

Senate Budget and Fiscal Review

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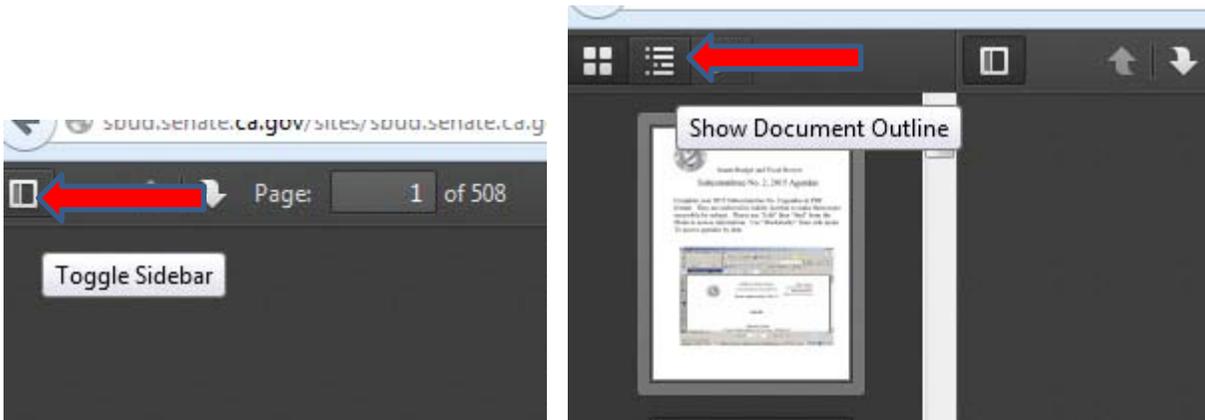
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SUBCOMMITTEE NO. 1 on Education



Subcommittee No. 1
Senator Marty Block, Chair
Member, Benjamin Allen
Member, Mike Morrell

Thursday, March 5, 2015
9:30 a.m. or Upon Adjournment of Session
Room 3191, State Capitol

Governor's 2015-16 Budget:
Proposition 98 and K-12 Education Budget Overview

- I. Overview of Proposition 98 and Governor's 2015-16 Budget Proposals
 - Highlights of the Governor's Proposition 98 & K-12 Education Budget
Lisa Mierczynski, Department of Finance
 - Proposition 98 and K-12 Education Funding Overview
Kenneth Kappahn, Legislative Analyst's Office
 - Perspective on Governor's K-12 Education Budget
Monique Ramos, California Department of Education

- II. Public Comment

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling 916-324-9335. Requests should be made one week in advance whenever possible.

Overview of Proposition 98 and Governor's 2015-16 Budget Proposals

BACKGROUND

California provides academic instruction and support services to over six million public school students in kindergarten through twelfth grade (K-12) and 2.3 million students in community colleges. There are 58 county offices of education, approximately 1,000 local K-12 school districts, more than 10,000 K-12 schools, and roughly 1,100 charter schools throughout the state, as well as 72 community college districts, 112 community college campuses, and 70 educational centers. Proposition 98, which was passed by voters as an amendment to the state Constitution in 1988, and revised in 1990 by Proposition 111, was designed to guarantee a minimum level of funding for public schools and community colleges.

The Governor's proposed 2015-16 budget includes funding at the Proposition 98 minimum guarantee level of \$65.7 billion. The budget proposal also revises the 2014-15 Proposition 98 minimum guarantee to \$63.2 billion, an increase of \$2.3 billion from the 2014 Budget Act, and revises the 2013-14 Proposition 98 minimum guarantee to \$58.7 billion, an increase of \$371 million from the 2014 budget act. The Governor also proposes to pay \$256 million in Proposition 98 settle-up towards meeting the 2006-07 and 2009-10 Proposition 98 minimum guarantees. Together, the increased guarantee levels and settle-up payments reflect a total of \$7.8 billion in increased funding for education over the three years, as compared to the 2014 Budget Act.

The Governor proposes to use one-time Proposition 98 funds to pay off the remaining K-14 education deferrals and reduce the mandate backlog. Most of the ongoing Proposition 98 increase is proposed to be used towards implementing the Local Control Funding Formula (LCFF). The Governor's proposal also includes several other initiatives in the areas of adult education, career technical education, and facilities, among others. These proposals are more fully described below.

Proposition 98 Funding. State funding for K-14 education—primarily K-12 local educational agencies and community colleges—is governed largely by Proposition 98. The measure, as modified by Proposition 111, establishes minimum funding requirements (referred to as the “minimum guarantee”) for K-14 education. General Fund resources, consisting largely of personal income taxes, sales and use taxes, and corporation taxes, are combined with the schools' share of local property tax revenues to fund the Proposition 98 minimum guarantee. These funds typically represent about 80 percent of statewide funds that K-12 schools receive. The largest contributors to non-Proposition 98 education funds consist of federal funds, proceeds from the state lottery, revenues from local parcel taxes, and other local taxes and fees.

The table below summarizes overall Proposition 98 funding for K-12 schools and community colleges since 2007-08, or just prior to the beginning of the steep recent recession. 2012-13 marked a turning point for education funding, and resources have grown each year since then. The economic recession impacted both General Fund resources and property taxes. The amount of property taxes has been impacted by a large policy change in the past few years—the elimination of redevelopment agencies (RDAs) and the shift of property taxes formerly captured by the RDAs back to school districts. The

guarantee was adjusted to account for these additional property taxes, so although LEAs received significantly increased property taxes starting in 2012-13, they received a roughly corresponding reduction General Fund.

**Proposition 98 Funding
Sources and Distributions
(Dollars in Millions)**

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Sources									
General Fund	42,015	34,212	37,044	35,508	33,136	41,682	42,824	46,648	47,019
Property Taxes	14,563	15,001	14,624	14,139	14,132	16,224	15,849	16,505	18,697
Total	56,577	49,213	51,667	49,647	47,268	57,907	58,673	63,153	65,716
Distribution									
K-12	50,344	43,162	45,695	43,710	41,901	51,719	52,182	56,171	58,005
CCC	6,112	5,947	5,879	5,850	5,285	6,110	6,413	6,902	7,630
Other	121	105	93	87	83	78	78	80	80

Source: Legislative Analysts' Office

Calculating the Minimum Guarantee. The Proposition 98 minimum guarantee is determined by comparing the results of three “tests”, or formulas, that are based on specific economic and fiscal data. The factors considered in these tests include growth in personal income of state residents, growth in General Fund revenues, changes in student average daily attendance, and a calculated share of the General Fund. When Proposition 98 was first enacted by the voters in 1988, there were two “tests”, or formulas, to determine the required funding level. Test 1 guaranteed a percentage of General Fund revenues based on the pre-Proposition 98 level of General Fund that was provided to education, plus local property taxes. Test 2 guaranteed the prior year funding level adjusted for growth in student average daily attendance and per capita personal income. K-14 education was guaranteed funding at the higher of these two tests. In 1990, Proposition 111 added a third test, Test 3 which takes the prior year funding level and adjusts it for growth in student average daily attendance and per capita General Fund revenues. The Proposition 98 formula was adjusted to compare Test 2 and Test 3, the lower of which is applicable. This applicable test is then compared to Test 1 and the higher of the tests determines the Proposition 98 guarantee level.

Proposition 98 Tests
Calculating the Level of Education Funding

Test	Calculated Level	Operative Year	Times Used
Test 1	Based on a calculated percent of General Fund revenues (currently around 38.4%).	If it would provide more funding than Test 2 or 3 (whichever is applicable).	4
Test 2	Based on prior year funding, adjusted for changes in per capita personal income and attendance.	If growth in personal income is \leq growth in General Fund revenues plus 0.5%.	14
Test 3	Based on prior year funding, adjusted for changes in General Fund revenues plus 0.5% and attendance.	If statewide personal income growth $>$ growth in General Fund revenues plus 0.5%.	8

Generally, Test 2 is operative during years when the General Fund is growing quickly and Test 3 is operative when General Fund revenues fall or grow slowly. The Test 1 percentage is historically based, but is adjusted, or “rebenched”, to account for large policy changes that impact local property taxes for education or changes to the mix of programs funded within Proposition 98. In the past few years, rebenching was done to account for property tax changes, such as the dissolution of the RDAs, and program changes, such as removing childcare from the Proposition 98 minimum guarantee and adding mental health services. In the budget year, the Test 1 calculation is adjusted to reflect the end of the “triple flip” and the retirement of the Economic Recovery Bonds and for certain RDA changes. Proposition 98 tests are based on estimated factors during budget planning, however the factors are updated over time and can change past guarantee amounts and even which test is applicable in a previous year.

The Governor’s proposal assumes that in 2015-16, the Proposition 98 guarantee is calculated under Test 2, the current year is a Test 1 year, and prior year is a Test 3. Test 2 is reflective of the increased General Fund revenues the state is receiving during this economic recovery period. Generally, the Proposition 98 minimum guarantee calculation was designed in order to provide growth in education funding equivalent to growth in the overall economy, as reflected by changes in personal income (incorporated in Test 2). As noted in the table above, in most years the Proposition 98 minimum guarantee has been determined by the application of Test 2.

Suspension of Minimum Guarantee. Proposition 98 includes a provision that allows the Legislature and Governor to suspend the minimum funding requirements and instead provide an alternative level of funding. Such a suspension requires a two-thirds vote of the Legislature and the concurrence of the Governor. To date, the Legislature and Governor have suspended the Proposition 98 minimum guarantee twice—in 2004-05 and 2010-11. While the suspension of Proposition 98 can create General Fund savings during the year in which it is invoked, it also creates obligations in the out-years, as explained below.

Maintenance Factor. In years following suspension of the Proposition 98 minimum guarantee or the operation of Test 3 (that is, when the Proposition 98 guarantee grows more slowly due to declining or low General Fund growth), the state creates an out-year obligation referred to as the “maintenance factor.” When growth in per capita General Fund revenues is higher than growth in per capita personal

income (as determined by a specific formula also set forth in the Constitution), the state is required to make maintenance factor payments, which accelerate growth in K-14 funding, until the determined maintenance factor obligation is fully restored. Outstanding maintenance factor balances are adjusted each year by growth in student average daily attendance and per capita personal income.

The maintenance factor payment is added on to the minimum guarantee calculation using either Test 1 or Test 2.

- In a Test 2 year, the rule of thumb is that roughly 55 percent of additional revenues would be devoted to Proposition 98 to pay off the maintenance factor.
- In a Test 1 year, the amount of additional revenues going to Proposition 98 could approach 100 percent or more. This can occur because the required payment would be a combination of the 55 percent (or more) of new revenues plus the established percentage of the General fund—roughly 38.4 percent—that is used to determine the minimum guarantee.

Prior to 2012-13, the payment of maintenance factor was made on top of Test 2, even if Test 1 was greater than Test 2. In 2012-13, however, the Proposition 98 guarantee was in a Test 1 year and per capita General Fund revenues were growing significantly faster than per capita personal income. Based on a strict reading of the constitution, the payment of maintenance factor was made on top of Test 1. As a result, the state was required to provide roughly 55 percent of new revenue to make the required maintenance factor payment on top of the roughly 40 percent of new revenue already provided under Test 1. This interpretation continues today and results in the potential for up to 100 percent or more of new revenues going to Proposition 98 in a Test 1 year with high per capita General Fund growth, as is the case in 2014-15.

The Governor's proposal includes maintenance factor payments of \$3.8 billion in the 2014-15 year and \$725 million in the 2015-16 year, leaving a balance of approximately \$1.9 billion going into the 2016-17 year.

Settle-Up. Every year, the Legislature and Governor estimate the Proposition 98 minimum guarantee before the final economic, fiscal, and attendance factors for the budget year are known. If the estimate included in the budget for a given year is ultimately lower than the final calculation of the minimum guarantee once those factors are known, Proposition 98 requires the state to make a "settle-up" payment, or series of payments, in order to meet the final guarantee for that year. The Governor's budget assumes General Fund settle-up payments of \$371 million in 2013-14 and \$2.3 billion in 2014-15 (due to increases in the guarantees for those years.) The Governor's budget proposal also includes a settle-up payment of \$256 million, with \$212 million going toward the 2006-07 minimum guarantee and the remaining \$44 million counting towards the 2009-10 minimum guarantee.

