)

Staff recommends that the Subcommittee approve this proposal.

Subcommittee #1 Action:

H. Advancement Via Individual Determination (AVID) (Issue 602).

May Revision proposes to reduce this item by \$6,300,000, from \$12,300,000 to \$6,000,000

The DOF has since provided language to specify the effect of this reduction:

1. Of the funds appropriated, ~~\$1,300,000~~ 1,000,000 is available for administration of the Advancement Via Individual Determination (AVID) centers and ~~\$6,000,000~~ 5,000,000 is available for competitive outreach grants to local education agencies for the AVID program. Notwithstanding any other provision of law, the remaining \$5,000,000 shall be used solely for the provision of Advanced Placement teacher training or tutoring services, pursuant to Section 52247 of the Education Code.

Staff recommends that the Subcommittee adopt the above provisional language.

Subcommittee #1 Action:

I. Low Performing Schools, 6110-123-0001 (3). As part of the current year, November Revision reductions that were enacted by Chapter 1, Statutes of 2002, Third Extraordinary Session, (SB 1xxx (Peace)) the Low Performing (High Priority) Schools Program was reduced from \$197 million to \$38 million. Of the \$38 million, \$18 million was earmarked for planning grants, up to \$50,000, for schools in decile 1, with first priority to those applicants that also applied for participation, as specified, in the federal Comprehensive School Reform Demonstration (CSRD) program. The remaining \$20 million was similarly earmarked for schools in decile 2. The entire \$18 million was encumbered but a number of decile 1 schools did not receive funding. The request for application (RFP) for the \$20 million for decile 2 schools has yet to be developed. The Administration proposed to “capture” this \$20 million in current year savings for expenditure on other Administration priorities.

Staff recommends that the Subcommittee reject this proposal.

Subcommittee #1 Action:

VIII. Special Education

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A. Special Education, 6110-161-0001, (Issues 100, 101, 102, 103, 104, 105, and 106)

(Technical “post” Finance Letter changes in bold)

The May Revision proposes that this item be amended to decrease the Proposition 98 General Fund for the Special Education program by \$3,782,000. According to the Administration, this adjustment is necessitated primarily by a larger than previously estimated increase in the average daily attendance used to compute the Special Education entitlement, resulting in \$10,302,000 needed to increase Special Education growth from 1.11 percent to 1.40 percent. It is also the result of a current year base adjustment of \$177,000, and an augmentation of \$155,000 to provide funding for Necessary Small Special Education Local Plan Areas (SELPAs) with declining enrollment pursuant to Chapter 551, Statutes of 2001 (AB 303). These increases are reduced by \$1,172,000 to reflect an increase in property tax revenues and further reduced by \$5,075,000 to decrease the COLA from 2.15 percent to 2.00 percent. It is also the result of an increase of ~~\$8,169,000~~ **\$6,332,000** in the amount of federal funds available for use as an offset to the General Fund.

The May Revision proposes to add provisional language to Item 6110-161-0001 to specify that of the amount provided in Schedule (1), ~~\$23,260,000~~ **\$10,946,000** shall be appropriated to first ensure full funding for the special education instruction, including pre-school as funded in Schedules (1) and (2) in the 2002-03 fiscal year. Once the Superintendent of Public Instruction has determined that none of the programs funded in Schedules (1) and (2) require any additional funding pursuant to the statutory formulas contained in Chapter 854, Statutes of 1997 (AB 602), the remaining amount shall be allocated on a per ADA basis pursuant to Section 56836.158 of the Education Code. This provision conforms to trailer bill language attached to this letter amending Education Code Section 56836.158

The May Revision also proposes that the provisional language in Item 6110-161-0001 be amended as follows:

- “2. Of the funds appropriated in Schedule (1) of this item, ~~\$40,764,000~~ **\$10,829,000**, plus the COLA, shall be available for the purchase, repair, and inventory maintenance of specialized books, materials, and equipment for pupils with low-incidence disabilities, as defined in Section 56026.5 of the Education Code.

3. Of the funds appropriated in Schedule (1) of this item, ~~\$8,222,000~~ \$8,272,000, plus the COLA, shall be available for the purposes of vocational training and job placement for special education pupils through Project Workability I pursuant to Article 3 (commencing with Section 56470) of Chapter 4.5 of Part 30 of the Education Code. As a condition of receiving these funds, each local educational agency shall certify that the amount of nonfederal resources, exclusive of funds received pursuant to this provision, devoted to the provision of vocational education for special education pupils shall be maintained at or above the level provided in the 1984-85 fiscal year. The Superintendent of Public Instruction may waive this requirement for local educational agencies that demonstrate that the requirement would impose a severe hardship.
4. Of the funds appropriated in Schedule (1) of this item, ~~\$4,289,000~~ \$4,315,000, plus the COLA, shall be available for regional occupational centers and programs that serve pupils having disabilities, and ~~\$72,186,000~~ \$72,647,000, plus the COLA, shall be available for regionalized program specialist services, including ~~\$1,742,000~~ \$1,741,000, plus the COLA, for small special education local plan areas (SELPAs) pursuant to Section 56836.24 of the Education Code.
6. Of the funds appropriated in Schedule (1), a total of ~~\$125,173,000~~ \$114,756,000, plus the COLA, is available to fully fund the costs of children placed in licensed children's institutions who attend nonpublic schools.
7. Of the amount appropriated in Schedule (2) of this item, ~~\$764,000~~ \$964,000, plus the COLA, shall be available for infant program growth units (ages birth-two years). Funds for infant units shall be allocated pursuant to Provision 11 of this item, with the following average number of pupils per unit:
 - (a) For special classes and centers—16.
 - (b) For resource specialist programs—24.
 - (c) For designated instructional services—16.
11. Of the amount provided in Schedule (1), ~~\$76,012,000~~ \$72,433,000 is provided for a COLA at a rate of ~~2.15~~ 2.00 percent.
12. Of the amount provided in Schedule (2), ~~\$1,496,000~~ \$1,400,000 is provided for a COLA at a rate of ~~2.15~~ 2.00 percent.”

In addition, the following provisional language is requested to be added:

Of the amount provided in Schedule (1), \$155,000 plus the COLA, shall be available to fully fund the declining enrollment of necessary small SELPAs, pursuant to Chapter 551, Statutes of 2001 (AB 303).

Of the amount provided in Schedule (1) of this item, \$10,946,000 shall be appropriated in the following priority sequence:

- (a) The Superintendent of Public Instruction shall allocate any additional amount, if needed, to augment the amounts appropriated in Schedules (1) and (2) of this item to ensure full funding for the 2002-03 fiscal year. Once the Superintendent of Public Instruction has determined that none of the programs in Schedules (1) and (2) of this item require any additional funding pursuant to the statutory formulas contained in Chapter 854, Statutes of 1997 (AB 602), the remaining amount shall be allocated pursuant to Section 56836.158 of the Education Code.

Subcommittee #1 Action:

B. Adjustments for Increases in Federal Individuals with Disabilities Education (IDEA)—Part B Grant for Special Education, 6110-161-0890, (Issues 126, 127, 128)

It is requested that this item be increased by \$18,106,000 to account for a \$19,026,000 increase in IDEA federal funds, and a \$920,000 reduction in one-time special education federal fund expenditures.

It is also requested that Provision 2 in this item be amended to reflect a technical change in the reference to the federal special education funding formula.

It is also requested that Schedule (4) in this item be decreased by \$920,000 to reflect a reduction of \$420,000 in one-time funds provided in 2001-02 for costs associated with LCI and NPS mediated settlements from prior years, and to reflect a reduction of \$500,000 resulting from less than anticipated program expenditures for emergency impaction funds for SELPAs serving students previously served by a closed non public school operating at a licensed children's institute.

It is also requested that the provisional language in Item 6110-161-0890 be amended as follows:

- “1. If the funds for Part B of the federal Individuals with Disabilities Education Act that are actually received by the state exceed ~~\$762,300,000~~ \$781,663,000, at least 95 percent of the funds received in excess of that amount shall be allocated for local entitlements and to state agencies with approved local plans. Five percent of the amount received in excess of ~~\$762,300,000~~ \$781,663,000 may be used for state administrative expenses. If the funds for Part B of the federal Individuals with Disabilities Education Act that are actually received by the state are less than ~~\$762,300,000~~ \$781,663,000, the reduction shall be taken in capacity building.
2. The funds appropriated in Schedule (2) shall be distributed to state-operated programs serving disabled children from 3 to 21 years of age, inclusive. In accordance with federal law, the funds appropriated in Schedules (1) and (2) shall be distributed to local and state agencies on the basis of an equal amount per eligible, identified pupil the federal IDEA permanent formula.”

