

SUBCOMMITTEE NO. 1 on Education



Subcommittee No. 1
Chair, Carol Liu
Member, Robert Huff
Member, Roderick Wright

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Public Comment

6110 CALIFORNIA DEPARTMENT OF EDUCATION
ITEM 1: Federal Funds Update –K-12 Education

DESCRIPTION: According to the latest reports from the federal government, California is estimated to receive **\$7.0 billion** in ongoing federal funds for K-12 education in 2010-11. Also, beginning in 2009-10, the state received nearly **\$6.5 billion** in new, one-time funds in federal stimulus funds authorized by the American Recovery and Reinvestment Act of 2009 (ARRA)

BACKGROUND: The LAO has prepared the following table summarizing federal funds for 2010-11 for programs administered by the California Department of Education (CDE).

	2009-10 Actual	2010-11 Estimated	Federal Stimulus
No Child Left Behind (NCLB) Programs			
Title I			
Title I Basic	1,651.6	1,729.9	1,124.9
School Improvement	64.1	69.2	351.8
Reading First	0.0	0.0	0.0
Even Start	6.9	7.3	0.0
Migrant	139.8	135.3	0.0
Neglected and Delinquent	2.4	2.4	0.0
Impact Aid ^d	65.0	66.7	1.4
Advanced Placement	4.4	4.4	0.0
Title II			
Improving Teacher Quality	327.1	331.1	0.0
Mathematics and Science Partnerships	20.0	21.2	0.0
Educational Technology	29.1	10.6	71.6
Title III			
Language Acquisition	168.5	173.3	0.0
Title IV			
Safe and Drug-Free Schools	35.2	0.0	0.0
21st Century After School	130.9	127.4	0.0
Title VI			
State Assessments	32.8	32.8	0.0
Rural and Low-income Schools	1.2	1.2	0.0
Small, Rural School Achievement	6.5	6.6	0.0
Non-NCLB Programs			
Homeless Children and Youth	12.8	8.0	13.8
Special Education	1,310.8	1,309.7	1,327.7
Career and Technical Education	139.6	139.2	0.0
Byrd Honors Scholarships	5.0	5.2	0.0
Adult Basic and Literacy Education	66.1	74.9	0.0
English Literacy and Civics Education	15.7	17.3	0.0
Cal-Serve/Service America	2.1	2.1	0.0
Charter Schools	48.0	48.0	0.0
Child Nutrition	2,035.0	2,191.4	12.9
Child Development	523.3	510.6	220.3
State Fiscal Stabilization Fund	0.0	0.0	3,132.0
Total	6,844.0	7,025.8	6,256.4

The federal funds, as summarized in the chart above, include appropriations from the U.S. Department of Education (USDE). In addition, Child Nutrition funds are appropriated through the U.S. Department of Agriculture and Child Development funds are appropriated from the U.S. Department of Health and Human Services.

State Fiscal Stabilization Funds (SFSF) – Phase II Update. The federal State Fiscal Stabilization Fund (SFSF) program provides one-time formula grants to states under the American Recovery and Reinvestment Act of 2009 (ARRA) for the purpose of stabilizing state and local government budgets in order to minimize and avoid reductions in education and other essential public services.

States receiving funds under the SFSF program are required to provide assurances in four key areas of education reform:

- achieving equity in teacher distribution,
- improving collection and use of data,
- standards and assessments, and
- supporting struggling schools.

For each area of reform, the ARRA prescribes specific actions that the State must assure that it will implement.

The SFSF grant is issued to states in two phases. California received **\$2.9 billion** for K-12 education in Phase I. California's Phase II application for an additional **\$213 million** is pending with the federal government.

The status of California's Phase II application is not clear. As part of the state's application, each governor must include an assurance that the state will maintain the same level of support --maintenance of effort (MOE) -- for elementary, secondary, and postsecondary education in FY 2009 through FY 2011 as it did in FY 2006. However, the statute authorizes the USDE to waive this maintenance-of-effort requirement under certain conditions. The Governor has requested such a waiver.

Race to the Top (RTTT) Grant Update. The federal government authorized a series of separate competitive grants as part of the ARRA legislation in February 2009. Among those grants was the Race to the Top (RTTT) grant. This grant was to be issued in two competitive phases and according to the USDE, California was eligible to receive between **\$350 million** and **\$700 million** in RTTT one-time funding in Phase I.

RTTT is a competitive grant program designed to encourage and reward states that are creating the conditions for education innovation and reform; achieving significant improvement in student outcomes, including making substantial gains in student achievement, closing achievement gaps, improving high school graduation rates, and ensuring student preparation for success in college and careers; and implementing ambitious plans in four core education reform areas:

- Adopting standards and assessments that prepare students to succeed in college and the workplace and to compete in the global economy;
- Building data systems that measure student growth and success, and inform teachers and principals about how they can improve instruction;
- Recruiting, developing, rewarding, and retaining effective teachers and principals, especially where they are needed most; and
- Turning around our lowest-achieving schools.

In January the Governor signed two bills SBX5 4 (Romero) and SBX5 1 (Steinberg) that intended to make California's RTTT application more competitive. The bills also placed several new requirements on school agencies, regardless of whether they choose to apply for the RTTT funding locally or not. Some of those new provisions include:

- A definition of "persistently low performing" for purposes of implementing one of four federally defined intervention models;
- Authority for pupils enrolled in low-achieving schools to transfer to another school in the district or another school district;
- Establishment of a Parent Empowerment program that authorizes parents or guardians of pupils to sign petitions in up to 75 schools statewide, that would result in a school being required to implement one or more of four interventions for turning around persistently lowest-achieving schools;
- Establishment of an alternative route for teacher credentialing known as the Science, Technology, Engineering, Math (STEM), and Career Technical Education Educator Credentialing Program; and
- Requirement of state participation in a national consortium or interstate collaborative to develop common core academic standards.

California's RTTT Phase I application was signed and sent to the federal government on January 15, 2010. On March 4, 2010 California was notified that it was not among the finalists to receive Phase I funding. On March 29, 2010, Delaware and Tennessee were the only two states awarded Phase I grants. California ranked 27th out of 41 states that applied.

According to published reports from the USDE, Delaware and Tennessee got high marks for the commitment to reform from key stakeholders, including elected officials, teacher's union leaders, and business leaders. In both states, all school districts committed to implementing Race to the Top reforms. Delaware and Tennessee also have aggressive plans to improve teacher and principal evaluation, use data to inform instructional decisions, and turn around their lowest-performing schools.

STAFF COMMENTS: Staff has identified a few federal programs that warrant further discussion by the Subcommittee. These programs include:

- Title I -- Set-Aside Funds & School Improvement Grants
- Enhancing Education Through Technology (EETT)
- Special Education

The Title I Set-Aside Fund and School Improvement Fund Grant programs, as well as, the EETT program are covered later in the Subcommittee agenda today. Federal funding for Special Education will be discussed at a future hearing.

SUGGESTED QUESTIONS:

1. Does the Administration plan to apply for the second round of Race to the Top funds? Has the federal government indicated whether they will move the application date back from June 2010?
2. What is the status of California's application for SFSF Phase II funds?
3. Has the federal government raised any concerns with the Governor's approach to meeting the MOE requirements for SFSF funding?
4. Some education advocates have taken issue with the Governor's efforts to meet the federal MOE for requirements for the ARRA Fiscal Stabilization Funds? What is the Administration's response to these concerns?
5. For federal ARRA funds that have been authorized in the state budget, are funds being allocated to local education agencies in a timely basis?

ITEM 2: Federal Funds – Title I Set-Aside & School Improvement Grant Funds (6110-134-0890)

DESCRIPTION: Per the LAO, the 2010-11 budget currently provides **\$551.7 million** in base federal funding program improvement (school level and district level). Of this amount, about **\$485.1 million** remains undesignated.

The Administration does not currently have a proposal for utilizing these undesignated federal funds for program improvement. The California Department of Education (CDE) has developed a plan, which has been approved by the State Board of Education (SBE), and is awaiting approval by the federal government.

The LAO will provide background on the amounts available and uses of unobligated federal funds. In addition, the LAO will present its own program improvement plan for utilizing federal funds in 2010-11.

BACKGROUND:

Per the federal No Child Left Behind (NCLB) Act, schools, and local education agencies (LEAS) must meet four sets of requirements to make Adequate Yearly Progress (AYP), the federal calculation utilized to determine if schools and LEAS are meeting performance targets for all students. The requirements include: (1) student participation rate on statewide tests, (2) percentage of students scoring at the proficient level or above in English-language arts and mathematics on statewide tests, (3) API score, and (4) graduation rate (if high school students are enrolled). Numerically significant groups of students at a school or school district also must meet the four requirements.

Numerically significant subgroups are defined by California as 100 students or more or 50 students if they comprise at least 15 percent of the students enrolled at the school. California has one of the largest subgroup size definitions in the nation.

LEAs that receive federal Title I funds and do not meet AYP targets for two consecutive years, are identified for Program Improvement (PI). Title I schools also enter PI after failing to meet AYP for two consecutive years.

Federal Funding for School Improvement. The federal government provides two streams of funding to states to be used directly to improve student achievement in Title I schools identified for improvement, corrective action, or restructuring so as to enable those schools to make adequate yearly progress (AYP) and exit PI status.

- **Federal Title I Set-Aside.** NCLB requires states to set aside four percent of their total Title I grant to help schools and districts improve their performance.

- **School Improvement Grant (SIG).** The state also receives federal funding under the School Improvement Grant (SIG). The federal government established the SIG program in 2008 to provide technical assistance for Title I schools in PI under NCLB.

In 2009, the federal American Recovery and Reinvestment Act (ARRA) also provided one-time funding to California under the Title I Set-Aside and the SIG program on top of the base funding provided to California.

As the chart below indicates, after funding existing program obligations, the state has a total of **\$485.1 million** in unobligated SIG and Title I set aside funds combined.