Spike Protection. Proposition 98 also has a built-in formula to prevent large increases in the guarantee, referred to as "spike protection". This constitutional formula specifies that in years when a Test 1 is operative and is greater than the Test 2 amount by 1.5 percent of General Fund Revenues, then when calculating the guarantee level in the subsequent year, the excess amount over the 1.5 percent of General Fund revenues is not included in the calculation. This part of the formula has only been in play in 2012-13, impacting the 2013-14 minimum guarantee.

Outstanding Obligations. The state currently has outstanding obligations to school districts and community colleges. As of the 2014-15 budget act, outstanding obligations included close to \$6 billion in mandate payments, \$992 million in deferrals, and \$273 million in Emergency Repair Program payments. (The estimate of the mandate backlog does not yet reflect a \$450 million payment provided in the 2014-15 budget act or state actions to offset mandate claims with other funds.) The Governor's proposal for 2015-16 would retire the remaining deferrals, the remaining Emergency Repair Program payments, and approximately \$1.5 billion in mandate obligations. The state also has a \$1.3 billion outstanding Proposition 98 settle-up obligation, which can be used to pay off these aforementioned obligations.

GOVERNOR'S PROPOSAL

K-14 Proposition 98 Education Overall. The Governor's budget estimates that the total Proposition 98 guarantee (K-14) for 2013-14 increased by \$371 million, compared to the level estimated in the 2014 Budget Act. Similarly, for 2014-15, the Governor estimates an increase in the total guarantee of \$2.3 billion. Both of these adjustments lead to Proposition 98 "settle-up" obligations, which result in additional one-time resources. The Governor proposes to use these additional one-time resources primarily to pay off deferrals and reduce the backlog of mandate payments. The Governor's budget estimates a total Proposition 98 funding level of \$65.7 billion (K-14). This is a \$4.9 billion increase over the 2014-15 Proposition 98 level provided in the 2014 Budget Act.

K-12 Education Proposition 98 Major Spending Proposals. The Governor's budget includes a proposed Proposition 98 funding level of \$57.3 billion for K-12 programs. This includes a year-to-year increase of more than \$1.8 billion in Proposition 98 funding for K-12 education, as compared to the revised Proposition 98 K-12 funding level for 2014-15. Under the Governor's proposal, ongoing K-12 Proposition 98 per pupil expenditures increase from \$9,361 provided in 2014-15 to \$9,667 in 2015-16. This 2015-16 proposed funding level in Proposition 98 funds for K-12 reflects a per-pupil increase of three percent, as compared to the revised per-pupil funding level provided for 2014-15. The Governor's major K-12 spending proposals are identified below.

- **Local Control Funding Formula.** The 2013 Budget Act adopted the LCFF, a new way for the state to provide funding to school districts and county offices of education. The Governor's budget proposes an increase of approximately \$4 billion to implement the LCFF. This investment would eliminate about 32 percent of the remaining funding gap between the formula's current year funding level and full implementation for school districts and charter schools. County offices of education reached full implementation with the LCFF allocation in the 2014 Budget Act. Accountability for LCFF is also not yet fully implemented.
- **Paying off Deferrals.** The Governor's budget proposes to pay off outstanding payment deferrals – a practice used in previous budgets whereby the state would delay the issuance of money to school districts for months after school districts had planned to spend it. The Governor's budget proposes to end this practice by paying off all payment deferrals, estimated at a cost of \$992 million for K-12 programs and community colleges. For K-12 programs, the Legislative Analyst's Office (LAO) estimates the total amount of payment deferrals at \$897 million, all of which would be paid off in the Governor's proposed budget.

- **Adult Education.** The Governor’s budget proposes to provide \$500 million in Proposition 98 funding for a new adult education block grant. In 2013-14 and 2014-15, K-12 districts had a maintenance-of-effort (MOE) requirement to continue to spend the same amount of funding on adult education as in 2012-13. In addition the 2013 Budget Act provided \$25 million in two-year planning grants to community college and K-12 consortia for adult education. This Governor’s budget proposal is intended to build off of the last two years and fund adult education programs through regional consortia. The Chancellor of the Community Colleges and the Superintendent of Public Instruction would jointly approve the allocation of funds. In 2015-16, the funds would first be allocated to K-12 school districts in the amount of their MOE requirements in previous years and remaining funds would be allocated to regional consortia. In future years, all block grant funding would be allocated to regional consortia. Adult education consortia plans resulting from the 2-year planning grants included in the 2013 Budget Act will be provided by March 1, 2015. This proposal is part of the Administration’s overall workforce development plan and regional adult education efforts are intended to support occupations with high employment potential.
- **Enrollment and Cost-of-Living Adjustments.** The Governor’s proposed budget reflects changes in K-12 enrollment and associated LCFF costs. Specifically, it reflects an increase of \$197.6 million in 2014-15, as a result of an increase in the projected average daily attendance (ADA), as compared to the 2014 Budget Act. For 2015-16, the Governor’s proposed budget reflects a decrease of \$6.9 million to reflect a projected decline in ADA for the budget year. (For charter schools, the Governor’s proposed budget funds an estimated increase in charter school ADA—see “Other adjustments” below.) The proposed budget also provides \$71.1 million to support a 1.58 percent cost-of-living adjustment for categorical programs that are not included in the new LCFF. These programs include special education and child nutrition, among others. The proposed funding level for the LCFF includes cost-of-living adjustments for school districts and county offices of education.
- **K-12 School Facilities.** The Governor’s budget proposes several changes to increase local and state capacity to fund facilities projects in the neediest schools and districts, without providing additional funding resources.
 - Increase school districts’ ability to fund projects locally by raising the caps on assessed valuation and local bonded indebtedness, establishing consistency in developer fee levels, and expanding the use of restricted routine maintenance funds to include modernization and new construction.
 - Target state funding to the neediest school districts by limiting eligibility to schools districts that are unable to issue local bonds in amounts that meet student needs, providing priority for health, safety, and severe overcrowding projects, and establishing a sliding scale for determining the state share of funding based on local funding capacity.
 - Increase charter school access to the Charter School Facility Grant Program by reducing the eligibility threshold from 70 to 55 percent of enrollment of students eligible for free or reduced-price meals.

In addition, the Administration proposes to continue the dialogue with the Legislature and stakeholders that began in the current year about the best way to fund school facilities going

forward, specifically focused on funding for the highest need schools and districts and increased local flexibility. Finally, the Governor's budget proposes \$273 million in one-time Proposition 98 funds for the Emergency Repair Program.

- **Proposition 98 Rainy Day Fund.** The Governor's budget notes that with the passage of Proposition 2 in the November 4, 2014 general election, a deposit in a Proposition 98 Rainy Day Fund is required under certain circumstances. Related statute requires that in the year following a deposit into this fund, a cap on local school district reserves would be implemented. Although the Administration notes that it is unlikely that fiscal conditions triggering these actions would occur in the near future, they also note a willingness to engage with stakeholder groups who are concerned about the potential caps on school district reserves over the next few months.

Other K-12 Education Budget Proposals

Additional proposals contained within the Governor's budget related to K-12 education include the following:

- **Career Technical Education.** The Governor's budget proposes to provide \$250 million in one-time Proposition 98 funding for each of the next three years for a Career Technical Education Incentive Grant Program. This program would provide funding for school districts, charter schools, and county offices of education to develop and expand career technical education programs. Grantees would be required to provide matching funds and demonstrate positive results on career technical education-related outcomes over time. Priority for funding would be given to regional partnerships. This marks a change from efforts to fund career technical education programs in prior years. Specifically, in 2013-14 and 2014-15, K-12 districts had a maintenance-of-effort (MOE) requirement to continue to spend the same amount of funding on career technical education as in 2012-13. The 2013 and 2014 budget acts also provided \$250 million each year in one-time Proposition 98 funding for the Career Pathways Trust Program to provide one-time competitive grants for career technical education programs.
- **Mandate Backlog Reduction.** The Governor's budget proposes \$1.5 billion in discretionary one-time Proposition 98 funding be provided to school districts, charter schools, and county offices of education to offset outstanding mandate debt. The Administration indicates that this investment is intended to allow school districts, charter schools, and county offices of education to continue to invest in implementing state-adopted academic standards—Common Core state standards, English Language Development standards and the Next Generation Science standards, upgrade technology, and support new responsibilities under the LCFF.
- **Technology Infrastructure.** The Governor's budget proposes \$100 million in one-time Proposition 98 funding to support increase broadband infrastructure for schools that have limited internet capacity or are unable to administer the new state assessments online.
- **Proposition 39 Energy Efficiency Investments.** The Governor's budget proposes to allocate \$368 million in Proposition 39 energy funds available in 2015-16, as follows:
 - \$320.1 million to K-12 school districts, for energy efficiency project grants.
 - \$39.6 million to community college districts, for energy efficiency project grants.

- \$5.3 million to the California Conservation Corps, to provide technical assistance to school districts.
- \$3 million to the Workforce Investment Board, for continued implementation of job-training programs.
- **Charter Schools.** The Governor's budget proposes an increase of \$59.5 million in Proposition 98 funds to reflect an increase in charter school ADA.
- **Child Care and Development.** The Governor's budget provides \$2.5 billion total funds (\$899 million federal funds; \$657 million Proposition 98 GF; and \$941 million non-Proposition 98 GF) for child care and early education programs. Within the \$657 million allocation of Proposition 98 General Fund, the Governor includes \$15 million to cover the full annual cost of 4,000 new preschool slots approved by the Legislature last June.

California Community Colleges Education Proposition 98 Major Spending Proposals. The Governor's budget includes a proposed Proposition 98 funding level of \$7.6 billion for California Community College (CCC) programs. This includes a year-to-year increase of approximately \$728 million in Proposition 98 funding for CCC education, as compared to the revised Proposition 98 CCC funding level for 2014-15. This 2015-16 proposed funding level in Proposition 98 funds for CCC reflects a year-over-year increase of eleven percent, as compared to the revised CCC funding level provided for 2014-15. The Governor's major CCC spending proposals are identified below.

- **Student Success Programs.** The Governor's budget increases support for student success programs by \$200 million Proposition 98 General Fund, including \$100 million to increase orientation, assessment, placement, counseling and other planning services, and \$100 million to close achievement gaps and access between underrepresented groups and their peers as identified in local student equity plans.
- **Workload Adjustments.** The Governor's budget provides \$125 million Proposition 98 General Fund to increase base allocation funding in recognition of increased operating expenses, retirement benefit costs, professional development costs, efforts to convert part time to full-time faculty, and other general expenses.
- **Enrollment Growth.** The Governor's budget calls for two percent enrollment growth and provides \$106.9 million Proposition 98 General Fund to support growth, and notes that this growth funding shall be distributed based on a new growth formula described in 2014 budget legislation.
- **Cost of Living Adjustment.** The Governor's budget provides \$92.4 million Proposition 98 General fund to support a 1.58 percent Cost of Living Adjustment for CCC.
- **Apprenticeship Programs.** The Governor's budget expands apprenticeship programs and provides \$29.1 million in Proposition 98 funding for the programs, including \$15 million to create new apprenticeship projects that address emerging industries and unmet labor market demand.

- **Career Technical Education Pathways Program.** The Governor’s budget supports the Career Technical Education Pathways Program by providing \$48 million in one-time Proposition 98 General Fund.
- **Non-Credit Course Rates.** The Governor’s budget provides \$49 million Proposition 98 General fund to reflect increased rates for enhanced non-credit courses, as outlined in 2014 budget legislation.
- **Mandate Backlog Reduction.** The Governor’s budget provides \$353.3 million Proposition 98 General Fund to continue paying down outstanding mandate claims. The funding is intended to help colleges reduce debt, address deferred maintenance and other instructional equipment needs, and other one-time costs.