In addition, the following provisional language is requested to be added:

14. Of the funds appropriated in Schedule (4), up to \$500,000 shall be available in fiscal year 2002-03 for a special education local plan area that may apply for emergency impaction funds under this provision and pursuant to Section 56836.18 of the Education Code in the event a court of appropriate jurisdiction orders or advises the closure of a nonpublic, nonsectarian school operating at a licensed children's institution and the special education local plan area, in which the licensed children's institution is located is required to provide for special education and related services to individuals with exceptional needs who have been enrolled in the nonpublic, nonsectarian school at the time of closure. For pupils placed in the LCI/NPS pursuant to a court order, the special education local plan area shall be eligible to apply for reimbursement of actual costs under this provision for up to one-half the costs per pupil for which the nonpublic, nonsectarian school was previously reimbursed in the most recent fiscal year for which data is available. This provision shall apply to a maximum of one nonpublic, nonsectarian school operating at a licensed children's institution, and shall apply only to a school which closes as a result of a court order or advisory. Any special education local plan area receiving funds appropriated pursuant to this provision shall report to the State Department of Education, the Department of Finance, and the Legislative Analyst's office by April 15, 2003, regarding the services provided to students through this pilot and the performance outcomes for students, including, but not limited to, a summary of STAR test scores for students and any alternate assessments used to measure the achievement of special education students.

Staff Note: *The Subcommittee adopted similar, but narrower language during its May 8th hearing regarding provision #14, above. DOF does not object to the Subcommittee's language.*

Of the amount provided in Schedule (1), the CDE is requesting the following, additional, state operations items:

1. Data Integration System FSR

\$1,000,000

\$1 million is requested to develop and implement an integrated data system for special education that incorporates data from *all* monitoring sources. This system is needed if the Department is to meet its required monitoring activities within existing staffing and budget resources; it will also enhance the Department's ability to provide comprehensive information to local, state, and federal policymakers on how school districts are serving students with disabilities. The funds would be set aside contingent upon approval of an FSR, which is on track for completion this December 2002. Delaying implementation of the system will severely hamper the Department's ability to meet workload requirements.

2. Universal Design Digital Textbook Pilot

500,000

To more efficiently and effectively meet its mandate of providing *accessible* instructional materials to students with disabilities, CDE is collaborating with the Center for Applied Special Technology (CAST) to pilot the use of universally designed (digitized) state-adopted instructional materials in the middle grades. With the required passage of the California High School Exam, the state should immediately explore ways to provide students with disabilities quicker access to the standards-based core curriculum and thereby increase the percentage of students passing high stakes tests. The pilot might also result in cost-savings. To support the pilot, \$500,000 is requested to train educators in the use of universally designed digital textbooks, and to evaluate the project for statewide use.

3. Alternative Hearing Process (Ch 591/00)

700,000

The current cost of state due process hearings has increased dramatically in recent years, challenging the state to explore alternative and potentially less costly and more effective ways to provide due process. In 2000, the Legislature passed and the Governor signed AB 2321 (Ch 591/2000), which authorized a three-year pilot project for alternative due process hearing procedures conducted by local SELPAs. This pilot, however, has never been funded. \$700,000 is requested to fund this pilot.

4. California Youth Authority / CSU San Bernardino Contract: Administrative Costs. The 2001-02 Budget Act provided \$250,000 to the CDE for allocation, through an interagency agreement, to CSU San Bernardino, Center for the Study of Correctional Education, for special education monitoring of, and technical assistance for, the California Youth Authority pursuant to legislation (Chapter 536, Statutes of 2001--SB 505, Perata), as enacted in the 2000-01 Regular Session. The Governor's proposed 2002-03 budget (Item 6110-001-0890 (17)) continues this funding in the budget year. In late April, CDE informed the CSU Center that the department would need to retain 21 percent of the \$250,000 to cover administrative overhead expenses. The CSU Center states that it cannot implement the current (agreed upon, but not signed) contract without the full \$250,000 as specified in SB 505. Meanwhile, there have been limited monitoring and technical assistance services provided to CYA by CDE in the fiscal year. The department estimates the cost to cover the additional, administrative costs for each fiscal year is \$52,500. The following provisional language is suggested to effect this additional distribution of federal funds:

Amend Item 6110-001-0890 (17) to read:

17. Of the funds appropriated in the item ~~\$250,000~~ \$302,500 shall be allocated by the Department of Education to California State University, San Bernardino, Center for the Study of Correctional Education, for special education monitoring and technical assistance for the California Youth Authority pursuant to Chapter 536, Statutes of 2001.

5. Family Empowerment Centers. The Governor's 2002-03 budget proposes \$2.4 million to establish Family Empowerment Centers (FECs) on Disabilities pursuant to Chapter 690, Statutes of 2001 (SB 511, Alpert). Funds for this measure were made available by a Governor veto of an equal amount of federal ESEA capacity building funds from the 2001-02 Budget Act.

These centers provide parent training and resource referral enabling parents with special needs children to better access educational services and improve outcomes for their children. FECs can serve families of children with special needs from ages three through 21. Since state-funded Family Resource Centers serve children with disabilities up to age three, FECs complete a seamless system of family support for children from birth through age 21.

While the 12 centers funded in the 2001-02 Budget Act are geographically disbursed throughout the state, many regions are without a center leaving numerous parents without services or requiring parents to travel great distances to access FEC services. Senator Alpert is advocating that an additional \$1.7 million in new federal IDEA (special education) funds be set aside to fund eight additional centers (\$1.6 million) and increase support for the FEC hub (\$100,000).

Subcommittee #1 Action: Staff recommends approval of #1, #4 and #5

IX Restorations and Additional Reductions

Please refer to spreadsheet to be distributed during the committee hearing.

X. Trailer Bill Language

- A. **May Revision Trailer Bill Amendments.** Following is a list of Education Trailer Bill provisions requested by the Department of Finance, with accompanying staff recommendations:

Section 1--Child Care Eligibility Methodology--Add new section to authorize the Department of Social Services in conjunction with the Department of Finance to develop and implement a new methodology for adjusting income eligibility levels and family fee schedules. (ECS 8263.1) Staff recommends that DOF's proposed language be denied and that any changes to subsidized child care eligibility or family fee schedules be implemented in separate legislation, that is evaluated by the policy committees.

Section 2--PAR Funding Rates--Add new section to amend statutes for the Peer Assistance and Review (PAR) to reduce each district's funding rate by 50 percent of the 2000-01 fiscal year rates. The 50 percent reduction would result in an additional \$17 million in savings, which would be allocated as specified. (ECS 44506.5). Staff notes that Trailer Bill language is not necessary to implement the reduction in PAR program funding rates (as illustrated by the current year reductions implemented in SBX3 1) and the California Department of Education has expressed concerns that the language would result in uneven distribution impacts. As a result, staff recommends that any

programmatic changes to the funding mechanism for the PAR program be forwarded to policy committee for consideration. As an alternative, the committee could adopt the following Budget Bill Language to ensure that the reduced appropriation is equitably distributed among districts:

Item 6110-193-0001.

Notwithstanding Sections 44505 and 44506 of the Education Code, the Superintendent of Public Instruction shall reduce the rate of apportionment provided to school districts for the Peer Assistance and Review Program proportional to the amount of funding provided under Schedule (5).

Sections 3 and 4--Charter Categorical Block Grant Calculation--Add new section to revise the calculation of the growth factor for the Charter School Categorical Block Grant to reflect a one-year lag. (ECSs 47634 & 47634.5). Staff recommends that this issue conform to prior action to accept the proposed reduction in this item.

Section 5--School Assistance Teams/State Takeover-- Add new section to authorize / clarify timelines for low performing schools that are subject to sanctions and specify the funding to be made available for Schools Assistance Teams, School Management teams and schools subject to sanctions. (ECSs 52055.51 –52055.54) Staff recommends that this issue be referred to the policy committee for consideration.

Section 6--Special Education Funding Rates--Add new section to allow special education local plan areas to receive funds provided to permanently increase the amount per unit of average daily attendance in the 2002-03 fiscal year (ECS 56836.158). Staff recommends that this issue be referred to the policy committee for consideration.

Section 7--COLA Factor Update--Amend SEC. 18 of the proposed 2002 Education Trailer Bill (RN 020653) to reflect the revised COLA factors provided in the May Revision. Staff recommends adoption of the language.

- B. Targeted Instructional Improvement Block Grant.** This section stipulates that through the new block grant, school districts would receive at least the amount of funding provided in 2000-01 within the former categorical programs (court-ordered and voluntary desegregation programs). (EC §54201)

Fiscal: This provision maintains the existing allocation formula, and has no overall fiscal impact on the program budget (the budget does not anticipate any costs or savings by codifying the allocation formula).