Federal School Improvement Funds^a				
<i>(In Millions)</i>				
	Authority	2008-09	2009-10	2010-11
Funds				
Carryover	6110-134-0890 ^d	\$51.0	\$78.2	\$415.9
Reverted Funds ^b		\$12.5	\$0.0	\$0.0
Set Aside	6110-134-0890 ^d	\$65.0	\$65.0	\$66.6
SIG	6110-134-0890 ^c	\$62.0	\$64.1	\$69.2
ARRA - Set Aside	6110-134-0890 ^d	\$0.0	\$45.0	\$0.0
ARRA – SIG	6110-134-0890 ^c	\$0.0	\$351.8	\$0.0
Subtotal		\$190.5	\$604.1	\$551.7
Program Costs				
AB 519 ^e	6110-134-0890 ^c	-\$102.0	-\$25.0	-\$61.0
S4	6110-134-0890	-\$10.0	-\$10.0	-\$10.0
S4 Evaluation		-\$0.3	\$0.0	\$0.0
QEIA	6110-134-0890 ^d	\$0.0	-\$153.2	\$0.0
Subtotal		-\$112.3	-\$188.2	-\$71.0
TOTAL REMAINING		\$78.2	\$415.9	\$485.1

- Continues CDE's practice of funding AB 519 entirely from set aside.
- Funding US ED allowed the state to keep even though it technically reverted in 2008-09.
- Can be used for AB 519, the remainder can be expended pursuant to legislation.
- Authority provided per ABX3 56.
- Assumes funds prorated beginning in 2010-11.

New Regulations for the Federal School Improvement Grant Program. In January 2010 the U.S. Department of Education issued new regulations for the SIG program that will influence how states allocate these funds. For example, states are now required to use SIG resources to turn around the **bottom 5 percent** of schools in PI - deemed persistently low performing schools. Per federal rules, schools can receive a minimum of **\$50,000** and maximum of **\$2 million** per year for three years.

As a condition of receiving funds, schools must implement one of **four intensive intervention models**:

1. Close the school.
2. Convert the school into a charter school.
3. Release at least 50 percent of instructional staff and provide certain flexibility related to staffing and instructional time.
4. Give schools considerable flexibility, including control over personnel decisions, budgeting, and length of the school day/year.

The new federal rules also establish **priority for intervention among schools**:

- **First priority** is for schools receiving Title I funds that either are in the bottom five percent of Program Improvement schools, as measured by standardized test scores in math and Language Arts, or high schools with a graduation rate below 60 percent for several consecutive years.
- **Second priority** is for high schools that would have been in the bottom five percent but do not receive Title I funds.
- **Third priority** is for additional schools receiving Title I funds that the state identifies at its discretion.

California Department of Education CDE) SIG application. In March 2010, the State Board of Education (SBE) approved CDE's federal SIG application. The application is now pending federal approval. Along with approval of the SIG application, the SBE approved methodology developed by CDE to identify the state's 5 percent persistently low performing schools.

This methodology was applied to 2,708 eligible Title I schools. As a result, a total of **188 schools** were identified as persistently low performing. Of this total:

- 139 were identified as Tier I (First Priority) schools
- 49 were identified for Tier II (Second Priority) schools

While states have the option of identifying a Tier III (Third Priority) schools, the CDE application did not include these schools because the CDE plan anticipates the funds available through the SIG award will only fund the lowest-achieving Tier I and a limited number of Tier II schools.

As a condition of receiving SIG funding, all 188 schools identified by CDE as persistently low performing must choose one of the four intervention models to implement by the 2011–12 school year, unless they have already implemented one of the models within the previous two years that conforms to all the requirements of the interventions required by the SIG program, and is showing significant progress.

The CDE application does not include a specific expenditure plan for SIG funding. Instead, CDE will conduct an individual needs analysis of every application, providing between \$50,000 and \$2.0 million per schools, as allowed under the new federal rules. Applications that address all the requirements described in the application will be recommended to the CDE for funding.

CDE SIG Application Waiver Requests. The SDE also submitted five SIG waiver requests with their application to the federal government:

- **Time Extension Waiver.** Request to extend the period of availability of school improvement funds to the state and LEAs to September 30, 2013.
- **Timeline Waiver.** Request to permit LEAs to allow their Tier I schools that will implement a turnaround or restart model to “start over” in the school improvement timeline.
- **Poverty Threshold Waiver.** Request to waive the 40 percent poverty eligibility threshold to permit LEAs to implement a school wide program in a Tier I school that does not meet the poverty threshold.
- **N Size Waiver.** Request to permit the inclusion of a “minimum n size” in the identification criteria for persistently lowest-achieving schools. The “minimum n-size” requested is 100 valid scores.
- **Tier II Definition Waiver.** Request to waive the definition of “persistently lowest-achieving schools” in Tier II and incorporate an alternate definition in identifying Tier II schools.

LAO RECOMMENDATIONS – SCHOOL IMPROVEMENT GRANT (SIG) PROGRAM:

The LAO recommends creating a SIG budget plan (Title I set-aside and SIG funds combined) that ensures all the funds are used during the allotted period while maximizing potential programmatic benefits and minimizing overlap among school improvement efforts.

- **Develop a method for determining which schools would receive funding.** According to the LAO, while new SIG guidance requires funding to first be spent on Title I schools in the bottom five percent of PI, new regulations provide significant freedom to states in deciding which additional PI schools receive funding. The LAO recommends expanding schools eligible to receive funding from the “persistently lowest achieving” to roughly the bottom one-third of schools in PI, which is equivalent to roughly 10 percent of all schools statewide. The LAO would, however,

recommend excluding schools that were making progress and did not appear to be in need of intervention.

Figure 18
Schools Identified Under LAO-Recommended School Improvement Program

Identification Process	Schools
Persistently Lowest-Achieving Schools	
1. Identify the bottom 5 percent of schools in federal Program Improvement (PI) based on average proficiency rates on state math and Language Arts tests combined. Exclude schools that have made more than 50 points of Academic Performance Index (API) growth over the last five years. ^a	177
2. Add secondary schools that have had a graduation rate of 60 percent or lower for the past three years. ^b	27
3. Add all high schools eligible for but not receiving Title I funds that otherwise would have been identified in step one.	10
Additional Low-Achieving Schools	
Identify the bottom third of schools in PI using largely the same process as described under (1) above. Exclude schools that have more than 50 percent of their students scoring proficient and have made more than 100 points of API growth over the last five years. The Quality Education Investment Act schools meeting these criteria would have priority for funding. ^a	776
Total	990
Percent of Statewide Total	10%

^a Excludes all non-PI schools as well as all alternative schools except continuation schools. Also excludes schools that do not meet minimum group size for federal accountability purposes (usually 100 students).

^b In addition to the schools excluded in step one, also excludes continuation schools.

- Link Funding With Need.** The LAO recommends allocating SIG funds to schools in a way that matches funding to the needs of the school. Under the LAO proposed allocation method, most funding would be based on school-wide enrollment, with the "persistently lowest-achieving" schools receiving a higher per-pupil rate than the other identified schools. Linking most funding with enrollment would ensure larger schools receive more for student and teacher support. The LAO method, however, also would have minimum and maximum school allocations in recognition that some fixed costs as well as some economies of scale exist. Specifically, the LAO recommends giving the "persistently lowest achieving" schools \$900 per pupil, with total allocations ranging from a minimum of \$250,000 to a maximum of \$2 million per school. Other identified schools that are not among the persistently lowest-achieving (those in the bottom one-third of PI schools not already identified) would receive \$300 per pupil, with a minimum of \$50,000 and a maximum of \$500,000 per school. These schools generally would receive less in school improvement funding as they would not have to implement an intensive intervention strategy. Instead, these schools could use more targeted improvement strategies consistent with federal PI and Race to the Top guidance.

Figure 19

LAO-Recommended Budget for Federal School Improvement Program

(In Millions)

	2010-11	2011-12	2012-13
Ongoing Funding			
School Improvement Grants (SIG)	\$68	\$68	\$68
Title I set aside	65	65	65
One-Time Funding			
American Recovery and Reinvestment Act (ARRA) SIG	\$352	—	—
ARRA Title I set aside	45	—	—
Carryover	119	\$355	\$193
Totals	\$650	\$488	\$326
Expenditures			
Intervention: persistently lowest-achieving schools ^a	\$126	\$126	\$126
Intervention: additional low-achieving schools ^b	159	159	159
Regional technical assistance/intervention	10	10	10
Totals	\$295	\$295	\$295
Balances	\$355	\$193	\$31

^a Generally provides \$900 per pupil, with a minimum grant of \$250,000 and a maximum grant of \$2,000,000.

^b Generally provides \$300 per pupil, with a minimum grant of \$50,000 and a maximum grant of \$500,000.

- Build a three-year SIG budget.** The LAO recommends building a three-year SIG budget using their expanded list of schools and accompanying allocation model. The LAO budget maximizes federal support for the state's low performing schools while adhering to the federal government's three-year budget cycle. (The LAO budget also continues to provide \$10 million annually for regional technical assistance and intervention to ensure some funding remains budgeted for regional support.) By the end of the three year period, new federal rules are expected. At that time, the state could reassess its efforts in this area and develop a more refined program based on the new federal rules as well as the lessons learned over the prior three years.

LAO RECOMMENDATIONS – QUALITY EDUCATION AND INVESTMENT ACT PROGRAM

The LAO also recommends consolidating the Quality Education and Investment Act (QEIA) program to account for SIG overlap. In addition to building a multiyear SIG plan, the LAO identifies areas of overlap between the SIG and the state's QEIA program, and, to the degree possible, consolidates the state and federal school improvement programs.

Background on QEIA Program. The QEIA program, developed as part of a settlement the administration reached with the California Teachers Association regarding the Proposition 98 suspension that occurred in 2004-05, provides \$2.8 billion over seven years to support schools ranked in the bottom two deciles on state assessments. The state annually provides \$402 million (non-Proposition 98) for the program until 2013-14, with the bulk of funding supporting efforts to reduce class sizes in grades 4 through 12. In

2009-10 the state supported QEIA with Proposition 98 funding on a one-time basis. The state also took action through ABx3 56 (Evans) to allocate up to \$165 million in federal Title I Set-Aside funds, which, if available, would offset Proposition 98 funding for QEIA in 2009-10.

The LAO contends that the PI and QEIA programs overlap considerably. Under the LAO model, more than 65 percent of QEIA schools would be eligible for federal SIG funding. Under the LAO proposal, if a QEIA school is identified for the federal program, then it would receive federal dollars instead of state dollars and only be subject to federal requirements. A QEIA school not funded under the LAO SIG plan, or currently receiving more in QEIA funds than allowed under the maximum SIG allotment, would continue to receive state funds, but could use those resources to conduct a school improvement activity approved under the federal PI program. Districts also would be free to redistribute state dollars among schools in the district in accordance with the local SIG plan, allowing districts to provide more funding to QEIA schools if they so chose.