Suggested Questions

1. What factors/indicators did the LAO use to inform their prediction that at the May Revision revenue estimates could be higher?
2. Does the Administration agree with the LAO’s assessment of potential new revenues?
3. What does the Administration, LAO, or CDE think spending priorities for any new one-time or ongoing Proposition 98 funds should be?
4. Does LAO agree with the Administration’s calculation of the Proposition 98 Guarantee, in particular the rebenching for the dissolution of RDAs and inclusion of the end of the “Triple Flip”?
5. Based on multi-year projections, how will changes in revenues impact 2016-17 and future years? What choices made today for expenditure of Proposition 98 funds are important to ensure stability in funding for the education community and services provided to students?
6. The facilities proposals from the Administration and the LAO are silent on whether Proposition 98 funds should be used to cover some, or all, of the state’s share of local school facility needs. What should the Legislature consider when evaluating funding for these proposals?

Staff Recommendations

Staff recommends holding all major Proposition 98 items open pending May revision.

SUBCOMMITTEE NO. 1

Agenda

Senator Marty Block, Chair
Senator Benjamin Allen
Senator Mike Morrell



Thursday, March 12, 2015
9:30 a.m. or upon adjournment of session
State Capitol – Room 3191

Consultant: Anita Lee

Proposed Discussion

6440 University of California
6610 California State University

Item 1 Multi-Year Funding Plans
Item 2 Enrollment Oversight
Item 3 Capital Outlay Process Oversight
Item 4 Deferred Maintenance
Item 5 California Health Benefits Review Program Oversight
Item 6 Innovation Award
Item 7 Center for California Studies

Public Comment

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BACKGROUND

University of California (UC). The 1960 Master Plan for Higher Education designates the UC as the primary state-supported academic agency for research. In addition, the UC serves students at all levels of higher education and is the public segment primarily responsible for awarding the doctorate and several professional degrees, including in medicine and law. Joint doctoral degrees may also be awarded with the CSU.

There are ten campuses: Berkeley, Davis, Irvine, Los Angeles, Merced, Riverside, San Diego, San Francisco, Santa Barbara, and Santa Cruz. Nine of these are general campuses and offer undergraduate, graduate, and professional education. The San Francisco campus is devoted exclusively to the health sciences. The UC operates five teaching hospitals in Los Angeles, San Francisco, Sacramento, San Diego, and Orange counties. The UC has more than 800 research centers, institutes, laboratories, and programs in all parts of the state. The UC also provides oversight of one United States Department of Energy laboratory and is in partnerships with private industry to manage two additional Department of Energy laboratories.

The UC is governed by the Regents, which under Article IX, Section 9 of the California Constitution has "full powers of organization and governance," subject only to very specific areas of legislative control. The article states that "the university shall be entirely independent of all political and sectarian influence and kept free therefrom in the appointment of its Regents and in the administration of its affairs." The board consists of 26 members, as defined in Article IX, Section 9, all of whom have a vote (in addition, two faculty members — the chair and vice chair of the Academic Council — sit on the board as non-voting members):

- 18 regents are appointed by the governor for 12-year terms.
- One is a student appointed by the Regents to a one-year term.
- Seven are ex officio members — the Governor, Lieutenant Governor, Speaker of the Assembly, Superintendent of Public Instruction, president and vice president of the Alumni Associations of UC and the UC president.

The Governor is officially the president of the Board of Regents; however, in practice the presiding officer of the Regents is the Chairman of the Board, elected from among its body for a one-year term, beginning July 1. The Regents also appoint Officers of The Regents: the General Counsel; the Chief Investment Officer; the Secretary and Chief of Staff; and the Chief Compliance and Audit Officer.

The following table displays the budgeted expenditures and positions for the UC, as proposed in the Governor's budget. Of the amounts displayed in the table, \$2.8 billion in 2013-14, \$3.0 billion in 2014-15, and \$3.1 billion in 2015-16 are supported by the General Fund. An additional \$766 million in 2013-14, \$853 million in 2014-15, and \$884 million in 2015-16 comes from the General Fund in the form of Cal Grant tuition payments. The remainder of funding comes from tuition and fee revenue and various special and federal fund sources.

**University of California
Budgeted Expenditures and Positions
(Dollars in Millions)**

	2013-14	2014-15	2015-16
Personal Services	\$10,384	\$10,870	\$11,348
Operating Expenses and Equipment	\$15,817	\$16,041	\$16,223
Total Expenditures	\$26,201	\$26,911	\$27,571
Positions	91,183	92,034	92,034

Chart includes all sources of funds.

California State University (CSU). The CSU system is comprised of 23 campuses, including 22 university campuses and the California Maritime Academy. The California State Colleges were brought together as a system by the Donahoe Higher Education Act of 1960. In 1972, the system became the California State University and Colleges; the name of the system was changed to the California State University in January 1982. The oldest campus, San Jose State University, was founded in 1857 and became the first institution of public higher education in California. The program goals of the CSU are:

- To provide instruction in the liberal arts and sciences, the professions, applied fields that require more than two years of college education, and teacher education to undergraduate students and graduate students through the master's degree.
- To provide public services to the people of the state of California.
- To provide services to students enrolled in the University.
- To support the primary functions of instruction, research, public services, and student services in the University and to ensure legal obligations related to executive and business affairs are met.
- To prepare administrative leaders for California public elementary and secondary schools and community colleges with the knowledge and skills needed to be effective leaders by awarding the doctorate degree in education.
- To prepare physical therapists to provide health care services by awarding the doctorate degree in physical therapy.
- To prepare faculty to teach in postsecondary nursing programs and, in so doing, help address California's nursing shortage by awarding the doctorate degree in nursing practice.

The Board of Trustees is responsible for the oversight of the CSU. The board adopts rules, regulations, and policies governing the CSU. The Board has authority over curricular development, use of property, development of facilities, and fiscal and human resources management. The 25-member Board of Trustees meets six times per year. Board meetings allow for communication among the trustees, chancellor, campus presidents, executive committee members of the statewide Academic Senate, representatives of the California State Student Association, and officers of the statewide Alumni Council. The Trustees appoint the chancellor, who is the chief executive officer of the system, and the presidents, who are the chief executive officers of the respective campuses.

The following table displays the budgeted expenditures and positions for the CSU, as proposed in the Governor’s budget. Of the amounts displayed in the table, \$2.4 billion in 2013-14, \$2.8 billion in 2014-15, and \$2.9 billion in 2015-16 are supported by the General Fund. An additional \$2.9 billion in 2013-14, \$3.4 billion 2014-15, and \$3.6 billion 2015-16 in the form of Cal Grant tuition payments. The remainder of funding comes from tuition and fee revenue and various special and federal fund sources.

**California State University
Budgeted Expenditures and Positions
(Dollars in Millions)**

	2013-14	2014-15	2015-16
Personal Services	\$3,731	\$4,019	\$4,019
Operating Expenses and Equipment	\$4,616	\$4,469	\$4,703
Total Expenditures	\$8,347	\$8,489	\$8,723
Positions	42,444	44,483	44,483

Chart includes all sources of funds.

Issue 1 – Multi-Year Funding Plan

Panel

- Jillian Kisse, Department of Finance
- Paul Golaszeski, Legislative Analyst's Office
- Kieran Flaherty, University of California
- Ryan Storm, California State University

Governor's Proposal

The Governor's proposed budget includes unallocated base increases in General Fund—\$119 million for the UC and \$119 million for CSU—to support the Administration's third installment of its four-year investment plan in higher education. This plan, initiated in 2013-14, assumes additional General Fund support for the UC, the CSU, and Hastings College of the Law over a four year period.

Under the plan, the UC and CSU received five percent annual base funding increases in 2013-14 and 2014-15 and would receive a four percent increase in the subsequent two years. The continuation of the multi-year plan is contingent upon the UC not increasing current tuition and fee levels in 2015-16, not increasing nonresident enrollment in 2015-16 and taking action to constrain costs. The proposed budget language requires UC to submit a report to the Governor and Legislature verifying the university has met these conditions prior to the release of state funds. Though not specified in budget language, the Governor has indicated he expects CSU to maintain current tuition levels. The Governor also stated his expectation that the UC Regents form a committee, supported by staff of the UC Office of the President and the Administration, to develop proposals to reduce costs, enhance undergraduate access, and improve time-to-degree and degree completion. Subsequent to the release of the budget, this committee was formed, with membership consisting of the Governor and the UC President.

Sustainability Plan

Consistent with last year's budget, the Governor's proposed budget requires the UC Regents and the CSU Board of Trustees to adopt three-year sustainability plans, by November 30, 2015, for fiscal years 2016-17, 2017-18, and 2018-19. Specifically, the Governor proposes that the sustainability plans include:

- Projections of available resources (General Fund and tuition and fees) in each fiscal year, using assumptions for General Fund and tuition and fee revenue provided by the Department of Finance (DOF).
- Projections of expenditures in each fiscal year and descriptions of any changes necessary to ensure that expenditures in each of the fiscal years are not greater than the available resources.
- Projections of enrollment (resident and non-resident) for each academic year within the three-year period.

- The University’s goals for each of the performance measures, as specified in Education Code (detailed below), for each academic year within the three-year period.

Background

The Legislature has limited control in regards to the operations and governance of UC due to its constitutional autonomy. The state also has delegated significant autonomy to CSU. Both universities are governed by independent boards that manage university affairs.

Given that significant budget authority has been delegated to UC and CSU, the budget is a critical legislative tool for ensuring that statewide goals and outcomes are being appropriately addressed by the state’s universities. The Legislature has historically relied on two primary budgetary control levers or “tools”— earmarks and enrollment targets — to ensure that state funds are spent in a manner consistent with the Legislature’s intent and that access is maintained. The use of these tools has also ensured a clear public record and transparency of key budget priorities.

Consistent with the last two budgets, the Governor’s 2015-16 budget proposal continues to express major concerns with enrollment-based budgeting and asserts that funding enrollment growth does not encourage postsecondary institutions to focus on affordability, student completion, and education quality.

As mentioned above, the Budget Act of 2014 required UC and CSU to adopt three-year sustainability plans that were based on the General Fund and tuitions assumptions provided by DOF. The DOF’s revenue assumptions included \$119 million in state support and no additional tuition revenue. In November 2014, UC and CSU adopted three-year sustainability plans that are described below.

Additionally, the 2013–14 budget package required UC and CSU to report annually, by March 15, on a number of performance outcomes such as graduation rates, spending per degree, and the number of transfer and low–income students they enroll, among other measures. As of the drafting of this agenda, the most recent performance outcomes have not been released, and are scheduled to be reported by March 15, 2015.

AB 94 (Committee on Budget), Chapter 50, Statutes of 2013, also requires the UC and CSU to report biennially to the Legislature and DOF, beginning October 1, 2014, on the total costs of education, on both a system-wide and a campus-by-campus basis, segregated by undergraduate instruction, graduate instruction, and research activities. Further, the costs must be reported by fund source, including: 1) state General Fund; 2) systemwide tuition and fees; 3) nonresident tuition and fees and other student fees; and 4) all other sources of income. Whereas CSU submitted its report by the statutory deadline, UC did not submit their report until February 17th. The UC explains the delay on difficulties in developing a methodology to break-out costs, as required in statute.

In addition to various reporting requirements, SB 195 (Liu), Chapter 367, Statutes of 2013, set three broad state goals for higher education: 1) improving student access and success; 2) better aligning degrees and credentials with the state’s economic, workforce, and civic needs; and, 3) ensuring the effective and efficient use of resources to improve outcomes and maintain affordability. It is intended that these goals guide state budget and policy decisions for higher education. In 2012 and 2013, the Governor proposed a formula to tie future funding increases for the universities to their success in meeting specific performance targets. However, the Legislature did not adopt the

proposed performance funding formula, instead opting to establish performance measures and reporting requirements (mentioned above) without linking them directly to funding.