Staff Note: *The Subcommittee approved this trailer bill language in concept on May 8th with the understanding that CDE and DOF would work out a technical issue. Per an agreement between CDE and DOF, the following sentence is to be added to the DOF proposed trailer bill language: “For the 2001-02 fiscal year, and each fiscal year thereafter, the total amount a school district shall receive in any fiscal year shall be at a minimum to the total amount it received in the 2000-01 fiscal year adjusted annually pursuant to Section 42238.1*

Staff recommends that the Subcommittee adopt the above language.

Subcommittee #1 Action:

- C. **Basic Aid Districts: Pupils Transferred for Desegregation.** Under desegregation court order, pupils in the Ravenswood School Districts are allowed to transfer to a number of surrounding school districts, including several that receive state funding in their revenue limit that is limited to the Constitutionally mandated “basic aid” of \$120 per pupil. Since 1995, basic aid school districts that receive children under the desegregation order have been allowed to receive 70% of the state revenue limit funding that would have been paid to their home district if they had not transferred. When state funding for desegregation was converted last year to the Targeted Instructional Improvement Grant, the statute authorizing the 70% payment was repealed along with the other desegregation provisions. This proposed language restores authorization for the 70% payment, thereby maintaining existing allocations (no new or increased costs) and allowing the court-ordered plan to proceed without fiscal penalty to the districts receiving pupils. Staff recommends approval of the language for inclusion in the trailer bill.

For any basic aid district that was entitled to reimbursement pursuant to subdivision (h) of Section 42247.4 of the Education Code as it read on January 1, 2001 and in which a court order directs pupils to transfer to that district as part of the court-ordered voluntary pupil transfer program, the Superintendent of Public Instruction commencing with the 2001-02 fiscal year, shall calculate an apportionment of state funds for that basic aid district that provides 70 percent of the district revenue limit calculated pursuant to Section 42238 that would have been apportioned to the school district from which the pupils were transferred for the average daily attendance of any pupils credited under that court order who did not attend the basic aid school district prior to the 1995-96 fiscal year. For purposes of this subdivision, the term "basic aid district" means a school district that does not receive from the state, for any fiscal year in which the subdivision is applied, an apportionment of state funds pursuant to subdivision (h) of Section 42238.

Staff recommends that the Subcommittee adopt the above language.

Subcommittee #1 Action:

- D. **Basic Aid District Students Attending a Non-Basic Aid District Charter School.** Chapter 586, Statutes of 2001, (SB 955, Alpert) limits—to the lesser of the charter school’s revenue limit or the basic aid district’s property tax per pupil—the amount of property tax transferred in support of pupils who reside in a basic aid district, but attend a charter school in a non-basic aid district. The purpose of this funding adjustment was to ensure fiscal neutrality for the state and, as a result, potentially save the state an estimated \$1 million (Proposition 98) per 220 students.

A basic aid district is a school district in which the amount of property taxes exceeds its revenue limit. These districts, numbering 61 in 1999-00, may retain the excess funds and still receive the state General Fund basic aid of \$120 per ADA (or minimum \$2,400 per district).

Due to lack of comprehensive data regarding the number of basic aid district students attending charter schools in non-basic aid districts, or how many basic aid districts have charter schools outside their district, the CDE has not implemented, and the Governor’s Budget does not assume, any General Fund (Proposition 98) savings pursuant to the implementation of SB 955.

Assembly staff, in collaboration with the CDE, has proposed SB 955 “cleanup” trailer bill language that would impose a three-year (30-50-70 percent) phase-in of SB 955 to ultimately implement a 70 percent in-lieu property tax transfer (marginal cost formula) for basic aid districts. (See Attachment #2).

Subcommittee #1 Action:

Proposed Current Year Legislation. The Governor's May Revision proposes to "defer" a variety of Proposition 98 expenditures from the current year to the beginning of the 2002-03 fiscal year (which begins on July 1). In most cases, this deferral will result in payments being made approximately one month after the originally-expected date. In order to defer these expenditures, the Governor's May Revision proposes to introduce current-year urgency legislation to both reduce the expenditure levels of specified programs in the current year and appropriate those dollars in the budget year. Staff notes that these changes will occur in separate legislation and recommends that the committee adopt this shift "in concept" pending legislation.

Attachment #1

Adult Education:

6110-156-0890

1. Of the funds appropriated in this item, \$5,000,000 shall be used for adult basic education for citizenship and naturalization services for legal permanent residents who are eligible for naturalization.

Citizenship and naturalization services shall include, for this purpose, to the extent consistent with federal law, all of the following: (a) outreach services; (b) assessment of skills; (c) naturalization preparation and assistance; (d) instruction and curriculum development, including referral to other services; and (e) advocacy and follow-up services. The providers of the citizenship and naturalization services, for the purposes of this provisions, shall be those as defined by applicable federal law.

The Department shall provide \$5 million by contract to the Department of Community Services and Development. The funds shall be used to award grants for naturalization services consistent with services provided through Item 4700-101-0001 of this Act. All awards shall be made in accordance with federal law. Administration of these funds shall include the principles of performance-based contracts with community based organizations, and provision of local match amounts, consistent with existing program operation by the Department of Community Services and Development.

Funds provided to community agencies under this provision shall be reimbursed at up to \$350/participant/year, based on cost and the satisfactory provision of performance reporting required by the Department of Community Services and Development.

Attachment #2

SB 955 Clean-up Trailer Bill Language

SEC 1.

Section 47632 of the Education Code is amended to read:

47632. For purposes of this chapter, the following terms shall be defined as follows:

(a) "General-purpose entitlement" means an amount computed by formula set forth in Section 47633 beginning in the 1999-2000 fiscal year, which is based on the statewide average amounts of general purpose funding from those state and local sources identified in Section 47633 received by school districts of similar type and serving similar pupil populations.

(b) "Categorical block grant" means an amount computed by the formula set forth in Section 47634 beginning in the 1999-2000 fiscal year, which is based on the statewide average amounts of categorical aid from those sources identified in Section 47634 received by school districts of similar type and serving similar pupil populations.

(c) "General-purpose funding" means those funds that consist of state aid, local property taxes, and other revenues applied toward a school district's revenue limit, pursuant to Section 42238.

(d) "Categorical aid" means aid that consists of state or federally funded programs, or both, which are apportioned for specific purposes set forth in statute or regulation.

(e) "Educationally disadvantaged pupils" means those pupils who are eligible for subsidized meals pursuant to Section 49552 or are identified as English learners pursuant to subdivision (a) of Section 306, or both.

(f) "Operational funding" means all funding except funding for capital outlay.

(g) "School district of a similar type" means a school district that is serving similar grade levels.

(h) "Similar pupil population" means similar numbers of pupils by grade level, with a similar proportion of educationally disadvantaged pupils.

(i) "Sponsoring local educational agency" means the following:

(1) In the cases where a charter school is granted by a school district, the sponsoring local educational agency is the school district, *except as provided in paragraph (5)*.

(2) In cases where a charter is granted by a county office of education after having been previously denied by a school district,

the sponsoring local educational agency means the school district that initially denied the charter petition, ***except as provided in paragraph (5).***

(3) In cases where a charter is granted by the State Board of Education after having been previously denied by a local educational agency, the sponsoring local educational agency means the local educational agency designated by the State Board of Education pursuant to paragraph (1) of subdivision (k) of Section 47605 or if a local educational agency is not designated, the local educational agency that initially denied the charter petition, ***except as provided in paragraph (5).***

(4) For pupils attending county-sponsored charter schools who are eligible to attend such schools solely as a result of parental request pursuant to subdivision (b) of Section 1981, the sponsoring local education agencies means the pupils' school districts of residence, ***except as provided in paragraph (5).***

(5) For only the purpose of transferring amounts in-lieu of property taxes as provided in Section 47635, for pupils who reside in and are otherwise eligible to attend school in a basic aid school district, but who attend a charter school authorized by a non-basic aid district or county office of education, the sponsoring local educational agency is the basic aid district.

(j) For purposes of this section, "basic aid school district" means a school district that does not receive from the state, for any fiscal year in which the subdivision is applied, an apportionment of state funds pursuant to subdivision (h) of Section 42238.

SEC. 2

Section 47635 of the Education Code is amended to read:

47635. (a) A sponsoring local educational agency, **other than those defined in paragraph (5) of subdivision (i) of Section 47632**, shall annually transfer to each of its charter schools funding in lieu of property taxes equal to the lesser of the following two amounts:

(1) The average amount of property taxes per unit of average daily attendance, including average daily attendance attributable to charter schools, received by the local educational agency, multiplied by the charter school's average daily attendance.