LAO QEIA Plan. The LAO recommends sunset of the QEIA program at the end of 2012-13, which is when the federal SIG funds expire. Beginning in 2013-14, the state would have a clean slate and could start a new round of school improvement efforts, if it desired.

The LAO plan leaves the state with a remaining settlement obligation of \$1 billion in 2013-14. The LAO recommends the Legislature use this funding to reduce the K-14 mandate backlog, which now totals **\$3.6 billion**.

LAO RECOMMENDATIONS – AB 519 PROGRAM

The LAO also recommends eliminating the AB 519 program, in its current form and integrating more within the new federal program improvement framework.

Background on AB 519 program. AB 519 (Chapter 757, Statutes of 2008), established a process for allocating federal funds to districts in their third year of PI in order to support certain corrective actions assigned to the district by the SBE. According to the SDE, there are 298 districts in PI under NCLB in 2009-10. Of this number, 173 have received sanctions from the SBE.

In addition to providing a sanction, AB 519 also authorizes the LEA to contract with a district assistance and intervention team (DAIT) or other technical assistance provider to aid in implementing the sanction. LEAs may receive between \$150,000 and \$50,000 per PI school within their district to contract with a DAIT or other technical assistance provider.

Prior to the release of the new SIG guidance, the state set up the AB 519 program in a manner that would allow SIG dollars to flow to districts for this purpose. Despite legislative intent and budget act authority for the use of SIG dollars, SDE has used Title I

set-aside to fund the program rather than SIG funds. Since 2008, the state has funded the program with a total of \$125 million in federal Title I set-aside funds.

Under the new SIG guidance, ongoing SIG dollars must be directed to schools in PI. If the Legislature plans to continue to fund the AB 519 program, it would have to dedicate Title I set-aside funds for this purpose. According to SDE, approximately 63 LEAs are expected to enter corrective action, which is estimated to cost between \$45.6 million and \$67.1 million.

LAO Plan for AB 519 Program. Given the new federal PI regulations, the LAO recommends the Legislature discontinue the AB 519 program. According to the LAO discontinuing the AB 519 program would reduce unnecessary overlap among programs—helping to streamline school improvement efforts.

DOF April Letter Proposals: Department of Finance April Letter Adjustments. The Department of Finance has included three issues in their April letter related to the SIG and Title I set-aside funds.

1	<p>Item 6110-134-0890, Local Assistance, Federal Title I Set Aside for the Local Educational Agency Corrective Action Program (Issue 005)—It is requested that Schedule (2) of this item be increased by \$1,720,000 federal Title I Set Aside funds for the Local Educational Agency Corrective Action Program (Program) to align the appropriation with the available federal grant estimated for 2010-11. The Program provides funding for technical assistance to LEAs entering federal Corrective Action.</p>
2	<p>Item 6110-134-0890, Local Assistance, Federal School Improvement Grant Program (Issue 006)—It is requested that Schedule (3) of this item be increased by \$7,040,000 federal School Improvement Funds to align the appropriation with the available federal grant estimated for 2010-11. The School Improvement Grant Program provides grants to the lowest-achieving Title I schools identified for federal Program Improvement, Corrective Action, or Restructuring to implement evidence-based strategies for improving student achievement.</p>
3	<p>Item 6110-134-0890, Local Assistance, Prorate Local Educational Agency Corrective Action Program Funds (Issue 007)—It is requested that provisional language be amended to prorate 2010-11 federal Title I Set Aside funds for the Local Educational Agency Corrective Action Program (Program) and to prohibit school sites from earning Title I Set Aside funds if school sites also earn federal School Improvement Grant (SIG) funds. It is requested that Provision 6 of this item be amended to conform to this action as follows:</p> <p>“6. The funds appropriated in Schedule (2) are for purposes of Title I, Part A, Section 1116 and 1117 of the No Child Left Behind Act (P.L. 107-110) and shall first be used to fund the Local Educational Agency Corrective Action</p>

	<p>program (<u>Program</u>) established by Article 3.1 (commencing with Section 52055.57(c)) of Chapter 6.1 of Part 28 of Division 4 of Title 2 of the Education Code. <u>In the event that 2010-11 Title I Set Aside funds are insufficient to fully fund all local educational agencies that become eligible, apply for, and are selected by the State Board of Education (Board) to receive those federal funds, and notwithstanding any other provision of law, the State Department of Education and the Board shall in the following order:</u></p> <p>a) <u>Identify all schools that qualify to receive, have applied for, and have been selected by the Board to receive a 2010-11 federal School Improvement Grant and also are within a local educational agency that has been selected by the Board to receive 2010-11 federal Title I Set Aside funds.</u></p> <p>b) <u>Ensure that schools identified in (a) of this provision are excluded for purposes of calculating Program funding.</u></p> <p>c) <u>Determine the federal Title I Set Aside grant amount to be awarded to each qualifying local educational agency pursuant to levels specified in Section 52055.57(d)(3) of the Education Code and exclude schools identified in (a) of this provision.</u></p> <p>d) <u>In the event that 2010-11 federal Title I Set Aside funds are insufficient to fully fund all eligible Corrective Action program local educational agencies, the Board shall proportionately reduce each Corrective Action program grant so that all approved local educational agencies may be funded with the maximum amount of Title I Set Aside funds possible.”</u></p>
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STAFF COMMENTS/RECOMMENDATION: Staff recommends that the Subcommittee hold this issue open until after May Revise.

In reviewing the CDE and LAO proposals, staff suggests the Subcommittee consider the following fiscal and policy issues.

- **CDE and State Board Discretion in Allocation of SIG Funds.** Under CDE’s plan, the department and the State Board of Education would have full discretion for allocation of funds, within broad federal parameters that allow between \$50,0000 and \$2.0 million per school selected for funding. As raised by the LAO, this authority would extend to issues such as:
 - How many of the persistently lowest achieving schools will receive funding?
 - How will funds be allocated to persistently low performing schools? (Tier I, Tier II and Tier III schools?)
 - What other low-achieving schools will receive funding? How much could they receive?
 - Will additional schools be eligible for funding next year, if additional schools are defined as eligible?

- **AB 519 Program.** The AB 519 Program currently provides funding to school districts in PI. Funding can be used for district wide and individual school level improvements. The program has been funded with Title I Set-Aside funds, because CDE has resisted using SIG funding for the program in the past. In addition, the LAO recommends integrating the AB 519 program into the new SIG program. This would address overlap of schools and districts – felt to be minimum – and more importantly harmonize the program rules.
 - Should the AB 519 Program continue as currently authorized, in addition to the new SIG program?
 - How should the AB 519 Program be funded?

- **QEIA Program.** The LAO also recommends consolidating the states Quality Education and Investment Act (QEIA) program to account for SIG overlap. In addition to building a multiyear SIG plan, the LAO identifies areas of overlap between the SIG and the state's QEIA program, and, to the degree possible, consolidates the state and federal school improvement programs.
 - How will the new SIG intervention requirements affect QEIA schools?
 - How can the QEIA program be effectively integrated with the new SIG program moving forward?

SUGGESTED QUESTIONS:

1. What is the Administration's plan for allocating federal program improvement funds in 2010-11?
2. CDE has developed a program improvement plan, which has been approved by the State Board of Education, and is currently awaiting approval by the US Department of Education. In CDE's view, what is the Legislature's role in this process?
3. Does CDE have a sense for how many of the persistently low performing schools will apply for funding under the new SIG program?

ITEM 3: Federal Funds – Enhancing Education Through Technology Grants (6110-180-0890)

DESCRIPTION: The Governor submitted a Budget Letter in October 2009 to authorize the expenditure of **\$72 million** in additional, one-time federal funds for the Enhancing Education Through Technology (EETT) grant program. These new funds were authorized under the American Recovery and Reinvestment Act (ARRA). The Joint Legislative Budget Committee (JLBC) raised several concerns with the Administration’s EETT expenditure plan, and as a result the JLBC did not concur with the Administration’s plan. In so doing, the JLBC requested that the Administration and California Department of Education (CDE) develop a new plan. CDE recently released a revised plan; however, the Administration does not yet have a position on the revisions. In response to the JLBC concerns, the LAO has also developed an alternative expenditure plan for EETT.

BACKGROUND:

EETT Program Funds. The federal government currently provides several sources of funding for education data activities, including the Enhancing Education Through Technology (EETT) grant authorized under Title II –Part D of the No Child Left Behind Act of 2001.

On July 24, 2009, California was notified of the availability of **\$72 million** in new ARRA EETT grant funds. These one-time funds must be expended by September 30, 2011. These ARRA funds are being provided on top of ongoing ARRA funds. The 2009-10 budget includes **\$29 million** in ongoing EETT funding. The Governor’s January budget and April Budget Letter proposals provide **\$9.4 million** in ongoing EETT funds in 2010-11. The drop in ongoing funding signals that the federal program is being phased out.

ARRA EETT Grant Allocations: Consistent with previous federal requirements, at least 95 percent of the **\$72 million** in one-time ARRA EETT funds must be allocated as grants to local education agencies (LEAs) – school districts, county offices of education, and charter schools. Up to five percent of ARRA EETT funds can be used for state administration and state level activities.

The EETT program authorizes both formula grants and competitive grants for LEAs:

- **Competitive Grants:** At a minimum, 50 percent of the amount available for local grants must be used for competitive grants – although up to 100 percent may be used for this purpose. The U.S. Department of Education (USDE) strongly encourages states to award all of the funds competitively. USDE believes that larger competitive grants potentially will have a greater impact than smaller formula grants awarded across all of a state’s districts.

- **Formula Grants:** Up to 50 percent of local grants may be provided per formula grants allocated on the basis of Title I student counts for LEAs.

At least 25 percent of the funds for both competitive and formula grants must be used to provide professional development.

EETT Program Requirements.

Federal Requirements. Federal rules and regulations for EETT provides states with broad discretion on the use of one-time ARRA funds for education technology. According to the USDE, allowable local activities for EETT include:

- support of continuing, sustained professional development programs and public-private partnership;
- use of new or existing technologies to improve academic achievement;
- acquisition of curricula that integrate technology and are designed to meet challenging state academic standards;
- use of technology to increase parent involvement in schools; and the use of technology to collect, manage, and analyze data to enhance teaching and school improvement.