Legislative Analyst’s Office Comments

Similar to last year, the LAO has raised serious concerns about the Governor’s overall budgetary approach for the universities and recommends the Legislature reject it. The LAO finds most troubling that the Governor provides each segment with an unallocated base augmentation not linked to a specific purpose. This makes it difficult to assess whether the augmentations are needed and whether any monies provided would be spent on the highest state priorities. Moreover, LAO states that the base increases provided by the Governor are in the ballpark of the cost-of-living adjustment (COLA) he provides to the community colleges. LAO recommends the Legislature reject the unallocated base increases and instead provide a COLA to the UC and CSU. LAO estimates applying a 2.2 percent COLA to the base state appropriations and tuition revenue for UC and CSU would cost \$127 million and \$94 million, respectively. The LAO also recommends the state adopt a share-of-cost policy between General Fund and tuition revenue. If the state were to continue last year’s share-of-cost, the state instead would allocate \$66 million to UC and \$47 million to CSU from the General Fund and allow the universities to cover the remainder of the COLA through a 2.2 percent tuition increase.

In reviewing the segments performance targets set in the sustainability plans, LAO stated that overall, the segments targets were somewhat lackluster. For example, CSU set a goal of raising its current six-year graduation rate for low-income students from 46 percent to 48 percent by 2017-18. Additionally, for funding per degree (an efficiency measure) CSU projected becoming less efficient between 2013-14 and 2017-18, with funding per degree set to increase from \$36,300 to \$41,100. UC’s goals were similar, with modest projected improvement in 4-year graduation rates from 56 percent to 60 percent for low-income freshman entrants, no improvements in units per degree, and a notable increase in funding per degree from \$98,300 to \$112,900.

Segments’ Budgets

UC’s Budget Plan

The UC Board of Regents adopted a budget in November 2014 that includes total spending of \$459 million—\$340 million more than the Governor’s proposed base augmentation. Of the \$459 million, UC identifies the following expenditures:

- **Mandatory Costs:** \$125 million including retirement contributions, health benefit increases, and its faculty merit program;
- **High–Priority Costs:** \$179 million consisting of compensation increases (\$109 million), deferred maintenance (\$55 million), and other high–priority capital needs (\$14 million);
- **Institutional Financial Aid:** \$73 million;
- **Investment in Academic Quality:** \$60 million; and,
- **Enrollment Growth:** \$22 million (includes 1,025 new resident undergraduates, 750 graduate students, and funding for 425 existing students the university believes to be “unfunded”).

To pay for the increased expenditures above the Governor's level, the UC Board of Regents voted to increase resident student tuition and fees by five percent per year for a five-year period beginning with the 2015-16 school year. The tuition hike will raise tuition and fees from the current \$12,192 annually to \$15,564 annually by 2019-20. The university estimates the systemwide tuition increase would result in \$98 million in additional revenue in 2015-16 (after accounting for additional revenue set aside for financial aid).

As mentioned above, UC was required to submit a sustainability plan which had to include UC's plan for expenditures and enrollment using revenue assumptions provided by DOF. Based on these revenue assumptions and higher spending in the UC Regents adopted budget, UC reported that in 2015-16 it would increase nonresident enrollment by about 3,000 students (eight percent) and decrease resident enrollment by about 4,000 students (two percent). This would allow the university to fund the expenditure increases because nonresidents pay significant supplemental tuition beyond the system-wide charge that applies to both residents and nonresidents.

UC President Janet Napolitano has the authority to freeze or lower the tuition hike if the state provides funding to offset the proposed revenue increase. Most recently, on March 3, 2015, UC President Napolitano announced that unless UC receives additional state funding, it will not increase resident enrollment for 2015-16. UC will also cap out-of-state enrollment at current levels next year for UC Berkeley and UCLA, however other UC campuses will be able to move forward with non-resident enrollment increases.

CSU Budget Plan

The CSU's budget plan proposes \$97 million in additional state funding, above the Governor's four percent base budget adjustment. Specifically, the CSU's adopted budget includes:

- **Mandatory Cost Increases:** \$ 23.1 million for (e.g. health benefits, retirement and new space)
- **Compensation Pool Increase:** \$ 65.5 million for a two percent increase, subject to collective bargaining, for all employee groups effective July 1, 2015.
- **Student Success and Completion Initiatives:** \$ 38.0 million for a variety of strategies to close achievement gaps and degree completion. This would fund tenure-track faculty hiring, enhanced advising, augment bottlenecks solution initiatives, student preparation, data, and other student retention practices such as service learning projects, and peer mentoring.
- **Enrollment Growth:** \$103.2 million for three percent increase in enrollment or approximately 10,400 FTES. This would accommodate for growth in number of students serviced, and could also accommodate existing demand by current students for additional courses.
- **Information Technology Infrastructure:** \$14.0 million to replace the remaining obsolete switching and routing hardware, obsolete wireless access points and controllers, and obsolete network security devices at all campuses.

- **Center for California Studies:** \$0.2 million for anticipated increases in personnel costs due, maintain financial access to the Fellows and other programs by modestly increasing stipends, and fund other inflationary increases.
- **Maintenance and Infrastructure:** \$25.0 million to address backlog of facility maintenance and infrastructure needs. CSU argues that even with the state statutorily changing the way it handles CSU academic-related infrastructure needs by providing the CSU with the autonomy to self-determine CSU's capital program (discussed below), the state did not provide sufficient funds in 2014-2015 for the CSU to capitalize on the new program.

These recommended items would require new ongoing revenues from the state of \$216.6 million (\$269 million anticipated expenditures, less \$52 million from additional tuition revenue.) In its sustainability plan, CSU reports that it will fund mandatory cost increases, compensation pool increases, and one percent enrollment growth, with the remaining \$14 million to be allocated toward the other specified priorities.

Alternative Funding Plan

In response to concerns about the affordability and accessibility of higher education, several legislative proposals and plans have developed. Specifically, SB 15 (Block/ de León) would establish polices that promote access, affordability and completion for UC and CSU students. The bill would eliminate the UC's five percent tuition increase for students; ensure 5,000 more California students are able to attend the UC in 2015-16; establish a Completion Incentive Grant (CIG) provided to CSU students to encourage more timely degree completion; create 10,500 more student slots at the CSU in 2015-16; repeal this year's scheduled 11 percent cut to Cal Grants; and provide 7,500 additional Cal Grant Competitive Awards for students who are not graduating high school seniors or recent graduates. The proposal pays for this plan through three sources: (a) increasing non-resident tuition at UC by 17.5 percent (about \$4,000); (b) repurposing the Middle Class Scholarship program; and (c) increasing General Fund investment.

Staff Comments

Coming out of the recession, California's universities face numerous critical issues that impact the state's ability to meet educational and workforce demands. The Governor's budget overview recognizes some of these issues by pointing out the high-cost structure of the UC and the low completion rates of the CSU. However, while the Governor notes that the Administration's long-term plan moves away from funding higher education based on the traditional model of enrollment targets, as previously mentioned, his budget does not explicitly tie funding to performance or specific outcome measures other than the maintenance of current tuition and fee levels and current non-resident enrollment at the UC. This approach diminishes the Legislature's role in key policy decisions and could allow the universities to pursue their own interests rather than the broader public interest. The continued unallocated base increases at the UC and CSU dilute the role and authority of the Legislature in the budget process, and, as a result, the Legislature will have difficulty assessing whether augmentations are needed and ultimately whether any monies provided would be spent on the highest state priorities.

While the LAO states that the Governor's focus on UC's costs is laudable; one major concern with his approach to tackling the issue is that he has not invited the Legislature to participate in the discussion. As mentioned above, the UC Regents formed a committee comprised of the Governor and the UC President to develop recommendations on methods to lower cost and obviate the need

for increased tuition or increasing out-of-state enrollment. The Legislature may have different ideas regarding how to evaluate and address the UC's cost drivers. However, the Administration's committee approach diminishes the Legislature's role in key policy decisions. The Administration indicates it plans to release preliminary information from the committee's work at the next UC Board of Regents meeting in March 2015.

While California is starting to reinvest in higher education, plans to increase tuition have heightened concerns about the affordability of a college education and the appropriate level of investment necessary to meet statewide priorities. In reviewing the Administration's proposals, the subcommittee may wish to ask:

- How does the Governor's approach ensure that additional state funding will support the state's priorities?
- Does the Governor's proposal sufficiently engage the Legislature in this accountability and budget process?
- What is the appropriate state funding level to allow for enrollment growth, efficient per-student costs and improved outcomes?
- Are the performance targets set by UC and CSU reasonable and acceptable towards meeting the three goals established for higher education (SB 195)?

Recommendation: Hold Open

Panel

- Jason Constantouros, Legislative Analyst’s Office
- Jillian Kisse, Department of Finance
- Kieran Flaherty, University of California
- Ryan Storm, California State University

As state funding declined, UC sought other revenue sources, including philanthropy and changing its investment patterns. Tuition, however, has been the biggest source of increased revenue. Tuition grew by 84 percent between 2007-08 and 2011-12. Many campuses, most notably UCLA, UC Berkeley and UC San Diego (see chart on page 13), also dramatically increased the number of nonresident students it enrolled. Out-of-state students pay approximately \$23,000 more in non-resident supplemental tuition, more than double the amount California students pay. The UC’s budget continues the trend of increasing tuition and out-of-state students enrollment, while restricting resident enrollment.

Enrollment Funding

Historically UC’s and CSU’s budgets have been tied to a specified enrollment target, which reflect the state’s expectations for access to the public universities and are based on the eligibility policies included in the Master Plan for Higher Education. To the extent that the segments failed to meet those targets, state funding associated with the missing enrollment reverted to the General Fund. Since 2007-08, the state budget only twice included both enrollment targets and enrollment growth funding. This was largely due to difficult budget years in which the state reduced support for the universities, and in turn provided the universities with increased flexibility in how to respond. Though the state began to recover its fiscal footing in 2013-14, the Administration’s 2013-14 and 2014-15 budget proposals did not provide enrollment targets or enrollment funding, and instead gave the UC and CSU greater flexibility in managing their resources to meet obligations, operate instructional programs most effectively, and avoid tuition and fee increases.

Enrollment at UC and CSU is driven by several factors, including state funding and the college-age population. The state also routinely considered college participation rates and freshman eligibility studies; however, the last eligibility study conducted was in 2007. Additionally, to calculate the associated cost of enrollment growth, the state used a marginal-cost formula based on the estimated cost of admitting each additional student. This formula assumed the universities would hire a new professor for roughly every 19 additional students. It linked the cost of the new professor to the average salary of newly hired faculty. The formula also included the average cost per student for academic and instructional support, student services, instructional equipment, and operations and maintenance of physical infrastructure.

The table below shows enrollment of California students at both segments just before, during, and just after the Great Recession. Enrollment at both segments fluctuate somewhat, with UC growing enrollment during this period and CSU decreasing enrollment significantly during the recession, before recently growing enrollment.

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	Change, 07-08 to 14-15
UC	203,906	210,558	213,589	214,692	213,763	211,212	210,986	211,267	7,361
CSU	354,111	357,223	340,289	328,155	341,280	343,227	351,955	360,000	5,889

Note: This depicts Full Time Equivalent students (both undergraduate and graduate students) and is California Residents Only

Most recently, in 2013-14, the Legislature adopted budget bill language setting enrollment targets for the UC and CSU that would maintain 2012-13 enrollment levels. The Governor vetoed the budget bill language, thus eliminating the enrollment targets, noting that the Administration would rather give the UC and CSU greater flexibility to manage its resources to meet obligations, operate its instructional programs more effectively, and avoid tuition and fee increases.

As required by budget language, UC and CSU also set forth resident and nonresident enrollment targets in their sustainability plans. The figure below compares current enrollment with the segments' targets under the Governor's proposed funding levels. UC plans on reducing resident undergraduate enrollment by almost 16,000 students (10 percent) over a period of three years, while more than doubling nonresident undergraduate enrollment. In contrast, CSU is planning to increase both resident and nonresident enrollment by three percent.