(2) The statewide average general-purpose funding per unit of average daily attendance received by school districts, as determined by the State Department of Education, multiplied by the charter school's average daily attendance in each of the four corresponding grade level ranges: kindergarten and grades 1, 2, and 3; grades 4, 5, and 6; grades 7 and 8; and grades 9 to 12, inclusive.

(b) For fiscal year 2002-03, a sponsoring local educational agency, as defined in paragraph (5) of subdivision (i) of Section 47632, shall annually transfer to each of its charter schools funding in lieu of property taxes equal to the lesser of the following two amounts:

(1) The average amount of property taxes per unit of average daily attendance, including average daily attendance attributable to charter schools, received by the local educational agency, multiplied by the charter school's average daily attendance, multiplied by thirty (30) percent.

(2) The statewide average general-purpose funding per unit of average daily attendance received by school districts, as determined by the State Department of Education, multiplied by the charter school's average daily attendance in each of the four corresponding grade level ranges: kindergarten and grades 1, 2, and 3; grades 4, 5, and 6; grades 7 and 8; and grades 9 to 12, inclusive.

(c) For fiscal year 2003-04, a sponsoring local educational agency, as defined in paragraph (5) of subdivision (i) of Section 47632, shall annually transfer to each of its charter schools funding in lieu of property taxes equal to the lesser of the following two amounts:

(1) The average amount of property taxes per unit of average daily attendance, including average daily attendance attributable to charter schools, received by the local educational agency, multiplied by the charter school's average daily attendance, multiplied by fifty (50) percent.

(2) The statewide average general-purpose funding per unit of average daily attendance received by school districts, as determined by the State Department of Education, multiplied by the charter school's average daily attendance in each of the four corresponding grade level ranges: kindergarten and grades 1, 2, and 3; grades 4, 5, and 6; grades 7 and 8; and grades 9 to 12, inclusive.

(d) Commencing with the 2004-05 fiscal year, a sponsoring local educational agency, as defined in paragraph (5) of subdivision (i) of Section 47632, shall annually transfer to each of its charter schools funding in lieu of property taxes equal to the lesser of the following two amounts:

(1) The average amount of property taxes per unit of average daily attendance, including average daily attendance attributable to charter schools, received by the local educational agency, multiplied by the charter school's average daily attendance, multiplied by seventy (70) percent.

(2) The statewide average general-purpose funding per unit of average daily attendance received by school districts, as determined by the State Department of Education, multiplied by the charter school's average daily attendance in each of the four corresponding grade level ranges: kindergarten and grades 1, 2, and 3; grades 4, 5, and 6; grades 7 and 8; and grades 9 to 12, inclusive.

(e) The sponsoring local educational agency shall transfer funding in lieu of property taxes to the charter school in monthly installments, by no later than the 15th of each month.

(1) For the months of August to February, inclusive, a charter school's funding in lieu of property taxes shall be computed based on

the amount of property taxes received by the sponsoring local educational agency during the preceding fiscal year, as reported to the Superintendent of Public Instruction for purposes of the second principal apportionment. A sponsoring local educational agency shall transfer to the charter school the charter school's estimated annual entitlement to funding in lieu of property taxes as follows:

- (A) Six percent in August.
- (B) Twelve percent in September.
- (C) Eight percent each month in October, November, December, January, and February.

(2) For the months of March to June, inclusive, a charter school's funding in lieu of property taxes shall be computed based on the amount of property taxes estimated to be received by the sponsoring local educational agency during the fiscal year, as reported to the Superintendent of Public Instruction for purposes of the first principal apportionment. A sponsoring local educational agency shall transfer to each of its charter schools an amount equal to one-sixth of the difference between the school's estimated annual entitlement to funding in lieu of property taxes and the amounts provided pursuant to paragraph (1). An additional one-sixth of this difference shall be included in the amount transferred in the month of March.

(3) For the month of July, a charter school's funding in lieu of property taxes shall be computed based on the amount of property taxes estimated to be received by the sponsoring local educational agency during the prior fiscal year, as reported to the Superintendent of Public Instruction for purposes of the second principal apportionment. A sponsoring local educational agency shall transfer to each of its charter schools an amount equal to the remaining difference between the school's estimated annual entitlement to funding in lieu of property taxes and the amounts provided pursuant to paragraphs (1) and (2).

(4) Final adjustments to the amount of funding in lieu of property taxes allocated to a charter school shall be made in February, in conjunction with the final reconciliation of annual apportionments to schools.

~~(5) Subdivision (a) and paragraphs (1) to (4), inclusive, of subdivision (b) do not apply for pupils who reside in, and are otherwise eligible to attend a school in, a basic aid school district, but who attend a charter school in a nonbasic aid school district. With regard to these pupils, the sponsoring basic aid district shall transfer to the charter school an amount of funds equivalent to the revenue limit earned through average daily attendance by the charter school for each pupil's attendance, not to exceed the average property tax share per unit of average daily attendance for pupils residing and attending in the basic aid~~

~~district. The transfer of funds shall be made in not fewer than two installments at the request of the charter school, the first occurring not later than February 1 and the second not later than June 1 of each school year. Payments shall reflect the average daily attendance certified for the time periods of the first and second principal apportionments, respectively. The Superintendent of Public Instruction may not apportion any funds for the attendance of pupils described in this subdivision unless the amount transferred by the basic aid district is less than the revenue limit earned by the charter school, in which event the Superintendent of Public Instruction shall apportion the difference to the charter school from state funds.~~

SEC. 3

Section 47663 of the Education Code is amended to read:

47663. (a) For a pupil of a charter school sponsored by a basic aid school district who resides in, and is otherwise eligible to attend, a school district other than a basic aid school district, the Superintendent of Public Instruction shall apportion to the sponsoring school district an amount equal to 70 percent of the revenue limit per unit of average daily attendance that would have been apportioned to the school district that the pupil resides in and would otherwise have been eligible to attend.

(b) A district that loses basic aid status as a result of transferring property taxes to a charter school or schools pursuant to Section 47635 shall be eligible to receive a pro rata share of funding provided by subdivision (a), with the proration factor calculated as the ratio of the following:

(1) The amount of property taxes that the district receives in excess of its total revenue limit guarantee, prior to any transfers made pursuant to Section 47635.

(2) The total amount of property taxes transferred pursuant to Section 47635 to the charter school or schools that it sponsors.

~~—(c) The Superintendent of Public Instruction may not apportion funds for the attendance of a pupil in a charter school of a nonbasic aid school district who resides in, and is otherwise eligible to attend school in, a basic aid school district unless the pupil is subject to the exception set forth in paragraph (5) of subdivision (b) of Section 47635.~~

~~(d)~~ (c) For purposes of this section, "basic aid school district" means a school district that does not receive from the state, for any fiscal year in which the subdivision is applied, an apportionment of state funds pursuant to subdivision (h) of Section 42238.

PART III -- CONSENT

May Revision DOF Letters

Consent Items

	Issue	Item	Department	Finance Letter Action	Amount	Recommendation
1		6110-001-0001	CDE	Restores two limited-term CSIS positions that expire in the current year and \$63,000 associated with those positions.	\$63,000	Approve Finance Letter
2	001	6110-136-0001	CDE	Deletes item and associated funding for Professional Development Institute Stipends due to use of Federal Title I (Reading First) funds and Title II (Teacher Quality) funds.	-48,000,000	Approve Finance Letter
3	001	6110-142-0001	CDE	Deletes item and associated funding for the Secondary schools Reading Program. (This action corresponds to an earlier action taken by the subcommittee.)	-8,000,000	Approve Finance Letter
4	001	6110-143-0001	CDE	Deletes item and associated funding for the Student Academic Partnership Program.	-2,000,000	Approve Finance Letter
5	466	6110-181-0001	CDE	Reduces item to delay the Education Technology Staff Development program for one year.	-9,650,000	Approve Finance Letter
6	350	6110-202-0001	CDE	Adds provisional language on the Child Nutrition Pilot Program to specify that funds in Schedule (1) are for child nutrition programs and funds provided in Schedule (2) are used to fully-fund the child nutrition pilot program Linking Education, Activity and Food.		Approve Finance Letter
7		6110-301-0001	State Special Schools	Decreases item to delete equipment funding for the Pupil Personnel Services Building project.	-81,000	Approve Finance Letter
8	001	6110-134-0001	Teaching as a Priority	Reduces item due to availability of federal Title II funds.	-30,000,000	Approve Finance Letter
9	001 251	6110-137-0001 6110-485	Math and Reading Professional Development Program	Increases item for a total of \$31.7 million General Fund due to shift of funds from Prop 98 Reversion Account. Of the total (\$110 million) \$78.3 million is from federal Title II funds.	8,800,000	Approve Finance Letter