In making decisions about the uses of EETT funds, USDE encourages states and LEAs to give particular consideration to strategies that will help build sustainable capacity for technology integration, improve student achievement, and advance education reform in the following four areas:

1. Increasing teacher effectiveness and addressing inequities in the distribution of effective teachers through high-quality professional development and teacher incentive programs designed to attract and keep effective teachers in hard-to-staff schools in rural and urban areas;
2. Using advanced technology systems to collect, manage, and analyze data in order to track student progress from pre-K through college and career and foster continuous improvement;
3. Implementing technology-enhanced strategies that support rigorous college- and career-ready, internationally benchmarked standards, supplemented with high-quality assessments that are valid and reliable for all students, including limited English proficient students and students with disabilities; and
4. Targeting intensive support to high-poverty, high-need LEAs to improve access to and the effective use of advanced technologies to turn around the lowest-performing schools.

Furthermore, USDE expects states and LEAs to use EETT funds to implement strategies that will help build sustainable capacity for integrating technology into curricula and instruction in order to improve student achievement.

USDE believes that because ARRA EETT funds “constitute a large increase in Title II-D funding that will likely not be available at the same level beyond September 30, 2011,” that states and LEAs should “focus these funds on short-term investments with the potential for long-term benefits rather than make ongoing commitments that they might not be able to sustain once ARRA funds are expended.”

State Requirements. While not required by federal law, state Education Code implementing the federal EETT program in California restricts competitive grant funding to LEAs serving students in grades 4-8. These statutory provisions thereby exclude high school districts from competition. Formula grant dollars can be used to support any and all grade levels consistent with their local technology plan.

Governor’s Initial EETT Expenditure Plan.

CDE officials did not receive notification of the availability of **\$72 million** in new ARRA EETT funds until July 24, 2009, too late to be included in the 2009-10 budget act passed in late July 2009. As a result, on October 16, 2009, the Department of Finance (DOF) requested a **\$70.9 million** increase in spending authority for EETT pursuant to Section 28.00 of the 2009-10 Budget Act. The spending plan contained in the Section 28.00 Budget Letter, as developed by CDE, is summarized below.

<i>Dollars in Millions</i>	Section 28.00 Proposal	CDE Revised Proposal
Local Assistance (95 percent)		
--Formula Grants (Title I Districts)	34.3	34.0
--Competitive Grants	34.3 (LEAs serving Grades 4-8; Existing Purposes)	34.0 (LEAs serving K- 12; Revised Purposes)
Subtotal Local Assistance	68.6	68.0
State Operations (5 percent)		
Technical Assistance		
--Brokers of Expertise	1.3	1.3
--California Technology Assistance Project	1.0	1.0
Unspecified	0.8	
State Administration		1.3
Subtotal State Operations	3.1	3.6
TOTAL	70.9	71.6

The October Budget Letter proposed allocating new one-time local grants on the same basis as the existing EETT program, which provides 50 percent as formula grants based upon Title 1 eligible student counts and 50 percent as competitive grants to districts serving students in grades 4-8. Competitive grants would be awarded on a geographic basis conforming to the 11 California Technology Assistance Project (CTAP) regions.

On the state operations side, the Budget Letter proposed **\$1.0 million** for CTAPs and **\$1.3 million** to fund a Brokers of Expertise project to allow LEAs to share research and standards based instructional programs and strategies. In addition, the Budget Letter proposed **\$1.3 million** for CDE state administration of EETT.

Legislature Did Not Concur with Initial EETT Expenditure Plan.

The Joint Legislative Budget Committee (JLBC) did not approve the EETT spending plan proposed in the October Budget Letter. The JLBC outlined its concern in a letter dated November 12, 2009, to the Director of the Department of Finance. Overall, the JLBC was concerned that with so many initiatives underway in our state that are linked to data and technology, it was premature to decide how to best invest one-time federal funds. The JLBC also felt that there were other options for allocating and using EETT funds under the federal program that would allow the state to maximize the effect of the federal investment in educational technology.

The JLBC letter also questioned the use of funding for the Brokers of Expertise project, since the Legislature rejected funding for the project in 2007 and since CDE was currently operating the project with private funds. Finally, the JLBC was concerned about lack of justification for a large amount of one-time funding for CTAP.

In indicating its non-concurrence last November, the JLBC recommended that the Administration and CDE work with the Legislature to craft an alternative expenditure plan that furthers state and federal technology objectives in a more strategic, comprehensive manner.

The California Department of Education (CDE) recently released a revised ARRA EETT plan – summarized in the table on the previous page. The Department of Finance is currently reviewing the proposal but has not yet taken a position.

CDE Issued Funding Advisories Without Budget Authority. Although CDE did not have budget authority to allocate the ARRA EETT funds, CDE advised the field about its distribution nearly two months before budget authority was *requested* from the Legislature. In addition to the advisory, CDE sent out Requests for Application (RFAs) for the funds several months prior to Legislative notification of the need for increased expenditure authority. A chronology of these and other events is provided below:

- **July 24, 2009** – CDE made aware of the availability of federal ARRA EETT funds.
- **August 6, 2009** – The Superintendent of Public Instruction issued an advisory to the field that stated, “CDE will distribute the funds by the end of the year to school districts in two ways: half determined by formula and half through grants. The first half would go to local educational agencies that already have approved Ed Tech Plans and will be based on their proportion of the Title I, Part A funds distributed in California. The other half would go to local educational agencies and direct-funded charter schools after they fill out applications being offered in August and are

selected through a competitive process.” The advisory also advised districts of the allowable uses of the funds consistent with the existing EETT program.

- **August 31, 2009** – CDE submitted their notice of unanticipated funds to DOF.
- **September 11, 2009** – CDE sent Requests for Application (RFAs) to LEAs for EETT funds.
- **October 15, 2009** – RFAs from LEAs were due back to CDE. Reportedly, CDE received 188 EETT ARRA competitive grant applications, which were read the last week of October. There were approximately 440 eligible districts and charter schools in California, applying for competitive grants.
- **October 16, 2009** – JLBC received Section 28.00 Budget Letter from DOF requesting adjustment of expenditure authority for the EETT program, as proposed by CDE.
- **November 12, 2009** - JLBC sends letter of non-concurrence with Section 28.00 Budget Letter to authorize expenditure plan for EETT.
- **April 2010** – CDE released revised ARRA EETT expenditure plan.

LAO COMMENTS: The LAO had several major concerns with the Section 28.00 Budget Letter, as summarized below:

- **Important *Policy* Options to Consider.** The ARRA EETT funds may be used for a broad array of education technology activities, including hiring additional staff, providing professional development, purchasing software and hardware, and offering various student services. The only specific requirement at the local level is that at least 25 percent of the funds be used for professional development activities, but, even within this category, school districts have wide discretion. Thus, DOF’s spending proposals are by no means the only available options. The Legislature could consider many alternative uses of the funds to improve academic achievement, such as enhancing the California Longitudinal Pupil Achievement Data System (CALPADS), facilitating initial preschool data collection and analysis, or encouraging the collection and use of new college readiness data.
- **Important *Allocation* Options to Consider.** Whereas the federal government provides high-level guidance on how states may distribute EETT funds, states retain considerable discretion. The EETT program specifies only that: (1) at least 95 percent of the funds be given out in local assistance grants, with at least half of those grants awarded competitively (though the U.S. Department of Education “strongly encourages States to award all of the [ARRA] funds competitively”); and (2) up to five percent may be used for state administration, technical assistance, and state-level activities (with no more than 60 percent of this allocation used for administration).

Within these parameters, the Legislature has many allocation options it could consider.

- **Specific Concerns With DOF’s Technical Assistance Proposals.** DOF has proposed two technical assistance expenditures—one relating to the “Brokers of Expertise” project and one relating to the California Technology Assistance Project (CTAP). The LAO has concerns with both proposals. Most notably, the state has not yet statutorily authorized the Brokers of Expertise project, in fact the Legislature rejected a similar proposal made by the administration in 2007. Furthermore, the Brokers of Expertise project (currently operating with private funds) received strong criticism in a recent independent evaluation. In addition, the CTAP proposal lacks specificity about what additional technical assistance would be provided by CTAP in return for the large one-time augmentation.
- **Funds Should Be Coordinated With Other Education Technology Efforts.** The state is in the midst of making several important decisions involving education technology. As part of the Fifth Extraordinary Special Session, legislation was enacted to make various improvements to CALPADS and develop a preschool through higher education data system (or “P-20”) data system. This legislation was passed as a part of the Governor’s proposal for federal Race to the Top (RTTT) funds. While California was not approved for RTTT Phase I funding, the new legislation commits our state to a number of data activities that are required for eligibility for federal Phase II State Fiscal Stabilization Funding, as well. In addition, the California Department of Education has submitted a plan to access a federal Institute of Education Sciences grant to further a P-20 system. The ARRA EETT one-time augmentation could be used in concert with these other federal resources to further a coordinated set of state-local education technology objectives, thereby maximizing the combined effect of available education technology monies.

LAO RECOMMENDATION. The LAO recommends developing a coordinated plan targeting preschool and high school data needs. Per the LAO, one of the greatest challenges associated with developing a P-20 data system will be collecting and integrating early childhood and postsecondary/workforce readiness data. The EETT monies could help districts meet these challenges. To this end, the LAO recommends that the Legislature designate that the \$71.6 million in one-time ARRA EETT funding and the \$10.6 million of the 2010-11 on-going EETT apportionment be used for two purposes.

- First, the LAO recommends directing a portion of the EETT funds to school districts that provide early childhood education to help integrate pre-kindergarten data into the P-20 system. By helping districts collect, report, and analyze early education data, the funds would facilitate ongoing instructional improvement for California’s youngest students.

- Second, the LAO recommends awarding the remaining portion of EETT funds to districts serving high school students, with the funds used to help meet new postsecondary and workforce readiness data requirements. Under other related federal grant applications, California is proposing to collect new high school-level data, including Advanced Placement and Scholastic Aptitude Test scores, as well as participation in courses relating to science, technology, engineering, and math.