Figure 8
UC and CSU Enrollment Targets
Under Administration's Revenue Assumptions

	2014-15	2017-18	Change from 2014-15	
			Amount	Percent
UC				
Resident undergraduate	158,410	142,678	-15,732	-10%
Nonresident undergraduate	23,832	47,939	24,107	101
Graduate/professional	49,892	52,142	2,250	5
Totals	232,134	242,759	10,625	5%
CSU				
Resident	420,271	433,004	12,733	3%
Nonresident	22,274	22,949	675	3
Totals	442,545	455,953	13,408	3%

University of California

When examining UC enrollment patterns, the most significant change involves the significant increase of out-of-state students and decreases at some UC campuses.

Students	Fall 2007	Fall 2014	% Change
CA Students	157,985	168,538	6.6%
Non-Resident, Domestic Students	6,118	9,653	57.7%
Non- Resident, Foreign Students	3,590	16,621	362.9%

Note: This headcount includes undergraduate students only.

Nonresident students make up about 13 percent of the overall undergraduate student body. But at specific campuses, the proportion is more dramatic. Nonresidents make up about 25 percent of the UC Berkeley undergraduate student body, 19 percent of UCLA, and 17 percent of UC San Diego. Below are the changes for the three campuses with the most significant increase in undergraduate out-of-state students.

UC Berkeley	Fall 2007	Fall 2014	% Change
CA Students	22,242	20,568	-7.5%
Non-Resident, Domestic Students	1,694	3,231	84.8%
Non- Resident, Foreign Students	700	3,327	375.3%

Note: This headcount includes undergraduate students only.

UCLA	Fall 2007	Fall 2014	% Change
CA Students	23,463	23,305	-0.6%
Non-Resident, Domestic Students	1,392	2,679	92.4%
Non- Resident, Foreign Students	1,073	3,649	240%

Note: This headcount includes undergraduate students only.

UC San Diego	Fall 2007	Fall 2014	% Change
CA Students	20,756	20,211	-2.6%
Non-Resident, Domestic Students	747	1,204	61.2%
Non- Resident, Foreign Students	545	3,395	523%

Note: This headcount includes undergraduate students only.

UC states that system wide nonresident undergraduate enrollment represents a little over 13 percent of the undergraduate population in 2014-15, whereas more than 30 percent and 40 percent of undergraduates are nonresidents at the University of Virginia and the University of Michigan respectively. However, enrollment targets for nonresident students are established at the campus level rather than at the system level, and revenue from non-residents students also stays at the campus. UC states that it is a priority of the UC that campuses ensure enrollment of nonresident students does not displace “funded” enrollment of California residents. Yet the dramatic increase in nonresident students has made it arguably more difficult for California students to attend schools like UC Berkeley, UCLA or UC San Diego.

California State University

CSU enrollment has changed significantly during the last eight years. Unlike UC, CSU dropped enrollment as state funding decreased, and only recently increased its enrollment.

	Fall 2009	Fall 2010	Fall 2011	Fall 2012	Fall 2013	Fall 2014
Admitted Students	193,928	173,562	178,615	194,564	212,152	214,939
Denied Eligible Students	10,435	28,803	21,697	22,123	26,430	30,209

This supply and demand imbalance is more profound at some CSU campuses. When campuses or specific programs receive more eligible applicants than they have resources for, impaction occurs and campuses or programs restrict enrollment. For 2015-16, all programs are impacted at CSU Fullerton, CSU Long Beach, San Diego State University, San Jose State University, and Cal Poly San Luis Obispo.

As the state continues to reinvest in higher education, the Legislature may wish to consider how these investments address current and long-term education needs. This is particularly critical in light of a report from Public Policy Institute of California (PPIC) regarding California’s workforce demands, which found that by 2025, California will face a shortfall of one million college graduates required to meet the state’s skilled workforce needs. The CSU reported that, in the fall of 2013, it denied admission to more than 26,000 eligible students due to lack of funding. Additionally, in light of recent comments and actions taken by the UC, it is evident that there is an access problem to the state’s public universities.

As mentioned previously, the Administration has not been supportive of funding a new university eligibility study. As a result, the state has limited information on whether UC and CSU continue to meet Master Plan goals of student access. According to the LAO, linking funding with enrollment serves an important state purpose because it expresses the state’s priority for student access and connects funding with student-generated costs. Despite these benefits, the Governor continues to disregard the state’s longstanding enrollment practices for UC and CSU. The Legislature may wish to consider an eligibility study to assess whether university admission policies conform to Master Plan eligibility guidelines.

Both UC and CSU are seeking additional state funding to allow for enrollment growth, based on proposed budgets adopted in the fall. With \$119 million of new General Fund support, CSU would only add about 3,500 new full-time students about a one percent enrollment growth. CSU Board of trustees adopted budget includes \$103.2 million for three percent increase in enrollment or approximately 10,400 FTES. UC states that under the Governor's proposal, it would have to cut state students by 4,000 (two percent). The UC Regents plan calls for one percent enrollment growth, which is about 2,200 students. However, UC indicates that about 1,200 of these slots would go toward graduate student enrollment and backfilling past enrollment growth that occurred while the state was cutting UC funding.

Legislative Analyst's Office Comments

Under the DOF's state demographic projections, the college age population will decline by more than one percent from 2015 to 2016, with no change in the number of California public high school graduates. LAO states that these trends will ease pressure for new enrollment at UC and CSU in the near future. LAO recommends setting UC enrollment target at current-year level. LAO argues that the university does not appear to be facing significant increased enrollment demand, given the projected demographic declines and the university's continued ability to accommodate eligible students.

LAO raises concerns about CSU's denied eligible students. CSU functions as a regional system, providing education to eligible students in their general vicinity. The university has not specified how many of these eligible students were denied access to their local CSU campus. LAO recommends requiring CSU to report on transfer eligibility by May 1, 2015 on (1) how many eligible transfer students were denied access to their local campuses in fall 2014, and (2) how many nonlocal students were admitted in fall 2014 to campuses denying admission to eligible local transfer students. Additionally, LAO recommends the Legislature consider an eligibility study to assess how many, otherwise eligible students are being denied admission to California's universities based on a lack of space.

The subcommittee may wish to ask:

1. Why would the Administration provide specific funding for enrollment growth at community colleges but not UC and CSU? How would enrollment growth at community colleges impact enrollment demand at UC and CSU?
2. What happens to the denied eligible CSU students?
3. Does UC and CSU believe that they have achieved their Master Plan goals and accepted all eligible students? If so, how was this determined and measured? If not, why?
4. In general, how do UC campus' use their additional non-resident tuition revenue? Does the UCOP have guidelines to prioritize how the funds are spent?
5. How much would an eligibility study cost? Who should administer it?

Panel

- Jillian Kisse, Department of Finance
- Paul Golaszewski, Legislative Analyst's Office
- Kieran Flaherty, University of California
- Ryan Storm, California State University

Background

Starting in 2013–14 for UC and 2014–15 for CSU, the state no longer issues bonds for university capital outlay projects. Instead, the state granted each university the authority to pledge its state support appropriation to issue bonds for academic facilities and associated campus infrastructure. Additionally, the state allows each university to pay the associated debt service using its state support appropriation.

Under the new authority, UC and CSU are required to submit project proposals to DOF and the budget committees by September 1 for the upcoming fiscal year. By February 1, DOF is required to notify the Legislature as to which projects it preliminarily approves. The budget committees then can express any concerns with the projects to DOF and request DOF to approve, modify, or reject projects. The DOF can approve projects no sooner than April 1 for the upcoming fiscal year. For CSU only, two sets of timelines apply in the current fiscal year: the one outlined above for 2015–16 projects and an expedited process for 2014–15 projects that requires preliminary DOF approval by November 1, 2014, and final approval no sooner than December 1, 2014. This is because 2014–15 is the first year CSU was granted the new authority.

UC received the new authority in 2013, and UC Regents acted quickly to approve projects and submit them to the state for review by the deadlines specified in statute. The DOF informed the budget committees of the Legislature of its preliminary approval of UC's projects in a letter dated January 26, 2015. Eight new projects cost \$218 million whereas \$80 million is associated with seven continuing projects for which the state has already approved earlier phases. UC also plans to use \$136 million in nonstate funds to partially support five new projects and two continuing projects. UC would issue university revenue bonds to pay for the projects and estimates the associated debt service is \$22 million annually. The university would pay for the debt service from its main state budget appropriation.

In contrast, CSU has proceeded more cautiously and missed both deadlines mentioned above. Prior to approving projects using the new authority, the Trustees deliberated for several months over the associated consequences. When the Trustees finally did act to use the new authority, they acted in two stages. First, they decided in November 2014 to set aside \$10 million annually from CSU's operating budget for debt service. Second, they decided in January 2015 to approve the associated projects. Due to the lateness of the Trustees' action, DOF has not yet submitted its list of preliminarily approved projects to the Legislature. The DOF indicates it might submit a list for approval this spring, even though the statutory deadline expired February.

Staff Comments

Last year, staff noted that the Governor's approach was a dramatic departure from how UC and CSU capital outlay has been historically addressed. The Administration indicated the motivation for combining the universities' support and capital budgets was to provide universities with increased flexibility, given limited state funding. However, the Administration did not identify specific problems with the previous process used or any specific benefits the state might obtain from the new process. Additionally, the change occurred without any analysis of ongoing need, not only for capital outlay but also deferred maintenance at existing buildings, and for campuses that might be needed in the future.

Moreover, the Office of the President (UCOP) states that it allows each campus to determine its capital priorities, and UCOP does not have a process for prioritizing projects across campuses. According to UCOP, it gives campuses broad discretion to set their own capital priorities and then tries to show fairness to each campus in selecting projects to propose for state funding. LAO recommends the Legislature establish project priorities for higher education facilities to provide more guidance to the segments. For example, the Legislature could state its priorities for funding projects in the following order: (1) life safety, (2) seismic corrections, (3) modernization, and (4) program expansions. This likely would result in the segments submitting projects in accordance with the state's priorities.

Since the Trustees did not officially approve projects until January (a couple of months after the statutory deadline), and DOF has not yet submitted its preliminary list of approved projects (also missing its statutory deadline), reviewing the proposed projects and conducting proper oversight is challenging. Rather than having to complete its review by April 1, LAO recommends the Legislature work with the Administration to develop a new processing schedule for this year. Consistent with statutory intent, LAO encourages the Administration to give the Legislature 60 days to review CSU's projects upon receiving the project list submitted by DOF.

The subcommittee may wish to ask:

1. What is the status of the CSU's preliminary list of approved projects?
2. Why did the CSU move cautiously in this process?
3. What benefits and challenges have the segments had with this new process? Is this an improvement on the previous process, and what problems have been fixed?

Issue 4 – Deferred Maintenance Funding

Panel

- Jillian Kisse, Department of Finance
- Jason Constantouros, Legislative Analyst's Office
- Kieran Flaherty, University of California
- Ryan Storm, California State University

The budget provides UC and CSU with \$25 million onetime General Fund each to address deferred maintenance issues on campuses. The funding will be allocated after UC and CSU provide a list of deferred maintenance projects it intends to address to the Department of Finance. The department will review the list and allow for a 30-day legislative review process by the Joint Legislative Budget Committee before the money is distributed.

Background

Facilities require routine maintenance and repair to keep them in acceptable condition and preserve and extend their useful lives. When such maintenance is delayed or does not occur, we refer to this as deferred maintenance. Deferred maintenance can be caused by various factors, including diverting maintenance funding to other operational purposes or poor facility management. The Governor's budget and the associated five-year infrastructure plan identify \$66 billion in total state infrastructure deferred maintenance needs. The Administration identified \$692 million in deferred maintenance needs at the CSU, and \$100 million in deferred maintenance needs at the UC.