PART III -- CONSENT

May Revision DOF Letters

Consent Items

Issue	Item	Department	Finance Letter Action	Amount	Recommendation
CHILD CARE					
10	151 6110-001-0001 6110-001-0890	CDE	Increases to provide support for the 21st Century Community Learning Centers Grant Program.	245,000	Approve Finance Letter
11	152 6110-001-0001 6110-001-0890	CDE	Decreases to reflect a technical adjustment that provided half-year funding to phase out the Child Care and Development Programs Advisory Committee (CDPAC. Note: Subcommittee #1 restored funding for CDPAC making Finance letter unnecessary.	-79,000	Deny Finance Letter
12	153 6110-001-0001 6110-001-0890	CDE	Sets aside \$2 million from federal funds for pending legislation to address childcare eligibility compliance and fraud detection.		Approve Finance Letter
13	005 6110-196-0001	CDE	Withdraws the Governor's January child Care Reform Proposal.		Approve Finance Letter
14	006 6110-196-0001	CDE	Decreases Schedule 2(e) and Schedule 2(f) of Item 6110-196-0001 by \$85,889,000 and \$22,076,000, respectively, to reflect the revised caseload estimates.		Approve Finance Letter
15	007 6110-196-0001 6110-196-0890	CDE	Funds \$58,315,000 of the \$103,700,000 necessary to provide full-year funding for the budget-year cohort of Stage 1 and Stage 2 families timing out of transitional care (aka Stage 3 set-aside) care.		Approve Finance Letter
16	102 002 6110-196-0001- 00/02	CDE	Increases to reflect additional funds available for CalWORKs Stage 3 child care.	4,200,000	Approve Finance Letter
17	008 6110-196-0001 6110-196-0890	CDE	Increases Stage 3 funding from one-time federal funds (\$6,748,000 Child Care and Development Block Grant funds; \$7,367,000 in one-time reallocated federal funds; and \$1,035,000 in previously uncommitted federal funds).	15,150,000	Approve Finance Letter

PART III -- CONSENT

May Revision DOF Letters

Consent Items

	Issue	Item	Department	Finance Letter Action	Amount	Recommendation
18	009	6110-196-0001	CDE	Decreases item to reduce Proposition 98 General Fund associated with expansion of the Before and After School Program. Funding for this program remains at \$75 million due to availability of new federal funds.	11,145,000	Approve Finance Letter
19	010	6110-196-0001	CDE	Modifies provisional language to reflect withdrawal of the Governor's January Child Care Reform proposal.		Approve Finance Letter
20	002	6110-196-0001	CDE	Reduces item to reflect a decrease in the statutory COLA for this program from 2.15 to 1.66 percent.	-5,948,000	Approve Finance Letter
21	003	6110-196-0001 6110-196-0890	CDE	Decreases item to reflect the final federal earmarks for federal fiscal year 2002.	-190,000	Approve Finance Letter
22	101	6110-196-0001	CDE	Amends item to govern the development of the regional market rates for child care provider payments that would apply for the 2002-03 and subsequent fiscal years. Amend Provision 4(a) of Item 6110-196-0001 as follows: "4(a) Notwithstanding any other provision of law, alternative payment child care systems shall be subject to the rates established in the Regional Market Rate Survey of California child care and development providers for provider payments in accordance with legislation which may be approved in the 2002 Legislative Session. <u>The 2002-03 fiscal year regional market rates for child care provider payments that shall apply to all child care provided by Alternative Payment Programs and CalWORKs Child Care shall be the rates in effect as of July 1, 2001. The State Department of Education and the State</u>		Approve Finance Letter

PART III -- CONSENT

May Revision DOF Letters

Consent Items

Issue	Item	Department	Finance Letter Action	Amount	Recommendation
			<p><u>Department of Social Services, in consultation with the Department of Finance, shall develop a new survey methodology to be employed by future market rate surveys unless further adjustments are deemed necessary by the Department of Finance. The new methodology shall, at a minimum, address anomalies within and between the rate categories and regions. The new methodology may change regions, may allow fewer regions, may require statistically significant sampling, may be limited to surveys of rates paid by non-subsidized families, may eliminate some hourly and daily rates and may change the methodology for computing weekly and monthly rates, and may modify the definition of full time and part time rates. The State Department of Education shall utilize a federal fund contract with the State Child Care Resource and Referral Network (Network) to conduct a market rate survey during the 2002-03 fiscal year. It is the intent of the Legislature that</u> €<u>The contract between the State Department of Education and the Network shall require the Network to adhere to the methodology described in the preceding paragraph as approved by the Department of Finance and Social Services. The contract shall also require that the summary report and analyses of changes in mean and ceiling rates, adjustment factors, and regional rates be forwarded to the Department of Finance along with the mean and ceiling rates. The contract shall also provide include resources sufficient for the Network to respond to requests for related information by the Departments of Finance and Social Services.</u></p>		

PART III -- CONSENT

May Revision DOF Letters

Consent Items

	Issue	Item	Department	Finance Letter Action	Amount	Recommendation
				Any changes to the market rate limits, adjustment factors or regions for 2003-04 are subject to the approval process for child care contract funding terms and conditions as specified in Section 8447 of the Education Code, or any other section which may be implemented in legislation approved in the 2002 Legislative Session. When approved, those changes shall be utilized by the State Department of Education and the State Department of Social Services in various programs under the jurisdiction of both departments to determine limits of reimbursement to providers."		
23	007 001	6110-494 6110-196-0001- 01/02	CDE	Captures current-year savings of \$23,419,000 from Preschool Education; General Child Care; Migrant Day Care.		Approve Finance Letter
24	001	6110-494 6110-196-0001- 00/02 6110-196-0890- 00/02	CDE	Adds provisional language to reflect an overall increase of \$2,653,000 in the amount of prior year CalWORKs Stages 2 and 3 savings.		Approve Finance Letter
25	002	6110-494	CDE	Deletes Provision 3. (See Item 6110-196-0001, Issue 100)		Approve Finance Letter
26	100	6110-196-0001	CDE	Reverts funding for the CalWORKs Center-Based Pilot Program.		Approve Finance Letter
27	100 002	6110-196-0001- 01/02	CDE	Reduces current-year appropriation due to expected savings of \$20 million.		Approve Finance Letter

FUNDING SHIFTS

28	252 253	6110-140- 0001, 6110- 485,	CDE	Adds funding for CSIS implementation and associated oversight activities	11,290,000	Approve Finance Letter
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PART III -- CONSENT

May Revision DOF Letters

Consent Items

	Issue	Item	Department	Finance Letter Action	Amount	Recommendation
29	001 250	6110-144-0001 6110-485	CDE	Adds item with accompanying provisional language to represent a shift in funding source from the Proposition 98 Reversion Account. With conforming action in item 6110-605-0001 (Issue 250).	7,500,000	Approve Finance Letter
30	250 251 252 253 462 463 464 467	6110-485	CDE	Eliminates item and shifts funding FROM Prop 98 Reversion Account to Prop 98 General Fund to eliminate Science Laboratory Equipment and Materials		Approve Finance Letter

DELAYS

31	008	6110-123-0001	CDE	Deletes Schedule 2, Provision 2 and associated funding from this item (High-Achieving/Improving Schools Program).	157,000,000	Approve Finance Letter
32	001	6110-133-0001	CDE	Deletes item and associated funding to reflect a delay in the Certificated Staff Performance Awards Program..	50,000,000	Approve Finance Letter
33	466	6110-181-0001	CDE	Reduces funding to delay by one year the Education Technology Staff Development program	-9,650,000	Approve Finance Letter

DEFERRALS

34	001	6110-112-0001	CDE	Defers until 2002-03 undistributed current-year program funding for the Instructional Time and Staff Development Reform program.	-76,000,000	Approve Finance Letter
35	001	6110-113-0001	CDE	Reduces schedule 4 of this item to defer paying current-year STAR program costs until 2002-03 (see Issue 009, Item 6110-613-0001).	60,643,000	Approve Finance Letter
36	433	6110-132-0001	CDE	Defers until 2002-03 the current-year appropriation and expenditure authority for the Targeted Instructional Improvement Grant.	-713,360,000	Approve Finance Letter

PART III -- CONSENT

May Revision DOF Letters

Consent Items

	Issue	Item	Department	Finance Letter Action	Amount	Recommendation
37	001	6110-191-0001	CDE	Defers until 2002-03 undistributed current-year funding for the Beginning Teacher Support and Assessment program.	-39,000,000	Approve Finance Letter