Under the LAO approach, districts serving preschool or high school students would apply to the CDE and be awarded funding competitively based on the scope and quality of the proposal and the proportion of Title 1 students within the district. Grants to each LEA would be at minimum, \$25 per pupil and at maximum, \$250 per pupil. Except for the 5 percent of funds reserved for administration and state operations, the funds would be distributed competitively and in alignment with the State’s efforts to establish a P-20 system.

DOF April Letters: The Department of Finance has submitted two proposals that make technical changes to the amount of ongoing federal EETT funds available in 2010-11, as follows:

1. Item 6110-180-0890, Local Assistance, Education Technology Program (Issue 299 and 300). It is requested that this item be decreased by \$20,091,000 federal Enhancing Education Through Technology Program funds. This adjustment includes a decrease of \$20,343,000 to align the Education Technology program with the anticipated federal grant award and an increase of \$252,000 to reflect the availability of one-time federal carryover funds. The reduction would be allocated proportionately among competitive grants, formula grants, and the California Technology Assistance Project. It is further requested that provisional language be amended as follows to conform to this action:

“1. Of the funds appropriated in this item, ~~\$14,508,000~~ \$4,737,000 is allocated to school districts that are awarded formula grants pursuant to the federal Enhancing Education Through Technology Grant Program. Of the funds appropriated in this provision, \$241,000 is provided from one-time carryover funds.

2. Of the funds appropriated in this item, ~~\$14,508,000~~ \$4,507,000 is available for competitive grants pursuant to Chapter 8.9 (commencing with Section 52295.10) of Part 28 of the Education Code and the requirements of the federal Enhancing Education Through Technology Grant Program including the eligibility criteria established in federal law to target local educational agencies with high numbers or percentages of children from families with incomes below the poverty line and one or more schools either qualifying for federal school improvement or demonstrating substantial technology needs. Of the funds appropriated in this provision, \$11,000 is provided from one-time carryover funds.

3. Of the funds appropriated in this item, ~~\$462,000~~ \$143,000 is available 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 federal Enhancing Education Through Technology grants.”

2. Items 6110-001-0001 and 6110-001-0890, State Operations, State Department of Education -- Enhancing Education Through Technology Program (EETT) (Issue 290)—It is requested that Item 6110-001-0890 be decreased by \$166,000 and that Item 6110-001-0001 be amended to align with the anticipated federal grant award for this program. It is further requested that language in Provision 7 of this item be updated to conform to this action as follows:

“7. Of the funds appropriated in this item, ~~\$1,066,000~~ \$900,000 shall be used for administration of the federal Enhancing Education Through Technology Grant Program. Of this amount: (a) \$150,000 of carryover funds is available only for ~~contracted~~ technical support and evaluation services.”

STAFF COMMENTS:

- **CDE Commenced Grant Process Without Appropriate Authority; EETT Expenditure Plan Should Be Decided Through Regular Budget Process.** CDE did not have the authority to advise LEAs about the allocation and use of EETT funds prior to submission and approval of the Section 28.00 Budget Letter. Staff recognizes that awarding the ARRA EETT funds as soon as possible would help ensure districts can fully obligate the funds by September 30, 2011. The Legislature will appropriate funds for the EETT expenditure plan through the regular budget process, once agreement on a final expenditure plan is reached. While LEAs are understandably frustrated by the premature promises made by CDE, the budget process will allow the Legislature to consider alternative proposals in a more informed, thoughtful, and strategic manner, while still providing the funds to districts in a timely manner.
- **October Plan Misses Opportunities for Maximizing Federal Technology Funds.** EETT funds provide important one-time monies which could be distributed strategically to better position us to build, access, and use our state-wide data system to improve instruction and achievement. Data systems are a key component of satisfying our State Fiscal Stabilization Funds with respect to reporting requirements. The state has provided data assurances for securing approximately **\$213 million** in Phase II funds. Many of these same data system requirements are required for RTTT funds. While California did not receive Phase I funds, no decision has been made about Phase II funding, which could provide between **\$350 and \$700 million** to California.
- **LAO Proposal for P-20 System Responsive to Federal Signals and State Data Needs.** The LAO proposal allocates funds through competitive grants to LEAs for P-20 system development, which allows for development of preschool and higher education system linkages. The USDE has signaled numerous times that they are heavily favoring states with P-20 data systems, and that data will be of growing

importance in their decisions of whom to fund in the future. Further, they have also signaled that they value competitive awards over formula-driven awards. To this end, strategically investing these one-time monies could place us in a better position for future federal funds. Our state as an opportunity to make headway into our data infrastructure and the development of local capacity to use data, which will do more to improve instruction and achievement in the long-term than spreading small amounts of these funds out among all of the districts. By awarding the bulk of these funds on a formula-basis, the state misses an opportunity to make an important investment.

- **Final Action on EETT Should Be Coordinated with IES Grant Outcome.** The California Department of Education has submitted a proposal to access a federal Institute of Education Sciences (IES) grant to further a P-20 system. This is a competitive grant program for state education agencies. The ARRA EETT one-time augmentation could be used in concert with these other federal resources to further a coordinated set of state-local education technology objectives surrounding the P-20 system. For the LAO's recommendation to be coordinated with the state's IES grant; it is necessary to wait until the state has received final approval of its IES application before moving ahead with the EETT plan.
- **State Has Flexibility in Using ARRA EETT Funds -- LAO Offers Other Examples.** While the LAO recommends allocating funds for support of a P-20 system, it also offers other alternative uses for LEAs that reflect high priorities for the state, including enhancing CALPADS implementation and improving data utilization through professional development. This is not inconsistent with the several options included in the RFA released by CDE in September. The RFA highlights LEA options for competitive grants, including "professional development linked to the use of technology for analyzing achievement data for the purpose of improving instruction." More specifically, the RFA states that "the use of technology to support the analysis and use of longitudinal student achievement data to inform instruction will be an ever-emerging needs as the CALPADS data become available in the near future." In addition, federal ARRA EETT guidance allows funding for "creating or expanding components of Statewide Longitudinal Data Systems to inform areas such as curriculum development, professional development, and instruction."
- **CDE Revised Plan Links Competitive Funds to RTTT Assurances.** The revised CDE plan would utilize 50 percent of state LEA grants funds for new competitive applications focusing on assurances consistent with RTTT. While CDE would continue to allocate the remaining 50 percent of funds on a formula basis, LEAs would focus competitive grants on efforts to improve instruction and postsecondary/workforce readiness by:
 1. Implementing/enhancing and using a local instructional improvement system (see definition provided by the U.S. Department of Education) that provides teachers,

- principals, and administrators, with the information and resources they need to inform and improve their instructional practices, decision-making, and overall effectiveness;
2. Offering professional development to teachers and school leaders related to using data to inform instructional improvement;
 3. Including the collection of pre-kindergarten data for future instructional use and high school student data for postsecondary/workforce readiness use.

STAFF RECOMMENDATION: Staff recommends that the Subcommittee adopt some form of the LAO's recommendation following May Revise. This approach allows funds to be accessed by all high need, K-12 districts, including high school districts, and to be maximized for a high priority, statewide benefit.

SUGGESTED QUESTIONS:

1. Does the Administration have a revised expenditure plan for EETT?
2. CDE's revised EETT proposal would direct 50 percent to competitive grants for using data to improve instruction and postsecondary/workforce readiness. Can CDE provide more detail on this?
3. Under the CDE revised proposal, would funds be limited to districts serving students in grades 4-8?
4. What are the major elements of CDE's Institute of Education Sciences (IES) grant proposal recently submitted to USDE? When will CDE know the outcome of its IES grant?
5. What are the trade-offs between directing all EETT funds to competitive grants – as strongly encouraged by USDE and supported by the LAO – and using half of the funds for formula grants and half for competitive grants?
6. Did CDE inform districts that its expenditure plan had not been approved last November and that the Legislature had requested that the Administration and CDE work with the Legislature to craft an alternative expenditure plan that furthers state and federal technology objectives in a more strategic, comprehensive manner?

ITEM 4. Department of Education - State Operations Budget – Headquarters Staff (6110-001-0001/0890)

DESCRIPTION: In 2010-11, the Governor proposes to make permanent approximately **\$7.9 million** in General Funds reductions implemented in previous years for the California Department of Education (CDE) headquarters staff. In addition, the Governor is proposing additional General Fund reductions of approximately **\$4.3 million** in 2010-11 that are tied to compensation adjustments for state employees – specifically a five percent employee compensation reduction and a five percent retirement contribution increase. The Governor proposes a number of other adjustments for headquarters staff in 2010-11 that are included in the Governor’s January budget proposal and Department of Finance (April Finance Letter).

BACKGROUND:

The Governor’s 2010-11 Budget provides **1,553 authorized positions** and **\$213 million** funding (all funds) for CDE headquarters staff. (This does not include **1,008 positions** and **\$98 million** for operation of the State Special Schools.) This level of funding reflects an overall reduction of **\$10.6 million** (all funds).

Governor’s January Budget Proposal California Department of Education (CDE) Authorized Positions and State Operations Funding			
	2008-09	2009-10	Proposed 2010-11
Authorized Positions			
CDE Headquarters	1,589.0	1,578.5	1,553.3
Funding			
CDE Headquarters			
General Fund	46,960,000	39,610,000	40,627,000
GF - State Board of Education	1,371,000	1,821,000	1,874,000
Federal Fund	171,520,000	150,557,000	138,690,000
Other (Restricted)	49,571,000	32,572,000	32,780,000
Total	269,422,000	224,560,000	213,971,000

The figures above do not reflect the Governor’s proposed compensation reductions for CDE state headquarters staff in 2010-11. These reductions are tied to the Governor’s 5-5-5 compensation plan for state agencies, as contained in budget Control Section 3.90 These reductions will reduce CDE General Fund appropriations by about \$4.3 million in 2010-11, as compared to the figures above.

Recent Reductions to CDE State Operations: CDE has participated in across-the-board reductions for state agencies, as detailed below for the last two years. For the most part, the Superintendent of Public Instruction was given discretion on implementation of these reductions. In addition, as an agency directed by a Constitutional Officer, the Department of Education has not been required to implement employee furloughs, but has implemented equivalent dollar reductions in state operations funding. In making reductions, CDE has been able to achieve savings by cutting operating expenses and de-funding positions, although CDE has retained authority for most all positions.