The 2014-15 enacted budget included up to \$200 million in one-time General Fund spending for deferred maintenance in various departments, including \$50 million General Fund for UC and CSU each, contingent on certain revenue conditions being met. DOF determined that revenue conditions were not satisfied and therefore departments ultimately did not receive additional funding for these purposes. The Governor's 2015-16 proposed budget does not make the proposed funding contingent on any revenue.

Staff Comments

While providing one-time funding is a step in the right direction, it is only a short-term response to the problem. The Administration has not identified a long-term plan for working through deferred maintenance backlog. The Governor's proposal also does not require the identification of specific projects priorities.

LAO states that the state's current approach has several shortcomings. Specifically, the state lacks (1) budgetary practices to incentivize segments to prioritize maintenance, (2) consistent definitions and adequate data to assess the magnitude of each segment's backlog, and (3) a long-term plan to eliminate the backlogs. To address these concerns, LAO recommends the Legislature to require the segments to develop and submit maintenance plans that include (1) definitions used to classify maintenance projects, (2) a description of the approach used to fund maintenance projects, (3) the annual amount spent on maintenance, (4) a multiyear expenditure plan to address the backlog (including proposed funding sources), and (5) a plan for how to avoid developing a maintenance backlog in the future.

As noted earlier, the Governor requests the Legislature approve \$25 million for each UC and CSU for deferred maintenance even though it has not yet received a list of specific projects to be funded. This proposed funding process could divorce the decision on the amount of funds provided from the set of projects to be funded. It also provides the Legislature with less time to review proposed projects than the traditional budget process. Accordingly, LAO recommends the Legislature require the segments to report at spring budget hearings on the specific projects they propose to address prior to approving funding.

Recommendation: Hold Open.

Panel

- Garen Corbett, California Health Benefits Review Program

Background

The California Health Benefits Review Program (CHBRP) was established under AB 1996 (Thomson), Chapter 795, Statutes of 2002, which requested UC to assess legislation that propose a mandated benefit or service (referred to as “mandate bills”) and prepare a timely written analysis within 60 days with relevant data on the medical, economic, and public health impacts of proposed health plan and health insurance benefit mandate legislation. Current law requires health plans, except specialized health plans, and health insurers, for fiscal years 2010-11 to 2014-15, to be assessed an annual fee to fund CHBRP, this amount is to not to exceed \$2 million. CHBRP is administered in UCOP and has staff that supports a task force of faculty from six UC campuses (Berkeley, Davis, Irvine, Los Angeles, San Diego, and San Francisco) and three private universities (Loma Linda University, the University of Southern California, and Stanford University) to complete each analysis. CHBRP is set to sunset on December 31, 2015. The Governor’s proposed budget provides \$2 million, as mentioned above, for CHBRP.

Since 2004, CHBRP has analyzed 103 mandate bills, 45 of which were passed by the Legislature and enrolled to the Governor. Thirty-three of those bills analyzed were vetoed, and 11 were signed into law. Since CHBRP’s inception, the number of bills mandating benefits and services has fluctuated, and in the last year has decreased significantly. When AB 1996 was being considered by the Legislature, the author stated that during the 2001- 2002 legislative session, more than 14 mandate bills were introduced. In 2003, the first year that the UC received requests for analysis of mandate bills, only four were introduced and analyzed. The following year, there were 13 mandate bills analyzed. Between 2005 and 2014, the number of mandate bills introduced has varied, with the largest number (15 mandate bills) in 2011.

60-day timeline

AB 1996 and subsequent legislation that extended the sunset date for CHBRP included a request that analyses be provided to the Legislature within 60 days. CHBRP developed a model that has resulted in analyses not being completed prior to that 60-day deadline. According to CHBRP’s 2013 report to the Legislature, it uses a 60-day timeline that details which activities occur on what day. The 60-day clock is initiated by CHBRP upon receipt of a request from the Senate or Assembly Health Committee. CHBRP faculty, actuaries, librarians, reviewers, and staff must produce and review multiple drafts on multiple bills in what they consider a very compressed timeframe, given their model. This timeline has led to challenges for policy committee staff, because policy staff requires the CHBRP analysis prior to completing their analysis. Often times mandate bills are introduced close to the bill introduction deadline, which is also about 60 days before deadline for policy committees to hear bills, and there is a tight window between the time the CHBRP analysis is received and the committee analysis must be completed. If the goal is to provide timely analysis to help the Legislature make informed decisions, this arrangement gives policy committees and staff little time to incorporate its findings in a meaningful way into the committee analysis. Currently, CHBRP is working with staff to address the timeliness and structure of its delivery model.

Staff Comments

Given the new post-Affordable Care Act environment, there is need for in-depth, independent review of proposed legislation beyond mandate bills. And while there is ongoing value to having independent evaluation, to be most valuable to stakeholders and policymakers, the process has to be nimble and responsive to the legislative calendar. There is oversight needed to ensure that CHBRP's review is delivered in a timely fashion and to ensure that the intent of the authorizing legislation and the goals of the program are met.

Additionally, while CHBRP has received the same budget appropriation of \$2 million from 2010 to 2015, the number of bills it has analyzed has fluctuated from four bills (2012) to 15 bills (2011). In light of varied workload, the committee may wish to consider whether Governor's budget proposal is appropriate.

Alternatively, the legislature may wish to consider revisions to the types of reviews that could be requested of CHBRP and expand its scope. This could include review of bills that impact health insurance benefit design, cost-sharing, and premiums, and other health insurance topics. SB 125 (Hernandez) proposes to extend the sunset to July 1, 2017 and expands the scope of potential review. In addition, the committee may wish to consider allowing CHBRP to carry over funds if the work load created by the requests for review does not justify the full amount. This would allow annual assessment of how much to appropriate as opposed to the automatic appropriation of the full amount, as has been the practice, and would increase legislative oversight.

The subcommittee may wish to ask:

1. Is CHBRP flexible enough to respond to legislative inquiries more quickly and still maintain quality control?

Panel

- Mollie Quasebarth, Department of Finance
- Jason Constantouros, Legislative Analyst’s Office
- Ryan Storm, California State University

Governor’s Proposal

The budget would provide \$25 million for innovation awards to CSU campuses that improve policies, practices and/or systems to ensure that more students graduate with bachelor's degrees within four years after beginning higher education. This is similar to the program that was launched in 2014-15 for all three segments; in 2015-16 the Governor proposes to limit the funding to CSU campuses or other segments' campuses that partner with CSU. A committee chaired by the Department of Finance would select winners through an application process.

Background

The 2014–15 budget provided \$50 million in one–time funding to promote innovative models of higher education at UC, CSU, and CCC campuses. Campuses with initiatives to increase the number of bachelor’s degrees awarded, improve four–year completion rates, or ease transfer across segments could apply for awards. Campuses could apply on their own or in collaboration with other campuses. A committee of seven members—five Governor’s appointees representing DOF, the three segments, and the State Board of Education, as well as two legislative appointees selected by the Speaker of the Assembly and the Senate Rules Committee—will make award decisions.

The state received 58 applications, and of those 29 were community colleges, 21 were CSU campuses, and 8 were UC campuses. On March 20th, the Committee is scheduled to approve 14 awards for about \$3.5 million each. Awardees must submit a report on the proposed use of funds by April 10th, and the Committee is required to approve the proposed uses of the awards before they can be released. The following applications have been selected for awards: CSU Monterey Bay, CSU San Bernardino, Long Beach City College, Santa Ana College, Shasta College, CSU Dominguez Hills, City College of San Francisco, Humboldt State University, San Francisco State University, Butte College, CSU San Marcos, UCLA, and West Hills College Lemoore. CSU Monterey Bay will receive two awards based on two separate applications.

Staff Comments

The LAO raises several concerns about the Governor’s proposal for Awards for Innovation. First, the proposal does not identify the causes of low graduation rates at CSU. CSU currently is investigating the underlying causes of poor performance, including: lack of preparation among entering freshmen, low retention rates from freshmen to sophomore year, poor fee and financial aid incentives, weak incentives to take 15 units per term, students working excessive hours, lack of access to required courses, or other problems. The Governor’s approach to innovation awards appears to tackle a single symptom—that is, low graduation rates—without more comprehensively and systematically addressing underlying issues. Second, LAO has doubts that small amounts of one–time funding will provide sufficient incentive for CSU campuses to refocus efforts on improving graduation. The proposal targets campuses that have already implemented efforts to improve graduation rates. It is likely that campuses will submit proposals of initiatives that they would have implemented with or without the opportunity to earn additional funding. LAO

recommends the Legislature reject the proposal and suggests that the Legislature could use these onetime funds for other priorities, such as deferred maintenance, that are one-time in nature.

The Governor's proposal to convene a committee of stakeholders, similar to the structure as used for the first-year awards, most of whom are appointed by the Governor, raises a number of questions in regards to the assurance that state and legislative priorities are appropriately considered in the decisions of the committee, as well as whether it would be more appropriate for the state to have a higher education coordinating entity to oversee and provide advice on statewide higher education policy. Staff also notes that this proposal sets up a significant bureaucratic infrastructure to determine "winners," which will require staff time for both the committee and the campuses and segments writing grant proposals. The committee has not made decisions for last year's award, and CSU is still investigating causes of its low graduation rates. Thus the results of both efforts are not clear. Expanding this area before giving existing efforts time to show results would be premature. The subcommittee may wish to examine program results in the current year before investing more resources.

The subcommittee may wish to ask:

- Why shouldn't the Legislature and Governor simply determine the most appropriate way to use the funding and specify that in the budget?
- How will the Legislature determine if the funding achieves improved outcomes?
- Will the Administration seek to distribute the funding in some equal way across the CSU system? Why or why not?

Recommendation: Hold Open.

Issue 7 – Center for California Studies

Panel

- Jillian Kisse, Department of Finance
- Jason Constantouros, Legislative Analyst's Office
- Steve Boilard, Center for California Studies

Governor's Proposal

The Governor's proposed budget moves the CSU's Center for California Studies from its own budget line item into the main CSU appropriation, with budget language requiring CSU to provide at least \$3.5 million to fund the center.

Background

The Center for California Studies is a public education, public service, and applied research unit of California State University Sacramento. Founded in 1982 and located on the capital campus of the California State University (CSU), the center administers the Capital Fellows Program; LegiSchool Project, a civic education collaboration between Sac State and the Legislature; and conducts various policy research projects.

Staff Comments

Past budgeting practices displayed the center with a line item and specific amounts for eight programs the center oversees, including legislative, executive and judicial fellowship programs. While Governor's proposal is cost-neutral, it does modify how information about the center's budget is presented, and reduces transparency on how funds are appropriated. Moreover, the current approach provides the Legislature with greater control over funding for the center. Keeping the center as a separate budget item recognizes the center as distinct from the rest of the CSU's activities. The LAO recommends the Legislature to reject this proposal. The committee may wish to consider whether it is appropriate to keep the center as a separate item in the budget providing greater transparency and control on how funds are used, or move it into the CSU's main budget appropriation.

Recommendation: Hold Open.

SUBCOMMITTEE NO. 1

Agenda

Senator Marty Block, Chair
Senator Benjamin Allen
Senator Mike Morrell



Thursday, March 19, 2015
9:30 a.m. or Upon Adjournment of Session
Room 3191, State Capitol

Consultants: Elisa Wynne and Anita Lee

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

6110 DEPARTMENT OF EDUCATION**Item 1: Local Control Funding Formula – Funding Implementation****Description**

In the 2013-14 budget, the Governor and the Legislature enacted the Local Control Funding Formula (LCFF), which provides funding for local educational agencies (LEAs) (school districts, charter schools, and county offices of education) using a formula that provides per pupil amounts plus additional supplemental and concentration grant funds based on the enrollment of “unduplicated” (low-income, English learner, and foster youth) students. LEAs are transitioning to this new funding model, with full implementation of the formula anticipated to be in 2020-21.