FEDERAL NO CHILD LEFT BEHIND ACT (NCLB) ADJUSTMENTS

38	100	6110-001-0001 6110-001-0890	CDE	Reduces funding due to lower-than-expected federal allocation for local assistance to Public Charter Schools	-220,000	Approve Finance Letter
39	203	6110-001-0001 6110-001-0890	CDE	Funds 8.0 existing positions for activities associated with assisting low-performing schools, including Scholastic Audit Teams and School Assistance Teams	794,000	Approve Finance Letter
40	204	6110-001-0001 6110-001-0890	CDE	Supports 5.0 positions in the Standards and Assessments Division for workload associated with growth in the state's system of assessments	694,000	Approve Finance Letter
41	206	6110-001-0001 6110-001-0890	CDE	Supports 3.0 positions for activities associated with federal and state sanctions and interventions, including school takeover process	319,000	Approve Finance Letter
42	352 365	6110-001-0001 6110-001-0890	CDE	Reduces funding to reflect Title I state operations authority at 1% of the grant award for federal programs for neglected and delinquent children	5,000	Approve Finance Letter
43	355	6110-001-0001 6110-001-0890	CDE	Funds 3 positions to administer a new federal Title IV community service program for suspended and expelled students	334,000	Approve Finance Letter
44	420	6110-001-0001 6110-001-0890	CDE	Funds 1 education consultant position and 0.5 staff services analyst position to perform required compliance workload ensuring that students not making progress receive supplemental services	428,000	Approve Finance Letter

PART III -- CONSENT

May Revision DOF Letters

Consent Items

	Issue	Item	Department	Finance Letter Action	Amount	Recommendation
45	423	6110-001-0001 6110-001-0890	CDE	Increases by \$2,510,000 and amend Item 6110-001-0001 to conform. The funds would be used for: 1) 2.0 Education Consultant positions (\$202,000); 2) to support 16.0 existing SDE positions (\$1,581,000 from existing budget authority) that are currently funded with expiring federal funds; and 3) for other activities (\$2,308,000) to provide local education agencies with technical assistance (developing English proficiency measures and curriculum or parental involvement) for implementing the new federal requirements.	2,510,000	Approve Finance Letter
46	424	6110-001-0001 6110-001-0890	CDE	Supports 14 existing redirected positions in the Comite Oversight Unit and amends Item 6110-001-0001 to conform. The funding would be used to support increased workload stemming from a recent revised settlement agreement.	1,500,000	Approve Finance Letter
47	425	6110-001-0001	CDE	Supports 2.0 new accounting officers and increased workload establishing grants, invoicing, and preparing financial statements) initiated by increases in various federal grants through the No Child Left Behind Act (NCLB)	124,000	Approve Finance Letter
48	426	6110-001-0001 6110-001-0890	CDE	Supports 2.0 new associate governmental program analyses and increased workload (i.e. awarding grants, establishing and maintaining procedures for charters) created by various programs through the NCLB	157,000	Approve Finance Letter
49	429	6110-001-0001 6110-001-0890	CDE	Supports 1.0 new education consultant and oversight and technical assistance workload (issuing grants, monitoring compliance, and providing technical assistance) stemming from the new Rural and Low-Income Grant Program in the NCLB	96,000	Approve Finance Letter

PART III -- CONSENT

May Revision DOF Letters

Consent Items

	Issue	Item	Department	Finance Letter Action	Amount	Recommendation
50	452	6110-001-0001 6110-001-0890	CDE	Supports 3.0 positions to conduct audit and investigations workload required under NCLB	227,000	Approve Finance Letter
51	454	6110-001-0001 6110-001-0890	CDE	Supports 3.0 (one extension and two new) two-year limited-term positions to administer the redefined and expanded federal education technology program under NCLB. Amends provisional language to conform.	256,000	Approve Finance Letter
52	025	6110-101-0890	CDE	Deletes this item (Title VI of the Elementary and Secondary Education Act) and associated funding. This funding has been re-directed to Title V Innovative Programs pursuant to the Elementary and Secondary Education Act, as reauthorized by the NCLB.	40,769,000	Approve Finance Letter
53	022	6110-103-0890	CDE	Increases to reflect federal grant for Robert C. Byrd Honors Scholarship program	107,000	Approve Finance Letter
54	370	6110-112-0890	CDE	Adjusts to reflect a lower than anticipated federal allocation for local assistance grants to charter schools	-7,334,000	Approve Finance Letter
55	350	6110-119-0890	CDE	Establishes new item to track federal Title I funding for programs for neglected and delinquent children and appropriates funding (\$4,320,000, including a \$225,000 increase) via this item.	4,320,000	Approve Finance Letter

PART III -- CONSENT

May Revision DOF Letters

Consent Items

	Issue	Item	Department	Finance Letter Action	Amount	Recommendation
56	027	6110-136-0890	CDE	Increases item for schools subject to sanctions pursuant to the Immediate Intervention/Underperforming Schools Program (\$4 million for capacity building for future sanctions; \$1.7 million for schools subject to State-takeover to support School Management Teams; \$800,000 to augment \$6.0 million available in Item 6110-123-0001). Includes provisional language requiring expenditure of these funds to be subject to approval by the State Board of Education and be pursuant to legislation enacted during this session.	6,500,000	
57	350	6110-136-0890	CDE	Shifts funding for this item to Item 6110-119-0890		Approve Finance Letter
58	205	6110-136-0890	CDE	Deletes Schedule (4) in this item (and \$32,981,000 in associated funding) and Provision (5) to reflect consolidation of these funds with funds provided for low-performing schools and Title I	-32,981,000	
59	455	6110-136-0890	CDE	Conforms to a federal increase for the Even Start Family Literacy Program to increase the size or number of competitive grants within the existing program, which promotes student and adult literacy skills.	854,000	Approve Finance Letter
60	001	6110-145-0890	CDE	Adds this item and appropriates \$100,000 in carryover funds from 2001-02 for activities to improve the reading skills of students in grades K-3.	100,000	Approve Finance Letter

PART III -- CONSENT

May Revision DOF Letters

Consent Items

	Issue	Item	Department	Finance Letter Action	Amount	Recommendation
61	350 351 352 355	6110-183-0890	CDE	<p>Reflects additional federal authority provided pursuant to Title IV of the federal NCLB Act of 2001 for the Safe and Drug-Free Schools program (Issue 350) and increases on a one-time basis by \$250,000 to allow for use of federal carryover funding for this same program. Also increases by \$6,340,000 to reflect new federal funding for a community service program for suspended and expelled students, with the following provisional language:</p> <p><i>2. Of the amount appropriated in this item, \$6,340,000 is for grants to carry out programs under which students expelled or suspended from school are required to perform community service, pursuant to Section 4126 of Title IV of the No Child Left Behind Act of 2001. As a condition of funding, grantees must certify that students will be appropriately supervised while performing community service activities under this program.</i></p>	5,139,000	Approve Finance Letter
62	001	6110-194-0890	CDE	<p>Adds item, with accompanying provisional language, to appropriate federal Title II funds; funds to be transferred to the University of California to support the California Subject Matter Project for Science.</p>	5,000,000	Approve Finance Letter
63	601 602	6110-205-0001	CDE	<p>Decreases to reflect a cost-of-living-adjustment decrease from 2.15 to 1.66 percent, and an increase from 1.07 to 1.37 percent in the average daily attendance rate.</p>	-56,000	

PART III -- CONSENT

May Revision DOF Letters

Consent Items

	Issue	Item	Department	Finance Letter Action	Amount	Recommendation
64	101	6110-232-0001	CDE	Amends provisional language for Class Size Reduction, 9th Grade to read: 1. Schools participating in this program shall receive a per pupil rate of \$181 <u>\$180</u> pursuant to Section 52086 of the Education Code.		
65	106	6110-234-0890	CDE	Deletes item to conform to the elimination of this federal program.		Approve Finance Letter
66	001	6110-128-0890	CDE	Deletes item and associated funding due to the redirection of these funds to Title II, Part A, of the NCLB.	-45,764,000	Approve Finance Letter

OTHER FEDERAL PROGRAMS

67	351 352	6110-136-0890	CDE	Increases Schedule 3 in this item to reflect a revised estimate of funding available in 2002-03; amends Provision 4 in this Item to allow for one-time redirection of funding not needed to fully meet demand for advanced placement fee waiver reimbursements and to revise a date reference.	406,000	Approve Finance Letter
68	427	6110-136-0890	CDE	Increases to reflect the federal McKinley-Vento Homeless Assistance Grant with a change to provisional language to reflect a change in the name of the program.	2,196,000	Approve Finance Letter

OTHER ADJUSTMENTS

69	101	6110-001-0001	CDE	Provides project support for the Principal Apportionment System Rewrite.	457,000	Approve Finance Letter
70	353	6110-001-0001	CDE	Increases on a one-time basis to accommodate reimbursements associated with the final year of a five-year grant for the Shaping Health As Partners in Education program.	303,000	Approve Finance Letter