2008-09

The 2008-09 budget act included a **10 percent** unallocated General Fund (non-98) reduction for CDE state operations – personnel and operating expenses and equipment – as a part of the Governor’s Budget Balancing Reductions. This reduction equated to a **\$5.1 million** unallocated reduction in 2008-09 for CDE headquarters staff only.

The Governor later implemented – via Budget Letter authority – additional state operations reductions of **\$2.2 million** – all funds – for CDE headquarters staff. This amount included General Fund (non-98) reductions of **\$671,000** for CDE state headquarters. [The Budget Letter implemented cuts for CDE equivalent to two furlough days (one-time) for five months in 2008-09, although CDE did not take furloughs.]

In total, funding for CDE headquarters were reduced by **\$7.3 million** (all funds) in 2008-09, which includes a cut of **\$5.8 million** in state General Funds. CDE eliminated 11.0 positions associated with these reductions in 2008-09.

2009-10

The 2009-10 budget reduces CDE state headquarters funding by a total of **\$21.5 million** – all funds. This includes a **\$5.5 million** General Fund (non-98) reduction for headquarters staff.

These \$5.5 million in General Fund (non-98) reductions for CDE state operations – together with \$16.0 million in reductions in other funds – were implemented through a variety of mechanisms in 2009-10, including:

- \$14.7 million (all funds) from Governor’s budget vetoes tied to a **10 percent** base cut for state operations – personnel only, not operating expenses and equipment -- (\$2.8 million General Fund);
- \$5.6 million (all funds) in reductions associated with continuation of the one-time furlough day for state agencies (\$1.5 million General Fund);
- \$500,000 in General Fund savings for the California High School Exit Exam;
- \$705,000 in General Fund savings resulting from the Governor’s veto of funding for the Curriculum Commission.

In 2009-10, CDE eliminated 4.0 positions and de-funded 50.0 positions.

GOVERNOR'S 2010-11 BUDGET PROPOSALS:

In 2010-11, the Governor proposes to make permanent approximately **\$19.8 million** (all funds) in base reductions implemented in previous years for the California Department of Education (CDE) headquarters staff - including **\$7.9 million** in General Funds.

In addition, the Governor is proposing additional General Fund reductions of approximately **\$4.3 million** in 2010-11 that are tied to **two** of three compensation adjustments proposed as a part of the Governor's "5-5-5" package for state employees – specifically a five percent employee compensation reduction and a five percent employee retirement contribution increase. A third component of the Governor's package is tied to a "workforce cap" achieved through a five percent increase in salary savings, however, it does not apply to Constitutional officers. (The Governor's 5-5-5 package is intended to replace the state agency furlough program set to expire at the end of 2009-10.)

Governor's Budget – Other CDE Staffing Proposals. The Governor proposes the following smaller adjustments for headquarters staff in 2010-11 that are included in the Governor's January budget and the Department of Finance April Finance Letter.

Technical Adjustments:

- **Vacant Positions.** Provide \$192,000 in federal funds savings tied to the elimination of 1.9 vacant positions.
- **Charter School.** Administratively establish 1.0 position for the State Board of Education for Charter School Oversight.
- **Reading First Positions.** Remove 6.0 positions and \$1.4 million in federal Title I Reading Funds for state administration. The federal Reading First program is being phased out.
- **Teacher Data Base Positions.** Remove one-time federal Title II funds of \$1.6 million and 3.0 positions for development of California Teacher Integrated Data and Education System (CALTIDES).
- **Child Nutrition Positions.** Remove one-time federal nutrition funds of \$1.7 million and 7.0 positions for the Child Nutrition Payment System.
- **English Learner Pilot Program Positions.** Remove one-time federal Title III of \$100,000 and 1.0 position for the English Learner Best Practices Pilot Program

- **High Priority Schools Program Position.** Eliminate General Funds of \$411,000 and federal Title I funds of \$469,000 and 9.0 positions for support of the High Priority Schools Program. This program is being phased out.

Policy Adjustments

- **Assessment System Position.** Add \$96,000 in federal Title I funds and 1.0 limited-term position to provide research on School Accountability Growth Model per Chapter 273; Statutes of 2009 (Solorio).

DOF April Letter Requests: The Department of Finance April Letter proposes the following Governor’s proposals for CDE state operations:

- **Items 6110-001-0001 and 6110-001-0890, State Operations, State Department of Education–American Recovery and Reinvestment Act-Related Monitoring and Reporting (Issue 004).** It is requested that Item 6110-001-0890 be increased by **\$1,982,000** one-time federal carryover funds (no positions) and that Item 6110-001-0001 be amended to implement various education-related accountability, reporting, and technical support provisions of the federal American Recovery and Reinvestment Act (ARRA) of 2009. The ARRA provided billions of dollars in one-time funding to jumpstart school reform efforts, serve special populations, save and create jobs, and stimulate the economy. The ARRA and related federal regulations require that nearly all federal ARRA funds be disbursed to local educational agencies (LEAs) and that a limited amount of these funds may be used by states for monitoring, reporting, and technical support of LEA activities during the three-year availability of ARRA funds. According to the SDE, federal special education and Title I guidance suggest that a portion of these base grants may be used for ARRA state administrative activities and the SDE has identified one-time carryover funds from these base grants that could be used for these purposes.

It is further requested that provisional language be added to Item 6110-001-0890 as follows to conform to this action:

“X. Of the funds provided in this item, \$1,982,000 in one-time federal carryover funds is available for the State Department of Education to satisfy all fiscal monitoring, reporting, technical assistance, and other oversight activities as required by the American Recovery and Reinvestment Act of 2009 (Public Law 111-5) and related federal guidance.”

- **Items 6110-001-0001, State Operations, State Department of Education -- Charter Schools Division Positions (Issue 722).** It is requested that **3.0 positions** be added to the Charter Schools Division to provide support for increased workload due to growth in statewide charter school petitions and charter school appeals. These positions would enable the SDE to complete statutorily required charter school-related activities. These positions would be funded within existing General Fund resources.

- **Items 6110-001-0001, State Operations, State Department of Education -- Remove Limited-term Position and Funding for the Chief Business Officer Training Program (Issue 145).** It is requested that this item be decreased by **\$76,000** General Fund and that the limited-term associate governmental program analyst position that supported the Chief Business Officer Training Program be removed. The Chief Business Officer Training Program was a three-year project that offered incentives to school districts and county offices of education to provide instruction and training to chief business officers on school finance, operations, and leadership. However, the program became inoperative July 1, 2009, pursuant to Education Code Section 44519.2. The Governor's Budget removed provisional language allocating \$1.0 million for the local assistance portion of the program and shifted the \$1.0 million to the Administrator Training Program. Although the local assistance funding was appropriately addressed, associated state operations costs were not removed.

LAO COMMENTS/RECOMMENDATIONS:

- **Align CDE Staff Levels With Categorical Flexibility Decisions.** Despite the state's decision last year to essentially eliminate the programmatic and funding requirements associated with roughly 40 state categorical programs, the state has made no corresponding changes to CDE's staffing of those programs. Per the LAO, CDE now has hundreds of staff members assigned to administering programs that the state is not now operating. (The LAO believes this disconnect would be amplified if the Legislature were to adopt a more expansive flexibility package this year.)

To reflect the impact of consolidating local assistance categorical programs on state operations, the LAO recommends decreasing CDE's budget by **\$10 million** and eliminating roughly **150 positions**.

STAFF COMMENTS/RECOMMENDATIONS:

- **LAO Proposal to Score CDE General Fund Savings from Categorical Program Flexibility Makes Sense.** The LAO recommends aligning CDE staff levels with categorical program flexibility provision, enacted as a part of the 2008-09 and 2009-10 budget packages. These flexibility provisions allow school districts to utilize funding from more than 40 categorical programs flexibly -- for any educational purpose -- from 2008-09 through 2012-13. As a result, CDE is no longer monitoring these categorical programs (data gathering, compliance, etc.) and has also consolidated their fiscal apportionment functions. CDE has not fully quantified categorical staff savings, but maintains that savings have been captured as a part of their state agency reductions in 2009-10. Per the LAO recommendation, staff believes it is reasonable for the state to capture these state General Fund savings on top of other agency wide reductions imposed upon state agencies because these savings are associated with a reduction in workload.

- **One-Time ARRA Request Appears Reasonable, But CDE Still Believes Additional One-Time Funding is Needed for Administration of Federal Stabilization Funds.** CDE believes that additional funding is needed for additional services to handle state reporting requirements for the State Fiscal Stabilization Funds. This is likely to be a May Revise Issue.
- **Unclear How SPI Has Implemented Recent Budget Reductions – More Information Needed.** It is difficult to fully assess the impact of budget reductions at CDE headquarters without documentation that detail where position and service reductions have occurred. At the very least, it is important to know how General Fund staff are assigned within the CDE and how staff in state programs have been affected by recent cuts.

COMMENTS/RECOMMENDATIONS: Staff recommends that the Subcommittee delay approval of the Governor’s proposals for CDE state operations until after May Revise to coordinate with actions on state and federal programs.

Staff further recommends that the Subcommittee consider the LAO proposal to decrease CDE’s budget by \$10 million and approximately roughly 150 positions. In so doing, staff recommends that the Subcommittee request that CDE provide the following prior to May Revise:

- (1) A list of all General Fund headquarter positions by branch, division, unit;
- (2) A list of all headquarter positions that have been de-funded as a result categorical program flexibility.

SUGGESTED QUESTIONS:

1. What is the Administration’s position on the LAO proposal?
2. What is the year-to-year fiscal impact of the Governor’s 2010-11 budget proposals? What portion of these cuts is ongoing; what portion is new?
3. How do the Governor’s recent and proposed reductions for CDE state operations headquarters staff compare to reductions for other state agencies?
4. Can CDE summarize implementation of headquarter reductions in recent years? What programs have been affected? What is the effect on the department’s operations?
5. Has CDE reduced salaries for any employees as a result of recent state agency budget reductions?
6. CDE has indicated it has de-funded a number of positions in recent years. What does this mean? Are positions eliminated?

7. Can CDE provide information on the number of positions and associated General Fund savings for staff assigned to the more than 40 categorical programs that are subject to categorical flexibility through 2012-13?
8. What are some of the reasons that CDE is requesting additional resources for state administration of federal Fiscal Stabilization Funds?
9. Recent budget reductions have affected federal funds, as well as General Funds. What is the impact of these cuts on state administration for federal programs?