The Governor’s 2015-16 budget proposal includes approximately \$4 billion in additional, ongoing Proposition 98 funding to continue transitioning LEAs towards full implementation of the LCFF.

Panel

- **Carolyn Chu, Legislative Analyst’s Office**
- **Ian Johnson, Department of Finance**
- **Aaron Heredia, Department of Finance**
- **Monique Ramos, Department of Education**

Background

Local Control Funding Formula. As part of the 2013-14 budget, the state enacted the LCFF, which significantly reformed the system for allocating resources to LEAs. Specifically, the new LCFF replaces the state’s prior system of distributing funds to LEAs through revenue limit apportionments (based on per student average daily attendance) and approximately 50 state categorical education programs. The LCFF combines the prior funding from revenue limits and more than 30 categorical programs that were eliminated, and uses a new formula to allocate these resources and future allocations to school districts, charter schools, and county offices of education, allowing LEAs much greater flexibility in how they spend the funds than under the prior system. There is a single funding formula for school districts and charter schools, and a separate funding formula for county offices of education that has some similarities to the district formula, but also some key differences.

Fiscal Impact. The LCFF establishes new funding amounts for each LEA, and these amounts will be adjusted annually for COLAs and pupil counts. When the formula was initially introduced, funding all school districts and charter schools at their LCFF levels was expected to take eight years, with completion by 2020-21. The Department of Finance has not released an updated estimate at this point. County offices of education reached their target funding levels in 2014-15.

Over the past two years, the state has made considerable investments towards implementing the LCFF. The 2013-14 budget provided an increase of \$2.1 billion in Proposition 98 funding for schools to begin LCFF implementation; and an additional \$4.75 billion was provided in the 2014-15 budget. The 2014-15 funding closed more than 29 percent of the remaining gap to full funding of the LCFF target levels for school districts and charter schools and brought county offices of education to full implementation. The remaining gap is recalculated annually based on funding provided, and adjusted for changes to the estimated cost of fully funding LCFF.

School Districts and Charter Schools Formula. This formula is designed to provide districts and charter schools with the bulk of their resources in unrestricted funding to support the basic educational program for all students. Additional funding, based on the enrollment of unduplicated students, is also provided for increasing or improving services to these high-needs students. Major components of the formula are briefly described below.

- **Base Grants** are calculated on a per-pupil basis (measured by student average daily attendance), according to grade span (K-3, 4-6, 7-8, and 9-12) with adjustments that increase the base rates for grades K-3 (10.4 percent of base rate) and grades 9-12 (2.6 percent of base rate). The adjustment for grades K-3 is associated with a requirement to reduce class sizes in those grades to no more than 24 students by 2020-21, unless other agreements are collectively-bargained at the local level. The adjustment for grades 9-12 recognizes the additional cost of providing career technical education in high schools.
- **Supplemental Grants** provide an additional 20 percent in base grant funding for unduplicated students.
- **Concentration Grants** provide an additional 50 percent above base grant funding for unduplicated students that exceed 55 percent of total enrollment.
- **Categorical Program** add-ons for Targeted Instructional Improvement Block Grant and Home-to-School Transportation provide districts the same amount of funding they received for these two programs in 2012-13. The transportation funds must be used for transportation purposes. Charter schools are not eligible for these add-ons.
- **LCFF Economic Recovery Target** add-on ensures that districts receive, in 2020-21, at least the amount of funding they would have received under the old finance system to restore funding to their 2007-08 level, adjusted for inflation. Districts are not eligible for this add-on if their LCFF funding exceeds the 90th percentile of per-pupil funding rates estimated under the old system.
- **Hold Harmless Provision** ensures that no school district or charter school will receive less funding under the LCFF than its 2012-13 funding level.

County Office of Education Formula. County offices of education have their own LCFF formula. The county office formula includes a base amount for county operations plus an amount for each school district in the county, and an amount for countywide average daily attendance (ADA). In addition they receive a per pupil grant, similar to the school district formula, for those students that they serve directly in county-operated schools, with a 35 percent increase for the supplemental grant and a 35 percent increase for the concentration grant (received if unduplicated student enrollment exceeds 50 percent).

Restrictions on Supplemental Funding. Statute requires LEAs to increase or improve services for unduplicated students in proportion to the supplemental funding LEAs receive for the enrollment of these students. The law also allows this funding to be used for school-wide and district-wide purposes. The law requires the State Board of Education (SBE) to adopt regulations governing a LEA's expenditure of this supplemental funding. On January 16, 2014, the SBE adopted LCFF emergency regulations, including these spending regulations, and adopted the permanent regulations on November 14, 2014. The regulations were approved by the Office of Administrative Law on January 6, 2015.

The regulations require an LEA to increase or improve services for unduplicated students, as compared to the services provided for all students, in proportion to the supplemental funding LEAs receive for the enrollment of these students. The regulations allow an LEA to meet this requirement in a qualitative or quantitative manner. In addition, the LEA is required to detail these expenditures in their Local Control and Accountability Plan, discussed under Item 2 of this agenda, and must include a description of how the expenditures improve outcomes for unduplicated students in the state priority areas. The regulations also provide a formula to determine a proportionality percentage. Finally, the regulations authorize district-wide, school-wide, county-wide, and charter-wide expenditures of funds. LEAs with enrollment of unduplicated students over 55 percent in a school district and over 40 percent in a school, may expend funds district-wide or school-wide if they provide a description of how these funds are principally directed towards, and effective in meeting goals in, the state priority areas for unduplicated students. If a school district or school is under these enrollment thresholds, they must additionally describe how this is the most effective use of the funds. Charter-wide and countywide expenditures must meet the same requirements as districts above the enrollment threshold.

Governor's Budget Proposal

The Governor's budget provides an increase of \$4 billion in Proposition 98 funding for LEAs for the third year of LCFF implementation. This is the largest K-12 funding proposal out of the increased Proposition 98 expenditures in 2015-16. According to the Legislative Analyst's Office (LAO), this represents an 11 percent year-over-year increase for the LCFF. The Department of Finance indicates this funding level represents closing approximately 32 percent of the remaining gap between the school districts' 2014-15 funding levels and the LCFF full implementation target rates as of the budget year. County offices of education, which reached full implementation in 2014-15, would receive a cost-of-living increase of \$109,000.

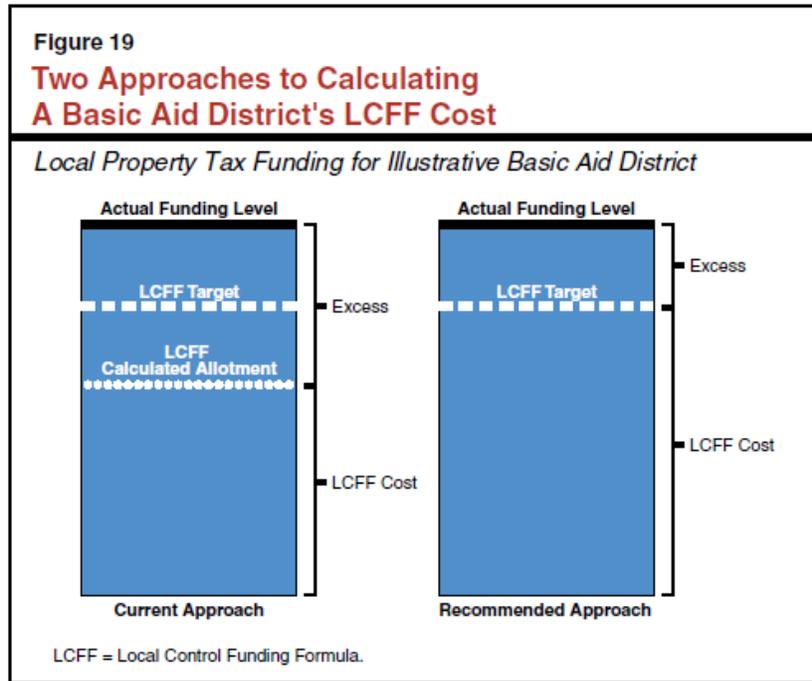
According to the LAO, under the Governor's budget, the LCFF would be 85 percent funded in 2015-16. The estimates for LCFF at initial implementation reflected an eight-year phase-in for funding of school district and charter school LCFF target rates, and the budget proposal reflects a continued acceleration of LCFF funding for districts and charter schools over the early part of the implementation period that will likely taper down in later years.

LAO Analysis and Recommendations

The LAO supports the Governor's budget proposal to provide additional ongoing funding towards implementation of the LCFF. They note that the use of funding to move towards full implementation is consistent with the priorities of the Legislature and the Governor over the past few years, and under the adoption of the LCFF. The LAO has identified some concerns with the LCFF calculation: 1) property taxes are not being accurately captured in the Administration's LCFF calculation, and 2) the county office of education LCFF formula results in significant funding advantages for some county offices of education. These issues are discussed in more detail below and in the Legislative Analyst's Office report; "The 2015-16 Budget: Proposition 98 Education Analysis".

- 1) Basic aid districts retain any additional property tax above their LCFF funding level and can use it for any educational purpose. In calculating the LCFF funding provided to districts each year, pursuant to statute, the Department of Education calculates the "gap" between a district's prior year LCFF funding (the starting point was a district's 2012-13 revenue limit) and full implementation funding level. The Department of Education then allocates funding to close a portion of the gap. Basic aid districts are not receiving Proposition 98 General Fund resources for gap closure; instead the state counts an additional part of their local property taxes towards their LCFF allocation each year. Under this calculation, the state is not acknowledging that basic aid districts have additional local property taxes that could be counted toward meeting their LCFF

target immediately. The LAO notes that this treatment of basic aid district gap funding results in the state not fully capturing local property taxes that could count towards the Proposition 98 Guarantee. In addition, the estimate for the LCFF gap funding does not reflect the additional property tax counted for basic aid districts, resulting in the potential over-appropriation of Proposition 98. “Basic aid” refers to those school districts who receive local property taxes in amounts that exceed their LCFF transition funding. Most school districts receive a mix of local property taxes and Proposition 98 General Fund to meet their LCFF funding level. The below table illustrates this issue:

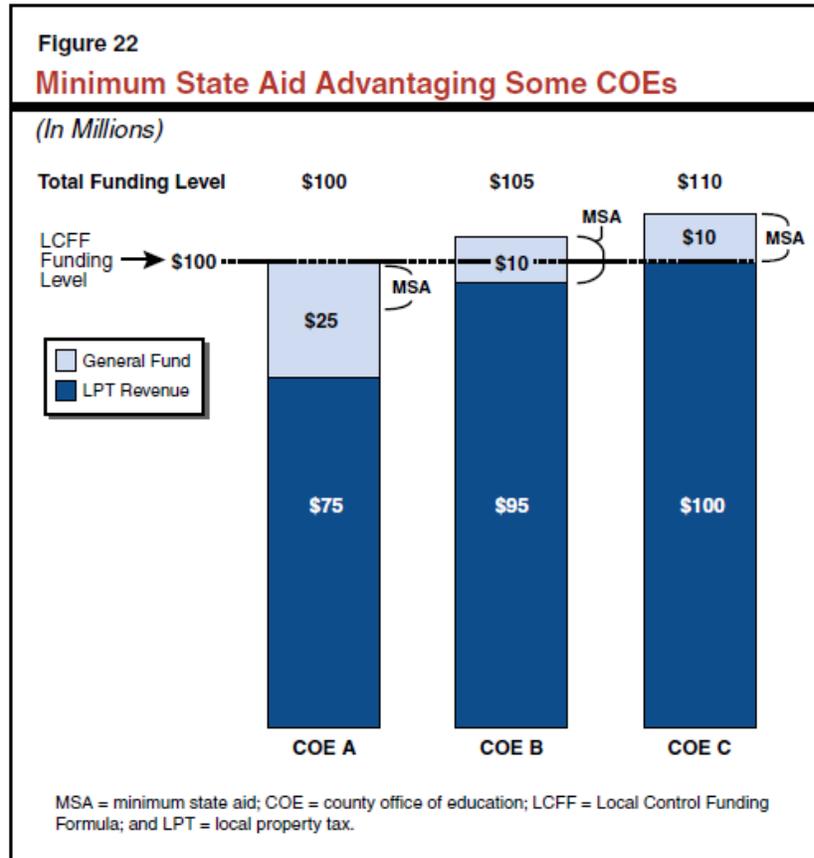


Source: Legislative Analyst's Office

The LAO recommends amending statute to count basic aid districts at their full LCFF target. The LAO notes that adopting this recommendation would have no fiscal impact on basic aid districts. The LAO additionally notes that if the state were to determine that basic aid districts were fully funded under the formula, then up to \$400 million in additional property tax could be counted towards the Proposition 98 guarantee, reducing the General Fund obligation towards meeting the Proposition 98 guarantee and freeing up non-Proposition 98 General Fund resources. If the state chooses to continue its current treatment of basic aid districts under the LCFF, the LAO recommends that the full cost of LCFF gap funding in a given year should be reflected in the Proposition 98 expenditure estimates to ensure Proposition 98 is not over appropriated. They estimate this cost to be approximately \$110 million in 2015-16.