PART III -- CONSENT

May Revision DOF Letters

Consent Items

	Issue	Item	Department	Finance Letter Action	Amount	Recommendation
71	006	6110-001-0001 6110-001-0890	CDE	Increases item to provide funding for an interagency agreement to determine the cost of a potential reimbursable state mandate regarding Special Education Behavior Intervention Plans.	400,000	Approve Finance Letter
72	252	6110-101-0349	CDE	Reduces to reflect the revised CSIS funding level of \$7,000,000 as conforming action to 6110-140-0001.	-4,000,000	Approve Finance Letter
73	402	6110-001-0001	CDE	Provides SDE funding for dual occupancy rental agreement issues that resulted from an earlier than previously anticipated move date.	2,101,000	Approve Finance Letter
74	403	6110-001-0001	CDE	Increases by 1.0 Staff Counsel III to provide support for increased legal office workload.		Approve Finance Letter
75	406	6110-001-0001	CDE	Funds litigation costs directly related to the High School Exit Exam.		Approve Finance Letter
76	001	6110-001-0001 6110-001-0890	CDE	Provides one-time funds for costs associated with new study of the Special Disabilities Adjustment.	300,000	Approve Finance Letter
77	002	6110-001-0001 6110-001-0890	CDE	Provides funds to augment a mediation and due process contract with McGeorge School of Law.	1,000,000	Approve Finance Letter
78	003	6110-001-0001 6110-001-0890	CDE	Increases to update four special education guidelines either required by state or federal law or are result of a lawsuit.	180,000	Approve Finance Letter
79	004	6110-001-0001 6110-001-0890	CDE	Provides additional funding for the Special Education Division Focused Monitoring and Technical Assistance Units.	125,000	Approve Finance Letter
80	005	6110-001-0001 6110-001-0890	CDE	Provides for training of deaf and hard of hearing interpreters.	500,000	Approve Finance Letter
81	050	6110-001-0001	CDE	Reimbursement authority for New School Renovation and Repair Program.	83,000	Approve Finance Letter

PART III -- CONSENT

May Revision DOF Letters

Consent Items

	Issue	Item	Department	Finance Letter Action	Amount	Recommendation
82	404	6110-001-0001	CDE	Reimbursement authority for San Francisco Unified School District court-ordered monitoring activities.	57,000	Approve Finance Letter
83	405	6110-001-0001	CDE	Reimbursement authority for State Board of Education to be used to collect fees associated with an increased number of public requests for the board's hearing minutes.	34,000	Approve Finance Letter
84	601 602	6110-104-0001	CDE	Decreases to reflect a cost-of-living-adjustment decrease from 2.15 to 1.66 percent, and a growth adjustment increase from 1.07 to 1.37 percent.	-829,000	Approve Finance Letter
85	601 602	6110-105-0001	CDE	Reduces to reflect a decrease in growth rate from 2.15 to 1.62 percent and a \$1,834,000 reduction to reflect a decrease in the statutory COLA factor from 2.15 to 1.66 percent.	-3,742,000	Approve Finance Letter
86	356	6110-109-0001	CDE	Decreases to reflect one-time savings from realignment of funding between fiscal years for the Gang Risk Intervention Program.	-3,000,000	Approve Finance Letter
87	602	6110-112-0001	CDE	Reduces to reflect a decrease from 2.15 to 1.66 percent in the statutory COLA for the Instructional Time and Staff Development program .	-1,103,000	Approve Finance Letter
88	001 002 601 602	6110-113-0001	CDE	Decreases to reflect 1) COLA from 2.5 to 1.66 percent, 2) elimination of English Language Development Test COLA, 3) increase in statutory growth rate from 1.07 to 1.37 percent, and 4) use of federal Title VI funds to pay the growth and COLA for the STAR program	-2,477,000	Approve Finance Letter
89	003 004	6110-113-0001	CDE	Decreases Schedule 5 to reflect savings associated with the English Language development Test.	12,286,000	Approve Finance Letter
90	005	6110-113-0001	CDE	Decreases to reflect savings for the High school Exit Exam	4,000,000	Approve Finance Letter

PART III -- CONSENT

May Revision DOF Letters

Consent Items

	Issue	Item	Department	Finance Letter Action	Amount	Recommendation
91	033	6110-113-0001	CDE	Adds the California High School Proficiency Exam Program and Reimbursements authority to provide funding for the Department of Education to become the chief fiscal agent in the administration of the California High School Proficiency Test.	750,000	Approve Finance Letter
92	034	6110-113-0001	CDE	Deletes schedule 8 and Provision 7 to reflect savings in the High school Exit Exam Workbooks contract	2,353,000	Approve Finance Letter
93	006 007	6110-123-0001	CDE	Adds a Corrective Actions program and transfers from Schedule 1 the savings from Immediate Intervention/ Underperforming Schools Program for costs associated with School Intervention and assistance Teams	6,000,000	Approve Finance Letter
94	602	6110-156-0001	CDE	Reduces to reflect decrease in COLA factor from 2.15 to 1.66 percent.	-3,017,000	Approve Finance Letter
95	001 002	6110-156-0890	CDE	Increases for Adult Education and Family Literacy Act, English as a Second Language (ESL), ESL-Citizenship, Adult Basic Education, and Literacy	18,046,000	Approve Finance Letter
96	001	6110-165-0001	CDE	Amends item to eliminate excess reimbursement authority to reflect that no federal funds will be provided to CDE from the employment Development Department.	-13,846,000	Approve Finance Letter
97	001	6110-166-0890	CDE	Increases for federal Vocational and Technical Education grants	8,000,000	Approve Finance Letter
98	354	6110-187-0001	CDE	Decreases due to change from 2.15 to 1.66 percent in COLA factor for Continuation High School	-144,000	Approve Finance Letter
99	102	6110-188-0001	CDE	Decreases due to change from 2.15 to 1.66 percent in COLA factor for Continuation High School	-406,000	Approve Finance Letter
100	302	6110-190-0001	CDE	Decreases pursuant to DOF technical change to reflect change from 2.15 to 1.66 percent in COLA factor for Community Day Schools	-202,000	Approve Finance Letter

PART III -- CONSENT

May Revision DOF Letters

Consent Items

	Issue	Item	Department	Finance Letter Action	Amount	Recommendation
101	602	6110-191-0001	CDE	Decreases due to change from 2.15 to 1.66 percent in COLA factor for Beginning Teacher Support and Assessment Program	-402,000	Approve Finance Letter
102	601 602	6110-193-0001	CDE	Decreases to reflect change from 2.15 to 1.66 percent in COLA factor for Staff Development, and reflects an increase from 1.07 to 1.37 percent in statutory growth rate for Staff Development	-175,000	Approve Finance Letter
103	001	6110-193-0001	CDE	Reduces funding for Advanced Placement Challenge Grant program to conform to stationary funding formula.	-8,250,000	Approve Finance Letter
104	602	6110-198-0001	CDE	Decreases due to change from 2.15 to 1.66 percent in COLA factor for California School age Families Education (CalSAFE)	-743,000	Approve Finance Letter
105	357	6110-201-0890	CDE	Augments to reflect a revised estimate of federal reimbursements for meals served to low income children	-4,200,000	Approve Finance Letter
106	601 602	6110-204-0001	CDE	Decreases due to change from 2.15 to 1.66 percent in COLA factor and an increase from 1.07 to 1.37 percent in the average daily attendance rate for 7th and 8th Grade Math Academies.	-24,000	
107	105	6110-234-0001	CDE	Decreases due to change from 2.15 to 1.66 percent in COLA factor for Class-Size Reduction, Kindergarten through Grade 3.	-7,972,000	Approve Finance Letter
108	601 602	6110-235-0001	CDE	Decreases due to change from 2.15 to 1.66 percent in COLA factor and an increase from 1.07 to 1.37 percent in the average daily attendance rate for Supplemental Grants.	-445,000	Approve Finance Letter
109	602	6110-240-0001	CDE	Decreases due to change from 2.15 to 1.66 percent in COLA factor for International Baccalaureate.	-6,000	Approve Finance Letter

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May Revision DOF Letters

Consent Items

	Issue	Item	Department	Finance Letter Action	Amount	Recommendation
110	201 602	6110-295-0001	CDE	Decreases due to change from 2.3 to 2.2 percent in COLA factor and to make a technical correction to the base funding for the Open Meeting Act.	-90,000	Approve Finance Letter
111	355 356	6110-295-0001	CDE	Decreases to reflect elimination of funding for the school crimes reporting mandate and the expired school physical fitness testing mandate	-1,593,000	Approve Finance Letter

VARIOUS FEDERAL ITEMS

CDE indicates that various federal funds (see below for specific detail) will not be fully expended in 2001-02 due to lower-than-anticipated district participation, delayed program startup, local compliance issues, and difficulty in finding a sufficient number of qualified teachers or specialists. To avoid reverting funds to the federal government and provide needed services, it is requested that the funds be carried over and reallocated for the previously approved purposes.