**ITEM 5: 2009-10 Budget – Curriculum Commission Veto
(6110-001-0001)**

DESCRIPTION: The Governor vetoed \$705,000 in General Funds (non-98) in the 2009-10 Budget Act for the California Department of Education (CDE) for support of the Curriculum Development and Supplemental Materials Commission (Curriculum Commission). This reduction eliminates all funding for Curriculum Commission per diem and travel and for CDE staff support to the Commission. The Governor’s action is intended to capture state operations savings from categorical flexibility provided for the Instructional Materials program in the 2009 budget packages. With this flexibility, school districts are not required to purchase newly adopted materials through 2012-13 and the State Board of Education (SBE) is prohibited from adopting new materials or developing frameworks.

BACKGROUND:

Curriculum Commission. The Curriculum Development and Supplemental Materials Commission (Curriculum Commission), established in state law, is an 18 member advisory board to the State Board of Education (SBE). Commissioners tend to be recognized authorities in a specific subject matter, professors, curriculum experts, K-12 teachers, or community members. The commission advises SBE on the K-12 curriculum frameworks and K-8 instructional materials adoption.

Curriculum Framework Adoptions. Frameworks development is a major, ongoing work activity for the Curriculum Commission. Curriculum frameworks provide a blueprint for curriculum and instruction by describing the scope and sequence of the knowledge and skills all students need to master in a specific subject area, and the evaluation criteria found within the framework provides guidance to publishers in the development of instructional materials. The framework and criteria are used to evaluate kindergarten and grades 1-8, inclusive, (K-8) instructional materials that are submitted for state adoption and the curriculum frameworks also provide guidance to teachers in the delivery of the curriculum.

Governor’s 2009-10 Veto. The February 2009 budget revisions contained in SBX3 4 (Chapter 12, Statutes of 2009) suspended the requirement that local education agencies (LEAs) purchase new instructional materials within 24 months of adoption for two years (2008-09 and 2009-10). The July budget revisions in ABX4 2 (Chapter 2; Statutes of 2009) extended this suspension for a full five years (2008-09 through 2012-13) and prohibited the State Board of Education (SBE) from adopting new materials or following procedures for adoptions. The Legislature provided this fiscal flexibility to districts in an effort to ease the local impact of state budget reductions.

When the Legislature passed ABX4 2, no conforming actions were taken to reduce State Board of Education or Curriculum Commission funding associated with the new statute prohibiting the State Board from adopting new materials or “following other procedures for adoptions”. However, when the Governor signed the final 2009-10 Budget Act, he took related action by vetoing all funding for the Curriculum Commission. More specifically, the Governor eliminated \$705,000 in General Fund (Non-Proposition 98) funds for the Department of Education’s state operations budget for support of the Curriculum Commission. These funds cover Commission per diem and travel cost as well as CDE staff support and services. The Governor did not veto any funding for the State Board of Education.

The full text of the Governor’s veto, as contained in Chapter 1, Statutes of 2009 – 4th Extraordinary Session, is provided below:

Item 6110-001-0001—For support of the Department of Education. I reduce this item from \$38,210,000 to \$37,505,000 by reducing:

(2) 20-Instructional Support from \$158,747,000 to \$158,042,000, and by deleting Provision 7.

I am reducing this item by \$705,000 to capture the maximum amount of savings from the instructional materials flexibility provided in the Education trailer bill to school districts, which suspends the adoption of instructional materials by the State Board of Education (Board) and the subsequent purchasing requirements for school districts until 2013-14. As a result, it is unnecessary for the Curriculum Development and Supplemental Materials Commission to continue to advise the Board on content frameworks and instructional materials adoptions for the next five years or until an agreed-upon process is reestablished. This reduction removes funding for unnecessary Commission per diem and travel as well as funding for Department staff.

Impact of Veto on Curriculum Commission Frameworks Adoptions. While not anticipated, the Governor’s veto immediately halted all the Commission’s work on curriculum frameworks in a number of subject areas that were in various stages of development or adoption at the time.

Most notably, the veto suspended Commission activities well underway for two core curriculum frameworks – History/Social Science and Science. More specifically, the Commission’s work on the History/Social Science framework is essentially complete. In July 2009, the Curriculum Commission approved the draft update of the History/Social Science framework for field review, but due to the budget action, the field review was suspended. In addition, the Commission commenced work on the revision of the Science framework in May 2008 and, more while more work is needed, many steps in the process have been completed.

Impact on Suspension of the Frameworks on the Field. Several concerns have been raised over the suspension of the framework revision and adoption process from the field. Some have argued that the framework development and adoption should continue even without an immediate instructional materials adoption, as the framework itself provides updated content and pedagogical approaches for teachers to enable students to gain updated and relevant knowledge and skills.

New Requirements for National “Common Core” Standards. SBX5 1/ Steinberg (Chapter 2; Statutes of 2009) enacted for purposes of satisfying part of the criteria for the Race to the Top (RTTT) program, establishes the Academic Content Standards Commission to develop academic content standards in language arts and mathematics. At least 85 percent of the curriculum standards for these two subject areas are required to be the common core academic standards developed through a national consortium. Once the Academic Content Standards commission approves recommended standards, they are required to be presented to the State Board of Education (SBE) by July 15, 2010. The SBE is then required to adopt or reject the recommended standards by August 2, 2010.

The RTTT guidance did not require a specific timeline for the implementation of the common core standards into the frameworks and instructional materials. This plan is left to the SPI and SBE to develop. If the common core academic standards are adopted, instructional materials that are aligned to these standards will have to be adopted for math and English Language Arts (ELA).

The implementation and timing of these requirements is now in question given that California did not receive the first round of RTTT funding and it is not clear if the state will pursue a second round of funding. It is also not clear if California will adopt common core standards regardless of RTTT funding.

RELATED LEGISLATION. Two nearly identical bills in both the Senate and Assembly were recently passed by their respective education policy committees. Both of these bills would require the Curriculum Commission activities to resume adoption of the History/Social Science framework in 2010-11.

- **SB 1278 (Wyland).** Requires the State Board of Education to adopt a revised curriculum framework in History/Social Science no later than July 1, 2011. In order to adopt the History/Social Science framework prior to the sunset of the adoptions suspension, the bill includes language to notwithstanding the budget provisions prohibiting the SBE from adopting instructional materials and frameworks, but only for purposes of adopting the History/Social Science framework. In addition, the bill establishes a timeline for the adoption of instructional materials by the State Board beginning in the 2013-14 school year, after the budget provisions on the suspension of instructional materials are repealed. **Status:** Senate Appropriations Committee
- **AB 2069 (Carter).** Requires the State Board of Education to adopt a revised curriculum framework in History/Social Science no later than July 1, 2011. In

order to adopt the History/Social Science framework prior to the sunset of the adoptions suspension, the bill includes language to notwithstanding the budget provisions prohibiting the SBE from adopting instructional materials and frameworks, but only for purposes of adopting the History/Social Science framework. In addition, the bill establishes a timeline for the adoption of instructional materials by the State Board beginning in the 2013-14 school year, after the budget provisions on the suspension of instructional materials are repealed. **Status:** Assembly Appropriations Committee.

LAO COMMENTS: The LAO is generally supportive of the Administration's veto of the Curriculum Commission. This position is in line with the LAO's published report from 2007 entitled *Reforming California's Instructional Material Adoption Process* that recommended streamlining the adoption process and eliminating the role of the Curriculum Commission. The LAO suggests that suspension of Curriculum Commission activities provides an opportunity for rethinking the role of the Commission moving forward. The LAO does not believe that it is crucial to restore Commission funding in 2010-11.

STAFF COMMENTS

- **Common Core Standards May Influence Resumption of Curriculum Commission Activities.** Given the uncertainty around how the state will proceed with adoption of common core standards, which will ultimately influence the work of the Curriculum Commission, staff does not support fully resuming Curriculum Commission activities until the state determines its approach to adopting these common core standards.
- **Governor's Veto Signals Ongoing Cuts for Commission Until Adoptions Resumed.** The Governor's veto signals ongoing, annual savings for the Commission until 2013-14 or until an agreed upon process is re-established. The Administration has indicated openness to restoring some Commission funding prior to resumption of the instructional materials adoptions by the State Board. There are two bills which define the sequence for resuming materials adoption by the State Board of Education. This legislation will guide resumption of framework development, which currently commences about 30 months prior to the adoption of instructional materials.
- **Veto Suspends Final Adoption of Two Core Curriculum Frameworks Near Completion.** While full resumption of Curriculum Commission activity may not be warranted at this time, there appears to be some merit in allowing the commission to finish work on the History/Social Sciences and Science frameworks. Staff is still evaluating the cost for resuming these activities and has asked CDE if additional state resources are needed for this limited activity. Initial information from CDE indicates that there would be minimal costs to complete the History/Social Science framework and costs of about \$144,000 to complete the Science framework.

- **May Be Remaining Funds Available to Complete History/Social Science and Science Frameworks Adoptions.** According to the Department of Finance, \$705,000 reflects a conservative estimate of total expenses for the Commission in 2009-10, which include per diem and travel expenses for Commissioners and CDE staff support and services for the Commission.

STAFF RECOMMENDATION: Staff recommends that after May Revise the Subcommittee restore limited funding for the Curriculum Commission in 2010-11 to allow final adoption of the History/Social Science and Science Frameworks. This action would allow the Commission to take final actions for these adoptions that were nearing completion when the Governor's veto occurred. Staff further recommends that the Department of Education provide cost estimates for finishing prior to May Revise.

SUGGESTED QUESTIONS:

1. What are *costs* of allowing the Curriculum Commission to complete adoption of the History/Social Science and Science frameworks in 2010-11? Could these costs be absorbed within the Department of Education's budget?
2. What are *benefits* of allowing the Curriculum Commission to complete adoption of the History/Social Science and Science frameworks in 2010-11? How are frameworks useful to the field, understanding that curriculum materials adoptions may be delayed for several years?
3. What is the status of California's adoption of the Common Core Standards? What are the costs associated with these activities? Can these activities be covered with existing federal funds for our state?
4. Will the adoption of Common Core standards conflict in anyway with completion of the History/Social Science and Science frameworks?

ITEM 6: Statewide Testing and Reporting System – 4th Grade Writing Assessment (Item 6110-113-0001/0890)

DESCRIPTION: In August 2009, the DOF approved an expenditure plan for the state student assessment program in 2009-10 that included elimination of the 4th grade writing test and associated savings of \$2.0 million in Proposition 98 funds. The Governor does not propose reinstatement of the 4th grade writing assessment in 2010-11. On November 30, 2009, the chairs of the Senate and Assembly Budget Committees submitted a letter to DOF expressing concerns regarding the elimination of the 4th grade writing assessment in conflict with budget provisional language. The letter also expressed concern about failure of the California Department of Education to provide a copy of the expenditure plan to the Legislature, as required by budget language.

BACKGROUND:

Student Assessment Funding: The 2010-11 Governor's Budget provides \$117 million in state and federal funds to the Department of Education for a number of statewide student assessment programs, including the Standardized Testing and Reporting (STAR) program. These funds are appropriated through the annual budget for the purpose of (1) reimbursing school districts for their local costs of administering the tests, and (2) paying for the statewide costs of developing and maintaining these tests.

STAR Writing Assessments. The STAR program was created by legislation passed in 1997. In 2004, the STAR program was reauthorized until July 1, 2011, for students in grades 3-11 and until June 30, 2007, for 2nd grade students. SB 80 (Committee on Budget and Fiscal Review) continued the 2nd grade test as a part of the overall STAR program until June 30, 2011.

The most commonly administered test in the STAR program is the California Standards Tests (CSTs) – a standards-aligned test. Under the standards aligned test (CST), students in grades 2-11 take at least two tests each year in math and English Language Arts.

The 4th and 7th grade writing assessments were added to the STAR English Language Arts assessments as the result of legislation enacted in 2000.

Recent Cuts to State Assessment Program. As a part of the 2008-09 Budget Act, most categorical programs were subject to an across-the-board reduction of 15.4 percent. Only four programs were not subject to the reductions: Child Nutrition, Economic Impact Aid, K-3 Class Size Reduction, and Special Education. Pursuant to this across-the-board reduction, the state student assessment program achieved savings in 2008-09 through approximately **\$14 million** in state assessment apportionment deferrals.

In 2009-10, the Governor proposed to increase the across-the-board reductions to 19.8 percent, applicable to the same set of programs. For the student assessment program, this reduction totaled **\$17.1 million**. The California Department of Education (CDE) was

charged with developing a plan to achieve these savings and in the spring of 2009 proposed a comprehensive list of savings. The list included a number of proposals that would directly eliminate ongoing student tests that are a part of the STAR program, such as the 4th and 7th grade writing tests, 2nd grade tests, and high school English Language Arts tests. The CDE also identified a number of other proposals that did not involve reductions in student assessments.

Budget Language Added to Guide Assessment Reductions. Due to policy concerns about elimination of specific student tests, the Legislature added provisional language to the student assessment item in the 2009-10 Budget Act (Item 6110-113-0001) specifically stating that:

“In implementing the reductions for the 2008-09 and 2009-10 fiscal years, the State Department of Education shall not eliminate any state assessments funded by this item.”

With these protections in place, the Legislature inserted additional provisional language that authorized the Department of Finance to approve an expenditure plan reflecting other student assessment program reductions proposed by the CDE. In general, these other proposals were felt to affect student assessments more indirectly. This language also specified that after an expenditure plan was approved by the Department of Finance, the CDE was required to provide a copy of the approved plan to the Legislative Analyst’s Office and the appropriate fiscal and policy committees of the Legislature.

CDE Expenditure Plan Approved by DOF Does Not Comply with Budget Language; CDE Failed to Notice Legislature. The CDE submitted a state assessment program expenditure plan to the Department of Finance on August 21, 2009, reflecting options for achieving **\$17.1 million** in budget reductions in 2009-10.

The DOF approved the plan with some changes on August 28, 2009. Most notably, the DOF rejected elimination of the 7th grade writing assessment proposed by CDE, but approved elimination of the 4th grade writing assessment, for a savings of **\$2.0 million** in 2009-10.

The State Board of Education, upon recommendation from the CDE, took action at their September 2009 meeting to amend the STAR contract to reflect changes in the expenditure plan for the STAR Program, as approved by the Department of Finance. The State Board then directed CDE and SBE staff to work with the contractor to implement changes in the STAR contract for the 2010 and 2011 administrations.

CDE did not provide a copy of the DOF approved expenditure plan to the Legislature until it was requested by legislative budget staff in late October 2009, even though the plan was approved by DOF on August 28, 2009.

Joint Legislative Letter Sent to DOF Expressing Concerns. On November 30, 2009, the chairs of the Senate and Assembly Budget Committees submitted a letter to DOF

expressing concerns regarding the elimination of the 4th grade writing assessment. Major concerns are summarized below:

- **Elimination of student assessment expressly prohibited by 2009-10 Budget Act.** The Department of Finance approved (and the CDE proposed) changes that eliminate the 4th grade writing assessment, in spite of budget act provisions that clearly prohibit this action. This was the only ongoing assessment eliminated as a part of the expenditure plan. Both the Department of Finance and the CDE see the writing assessment as an assessment "component", not a state assessment. That was not the intent of the language. The intent of the language was to keep elimination of ongoing student tests off the list and to focus on other savings and efficiencies in the state assessment program. More specifically, the intent was to avoid using the expenditure plan as a backdoor for changing state assessment policy, changes that should occur only through specific legislative budget or policy actions.
- **Failure to provide a copy of the approved expenditure plan.** The CDE did not provide a copy of the DOF approved expenditure plan to the Legislature until it was requested by legislative budget staff in late October 2009, even though the plan was approved by DOF on August 28, 2009.
- **Concerns regarding policy impact.** The letter expressed serious concerns about the policy impact of eliminating the 4th grade writing test on student instruction and performance. Writing is an essential life skill and the 4th grade writing assessment is critical for helping teachers and parents identify problems in the elementary grades, well before entrance into the secondary grades where supplemental services are limited. The 4th and 7th grade writing assessments were added to the STAR test in 2001, as a result of legislation enacted in 2000. While the CDE indicated that there were concerns in the field about the usefulness of the test at the teacher and school level, legislative staff heard from other school representatives about the importance of these assessments in improving writing instruction and skills for students.

As a result of these concerns, the Legislative Budget Chairs requested that DOF take immediate steps to restore the 4th grade writing test in 2009-10 and adopt other savings proposals identified by CDE as a part of the expenditure plan that do not reduce student assessments.

Governor's 2010-11 Budget Does Not Reinstate the 4th Grade Writing Assessment.

Although the joint letter requested that DOF take immediate actions to reinstate the exam, the Administration has not reinstated the 4th grade writing exam in 2009-10 and provides no funding in the proposed budget for this purpose.

STAFF COMMENTS:

- **Elimination of the 4th Grade Writing Assessment Does Not Comply with Budget Act Language and Raises Serious Policy Issues.** The writing assessments were established in statute. Elimination of these assessments raises significant policy

issues, ones the Legislature was trying to avoid through the budget language. The intent of the language was to keep elimination of ongoing student tests off the list and to focus on other savings and efficiencies in the state assessment program. More specifically, the intent was to avoid using the expenditure plan as a backdoor for changing state assessment policy, changes that should occur only through specific legislative budget or policy actions.

- **Writing Skills Essential; Elimination of Writing Skill Assessment Not Warranted.** The state's 4th grade and 7th grade writing assessments are examples of important assessments that measure critical thinking skills while helping to inform teaching and learning. Writing is an essential life skill and the 4th grade writing assessment is critical for helping teachers and parents identify problems in the elementary grades, well before entrance into secondary grades, when supplemental services are limited.
- **Without 4th Grade Assessment, Writing Will Not Be Formally Assessed Until 7th Grade.** Legislative staff heard from school representatives about the importance of these assessments in improving writing instruction and skills for young students. Elimination of the 4th grade writing assessment will make writing less of a priority for early elementary curriculum, and place unusual weight on the 7th grade assessment and curriculum.
- **Not Strategic to Cut Student Assessments; Questionable Whether State Assessment Program Should be Subject to Categorical Cuts.** The state currently appropriates about **\$117 million** in Proposition 98 and federal funds for student assessment programs, out of more than **\$55 billion** in total annual funding from these sources for K-12 schools. Given the importance of student performance data on improving teaching and learning, it makes no sense to eliminate state assessment programs as a part of budget solutions. At the federal level, the Obama Administration is certainly not backing away from the use of student assessments in school improvement. As evidence, the U.S. Department of Education announced in April that they would be setting aside **\$350 million** for states to come together to develop a "new generation of tests" that measure critical thinking and a broader range of content. Consistent with the goals of the federal government, California should be moving towards development and refinement of these types of assessments, not eliminating them.
- **Most Recent NAEP Writing Test Did Not Include 4th Grade Writing.** The National Assessment of Educational Progress – a national norm-referenced test utilizing state samples – previously included writing assessments in 4th, 8th and 12th grades for states. In 1998 and 2002 all grades were tested. In 2007, the NAEP writing assessment did not include 4th grade. It is not clear when or if the NAEP 4th grade writing test will be reinstated. The Administration cited the NAEP 4th grade writing test as one reason they felt they could eliminate the state test. Similarly, the Administration continued the 7th grade writing assessment because there was no NAEP 7th grade assessment.

STAFF RECOMMENDATION: Staff recommends the Subcommittee reinstate the 4th grade writing assessment in 2010-11, but hold off on action until after May Revision. Staff further recommends that the Subcommittee direct CDE to work with DOF to provide the Legislature with options for restoring funding to the 4th grade writing assessment in the 2010-11 fiscal year.

SUGGESTED QUESTIONS:

1. Does the Administration support reinstatement of the 4th grade writing assessment in 2010-11? Does CDE support reinstatement in 2010-11?
2. Why didn't CDE reinstate the 4th grade writing test as requested by the November 2009 joint letter from the chairs of the legislative budget committees?
3. Why did the CDE fail to provide a copy of the final expenditure plan to the Legislature as required by the 2009-10 Budget Act, after it was approved last August?
4. Why didn't CDE comply with provisional language that prohibited reductions for student assessments?
5. CDE has indicated that they may need additional resources to reinstate the test beyond the \$2 million original scored as savings in 2009-10. CDE estimates additional costs of \$500,000 to \$700,000 to restore the test in 2010-11. Can CDE explain why more funds are needed?