112	001	6110-102-0890		Increases to reflect a carryover of unexpended Learn and Serve America Program funds from 2001-02	485,000	Approve Finance Letter
113	458 459	6110-125-0890	CDE	Provides one-time carryover funding for Migrant Education and Immigrant Education	12,600,000	Approve Finance Letter
114	457	6110-136-0890	CDE	Provides one-time carryover funding for Title I grants to local education agencies, Title I Even Start, Title I Capital Expenses, and Title II McKinney Homeless Children Education	14,325,000	Approve Finance Letter
115	252	6110-495	CDE	Deletes Schedule 3, which proposes to revert 2001-02 funding for California school Information Services local implementation activities	-2,558,000	Approve Finance Letter
116	251	6110-495	CDE	Deletes Schedule for this item as the Administration proposes to capture these current-year savings through urgency legislation.		Approve Finance Letter
117	601 602	Former Mega Item Control Section	CDE	Decreases due to 1) change from 2.15 to 1.66 percent in COLA factor and 2) increased growth percentages for categorical programs contained in the former Mega Item.	-8,499,000	Approve Finance Letter

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Consent Items

	Issue	Item	Department	Finance Letter Action	Amount	Recommendation
118	456	C.S. 12.60	CDE	Includes Digital High School as voluntary participation program eligible for transfer of unobligated funds		Approve Finance Letter

CURRENT-YEAR ISSUES

119	434	6110-001-0001	CDE	Increases to reflect augmentation for payment of plaintiff legal fees pursuant to settlement agreement for <i>Comite de Padres v. Superintendent of Public Instruction, et. al.</i>	810,000	Approve Finance Letter
120	365	6110-184-0001	CDE	Reduces to reflect lower than previously anticipated participation in the Digital High School program.	11,000,000	Approve Finance Letter

HIGHER EDUCATION

121	001	6360-495	California Commission on Teacher Credentialing Reversion (Prop 98)	Adds item to revert 2001-02 savings from the Alternative Certification and California Pre-Internship Teaching Programs, the Paraprofessional Teacher Training Program, and the monitoring of teacher assignments. This action corresponds to an earlier action taken by the committee.	24,350,000	Approve Finance Letter
122	101 103	6420-001-0890	California Postsecondary Education Commission	Decreases to reflect elimination of two positions and related costs due to elimination of the Dwight D. Eisenhower Professional Development Program.	-348,000	Approve Finance Letter
123	101 102	6420-101-0890	California Postsecondary Education Commission	Increases to reflect the above action to transition from the Eisenhower Professional Development Program.	45,000	Approve Finance Letter
124	107	6440-001-0001	University of California	Reduces the amount of funding available for the California Subject Matter Projects by \$11,315,000. After this action, there will be \$20 million in ongoing funds for the program. UC notes that the base funding level of \$20 million is sufficient to retain the infrastructure and core functions of the program.	-11,315,000	Approve Finance Letter

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May Revision DOF Letters

Consent Items

	Issue	Item	Department	Finance Letter Action	Amount	Recommendation
125	100	6440-001-0001	University of California	Increases to fund an additional 600 full-time equivalent (FTE) students at the state's share of marginal cost rate of \$8,987 for Enrollment Growth.	5,393,000	Approve Finance Letter
126	110	6440-001-0001	University of California	Reduces K-12 Internet2 with accompanying provisional language changes.	-5,150,000	Approve Finance Letter
127	111	6440-001-0001	University of California	Reduces, on a one-time basis, funding for Information Technology, Instructional Equipment, Library Materials and Deferred Maintenance Programs	29,000,000	Approve Finance Letter
128	100	6610-001-0001	California State University	Increases to fund an additional 3,008 full-time equivalent (FTE) students at the marginal cost rate of \$6,488 for Enrollment Growth	19,516,000	Approve Finance Letter
129	103	6610-001-0001	California State University	Eliminates the remaining funding (\$6 million) from the CSU-administered Education Technology Professional Development Program. This reduction, combined with the \$6.5 million reduction proposed in the Governor's January Budget eliminates all funding for the program.	6,000,000	Approve Finance Letter
130	104	6610-001-0001	California State University	Deletes funding for Governor's Teaching Fellowships in order to convert awards from scholarships to assumptions of loan repayments, with accompanying provisional language. Content of trailer bill language to be determined within the policy committee process in order to conform with the existing APLE program.	-21,000,000	Approve Finance Letter
131	002	6870-001-0001	California Community Colleges	Increases Reimbursements for Workforce Investment Act Support by \$611,000 to add 5.0 new positions totaling 4.7 personnel years until June 30, 2003.		Approve Finance Letter
132	011	6870-101-0001	California Community Colleges	Increases Apportionments by \$83,000 to reflect an increase in the amount of BOG fee waivers.		Approve Finance Letter

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May Revision DOF Letters

Consent Items

	Issue	Item	Department	Finance Letter Action	Amount	Recommendation
133	012	6870-101-0001	California Community Colleges	Increases to reflect a shift in funding for scheduled maintenance and special repairs from one-time funds in the Proposition 98 Reversion Account to ongoing Proposition 98 Funds.	5,645,000	Approve Finance Letter
134	013	6870-101-0001	California Community Colleges	Increases to reflect a shift in funding for instructional equipment and library materials from one-time funds in the Proposition 98 Reversion Account to ongoing Proposition 98 General Fund.	5,645,000	Approve Finance Letter
135	002	6870-111-0001	California Community Colleges	Increases Reimbursements for Workforce Investment Act Local Assistance.	1,328,000	Approve Finance Letter
136	003 004	6870-111-0001	California Community Colleges	Increases Reimbursements for Vocational Education from the state Department of Education for the Vocational Education program by \$1,000,000, with accompanying provisional language changes.		Approve Finance Letter
137	005	6870-111-0001	California Community Colleges	Reduces Reimbursements for Foster Youth Training by \$509,000 to account for technical adjustment and \$1 million augment from the Department of Social Services for the Foster Parent Training program Fund (conforming to Sub 3 action).		Approve Finance Letter
138		6870-101-0959	California Community Colleges	Increases appropriation by \$1 million to conform to Sub 3 action.	1,000,000	Approve Finance Letter
139	012 013	6870-485	California Community Colleges	Amends item and accompanying provision language to reflect shifts totaling \$11,290,000 from one-time funds in the Proposition 98 Reversion Account to ongoing Proposition 98 General Funds. (See 6870-605-0001 for Corresponding Actions).		Approve Finance Letter

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Consent Items

	Issue	Item	Department	Finance Letter Action	Amount	Recommendation
140	007	6870-495	California Community Colleges	Amends Budget Bill language in item to reflect a reduction of \$6,278,000 in the amount reverted as a result of lower projected property tax revenues in 2001-02.		Approve Finance Letter
141	006	6870-101-0001	California Community Colleges	Reduces item by \$5,887,000 to account for a 2.00 percent COLA in Apportionments and further reduces item by \$997,000 to account for a change in the COLA for Categorical Programs, with accompanying provisional language.	6,884,000	Approve Finance Letter
142	101	7980-101-0001	California Student Aid Commission	Shifts funding in the amount of \$7,577,000 for the California Student Opportunity and Access Program (CalSOAP) from the General Fund to reimbursements from the Federal Family Educational Loan Program, administered by the Student Aid Commission through the EdFund, with accompanying provisional language. Further, shift \$990,000 in Proposition 98 General Fund also be shifted to reimbursements.		Approve Finance Letter
143	100	7980-101-0001	California Student Aid Commission	Reduces by \$58 million, due to savings from 1) a reduction from 65,000 to 60,000 in the SAC's estimate of the number of eligible students for Cal Grant Entitlement and Competitive Awards and 2) a recent SAC analysis that indicates the acceptance rate of first-year entitlement and competitive awards in 2001-02 has been lower than the SAC's original.	-58,000,000	Approve Finance Letter
144	100	7980-102-0001	California Student Aid Commission	Eliminates item to reflect accompanying CalSOAP action.		Approve Finance Letter

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May Revision DOF Letters

Consent Items

	Issue	Item	Department	Finance Letter Action	Amount	Recommendation
145	108	6440-001-0001	University of California	Eliminates General Fund support for the Professional Development institutes, resulting in a \$50,866,000 savings due to expected federal Title IB Reading First and Title II Teacher Quality funds.		Approve Finance Letter
146	101 102	6360-485	California Commission on Teacher Credentialing	Adds item to reappropriate \$8,350,000 in 2001-02 savings, with accompanying provisional language, for the Alternative Certification Program and the California Pre-Internship Teaching Program.		Approve Finance Letter