- 2) The LAO has also reviewed the county office of education LCFF calculation and notes that the formula set in statute results in funding advantages for some county offices of education that are well above their LCFF targets. Under the LCFF, county offices of education have two hold harmless provisions (these also apply to school districts). County offices of education will receive at least as much funding as they received from revenue limits and categorical programs in 2012-13 and at least as much Proposition 98 General Fund as they received in 2012-13, called “minimum state aid.” County offices and school districts differ in that school districts with additional taxes above their LCFF target, keep those taxes and use them for educational purposes, while additional tax in county offices of education is redirected and used for other purposes. County offices of education historically have varied widely in their amount of Proposition 98 funding and, to some degree, as a result of the hold harmless provisions under LCFF, this variance continues.

LAO notes that county offices of education receive the minimum state aid amount on top of their LCFF allocation, further widening the variance between county offices of education funding levels.



Source: Legislative Analyst's Office

The LAO recommends either repealing the minimum state aid allocation for county offices of education or including it within the county office of education LCFF target amount. The LAO estimates that eliminating the minimum state aid allocation would reduce the amount of Proposition 98 resources being provided to county offices of education in 2015-16 by \$60 million and in 2014-15 by \$40 million and make those resources available for other Proposition 98 priorities. Additionally, the LAO believes the Governor has underestimated the cost of implementing the current minimum state aid provision by \$16 million in 2014-15 and \$36 million in 2015-16. The LAO therefore estimates that if the Legislature does not make the recommending change to modify this provision, the budget would need to include this additional amount of Proposition 98 funding.

Staff Comments

LEAs have seen large investments in ongoing funding for the LCFF as the state's economy recovers from the last recession. This trend continues with the 2015-16 Governor's budget proposal, however both the LAO and the Department of Finance show the pace of economic growth slowing, beginning in 2016-17. The Legislature may wish to continue to monitor investments in the LCFF to ensure LEAs reach pre-recession levels of funding and meet their LCFF targets. Funding for any new ongoing programs within the Proposition 98 guarantee over the next few years should be considered within the context of meeting LCFF funding obligations.

Staff notes that the issues the LAO raises around the LCFF calculations for basic aid districts and county offices of education potentially result in some technical LCFF calculation issues, may have distributional impacts, and may interact with other property tax-related calculations. The Department of Finance, Department of Education, and the LAO are committed to working together to continue to examine these issues.

Subcommittee Questions

1. Do the Department of Finance and the Department of Education have a position on the LAO's proposed LCFF calculation changes for school districts and county offices of education?
2. Does the Department of Finance or the LAO have an updated projection on whether the state will reach full implementation of LCFF by 2020-21? If not, when will that be available?
3. If there are additional Proposition 98 funds available at the May Revision, does the Department of Finance anticipate proposing to increase the amount of ongoing funds committed to fully funding the LCFF?

Staff Recommendation

Hold open pending May Revision funding projections and additional information on potential LCFF calculation changes.

Item 2: Local Control and Accountability Plans – Implementation and Technical Assistance (Information Only)**Description**

The LCFF includes new requirements for local planning and accountability that focus on improving student outcomes in state educational priorities and ensuring engagement of parents, students, teachers, school employees, and the public in the local process. In addition, the LCFF features a new system of support and intervention for underperforming LEAs that do not meet their goals for improving student outcomes.

Panel I: Implementation Update

- **Monique Ramos, Department of Education**
- **Peter Birdsall, Executive Director, California County Superintendents Educational Services Association**
- **Brooks Allen, State Board of Education**
- **Carolyn Chu, Legislative Analyst's Office**

Panel II: Local Perspectives

- **Cindy Marten, Superintendent, San Diego Unified School District**
- **Dr. Maria Armstrong, Superintendent, Woodland Joint Unified School District**
- **Dr. Al Mijares, Orange County Superintendent of Schools**
- **Oscar Cruz, President and CEO, Families in Schools**

Background

Local Control and Accountability Plans. To ensure accountability for LCFF funds, the state required that all school districts, charter schools, and county offices of education annually adopt and update a Local Control and Accountability Plan (LCAP). The LCAP must include locally-determined goals, actions, services, and expenditures of LCFF funds for each school year in support of the state educational priorities that are specified in statute, as well as any additional local priorities. In adopting the LCAP, LEAs must consult with parents, students, teachers, and other school employees.

The eight state priorities that must be addressed in the LCAP, for all students and significant student subgroups in a school district and at each school, are:

- Williams settlement issues (adequacy of credentialed teachers, instructional materials, and school facilities).
- Implementation of academic content standards.
- Parental involvement.
- Pupil achievement (in part measured by statewide assessments, Academic Performance Index, and progress of English-language learners toward English proficiency).
- Pupil engagement (as measured by attendance, graduation, and dropout data).
- School climate (in part measured by suspension and expulsion rates).
- The extent to which students have access to a broad course of study.
- Pupil outcomes for non-state-assessed courses of study.

County offices of education must also address the following two priorities:

- Coordination of services for foster youth.
- Coordination of education for expelled students.

LEAs must use the LCAP template that is adopted by the SBE. The board adopted an initial LCAP template through emergency regulations in January of 2014, and LEAs used this template to complete LCAPs for the 2014-15 year. The SBE revised the template based on extensive stakeholder input, to increase transparency and ease of use, in regulations in November of 2014, and this new template will be used for the 2015-16 year. The new template also includes a detailed annual update section for LEAs to compare their planned actions, services, and expenditures in the past LCAP year with estimated actuals and review progress towards and applicability of goals.

School district LCAPs are subject to review and approval by county offices of education, while county office of education LCAPs are subject to review and approval by the State Superintendent of Public Instruction (SPI). Reviews of the first year of LCAPs by advocacy groups, media, and others contained a mix of praise for increased collaboration and outreach with school communities, but also criticism that many LCAPs were unclear in whether they met all statutory and regulatory requirements. The SBE, SPI, and the California County Superintendents Educational Services Association (CCSESA) have begun efforts to increase the quality and transparency of LCAPs, specifically through the revised template, additional outreach and training, and working with county offices of education. Statute also established a process for LEAs to receive technical assistance related to their LCAPs. The SPI is authorized to intervene in a struggling district, under certain conditions. The SBE is required to adopt evaluation rubrics by October of 2015, for the state educational priorities that will assist LEAs and the SPI to assess district and school performance under the LCAPs and to identify where assistance and intervention are warranted. The SBE is currently working with stakeholders to develop the evaluation rubrics, initial drafts have been released for feedback, most recently on the SBE website, and reviewed by SBE at their March board meeting.

California Collaborative for Educational Excellence. The California Collaborative for Educational Excellence (CCEE) was created as part of the new LCFF accountability framework with the role to advise and assist school districts, charter schools, and county offices of education to achieve goals in their LCAPs under the LCFF. The 2013-14 budget provided \$10 million in Proposition 98 funding for the CCEE, and the 2014 education budget trailer bill (SB 858 [Committee on Budget and Fiscal Review], Chapter 32, Statutes of 2014) extended the encumbrance date for these funds through the 2014-15 fiscal year. The first meeting of the CCEE took place in February of 2015.

Report to the Legislature. Statute directed the SBE, in collaboration with the SPI, to complete a report to the Legislature on the roles and responsibilities of those agencies charged with implementing the LCFF, implementation challenges and efforts to address those challenges, a reflection on the first year of LCAPs, and the long-term vision of the SBE. The report, released in February 2015, noted that the most challenging part of implementation to date was the timeline; the SBE had only months to adopt emergency regulations on the expenditure of funds and a template for LEAs to use to complete their LCAPs. LEAs, in turn, had less than six months to complete their LCAPs. The report noted the ongoing efforts of various agencies to support LCFF and LCAP implementation and laid out a vision for continuing to support LEAs and improve the LCAP and LCFF going forward.

LAO Analysis and Recommendations

The LAO released a report in January 2015, titled "Review of School District's 2014-15 Local Control and Accountability Plans." In this report, they reviewed LCAPs from 50 school districts. Their analysis concluded that meeting all of the statutory LCAP requirements was difficult for school districts and required significant effort that may take away from the time school districts' could spend on local instruction or operational needs. The LAO recommends that the Legislature allow school districts to focus their LCAPs on the state priority areas that reflect their highest need or priority instead of covering all state priority areas in the LCAP. They also note that information in the LCAP related to services for English learner and low-income students were often unclear and recommend the

Legislature continue to monitor this reporting requirement and consider clarifying how this information must be collected and reported. Also the LAO recommends that the Legislature consider clarifying metrics under the state priority areas to ensure districts are reporting consistent information and for the state to continue to improve their technical assistance for completing LCAPs, specifically by providing model LCAPs to the field.

Subcommittee Questions

Panel I

1. The LAO's report, and others, identify that many 2014-15 LCAPs failed to meet all the statutory requirements. How are CDE, SBE, and CCSESA working to improve LCAP quality in 2015-16?
2. The SBE has the authority to amend the LCAP without going through the regulatory process. Does the SBE anticipate any changes in the near future?
3. The CCEE has just had its first meeting. When does the SBE envision the CCEE to provide support to the field and what will that support look like?

Panel II

4. What supports/resources did districts and county offices of education receive that were the most helpful in completing the LCAPs in 2014-15? What other resources would be most helpful?
5. How has the school district/ county office of education's relationship with their community (parents, students, other education stakeholders) changed as a result of the LCAP process?
6. What was the biggest program change the school district or county office of education made as a result of the LCFF and the LCAP process?
7. Although LEAs are still in the early stages of LCFF and LCAP implementation, can you share any early results/progress towards LCAP goals?
8. How have parents, guardians, or families, particularly those of "unduplicated" (low income, English learner, and foster youth students) been included in the LCAP process?

Staff Recommendation

Information Only

Item 3: School Facilities**Description**

The Governor's budget proposes the creation of a new program to fund school facilities that relies on significant local financing, with state resources provided only to the neediest schools. In addition, the Governor's budget includes proposals to fund facilities for charter schools and to pay off the remaining balance of the Emergency Repair Program obligation.

Panel

- **Maritza Urquiza, Department of Finance**
- **Jameel Naqvi, Legislative Analyst's Office**
- **Monique Ramos, Department of Education**

Background

State Funding for Facilities. Historically, school facilities have been funded through a combination of state and local funds, with the largest share provided by the state through general obligation bond funding. Since 1998, the state has authorized a total of \$35.4 billion in K-12 facilities bonds. The most recent bond, Proposition 1D, passed in 2006 and provided \$7.3 billion in funds. The state pays the debt service on these bonds from non-Proposition 98 General Fund. Approximately \$50 billion is still owed in debt service and the State Treasurer estimates the state will pay off an average of \$1.7 billion per year through 2044 to retire the existing debt.

Local Funding. School districts have a variety of options to raise funds locally for facilities, including issuing local general obligation bonds, developer fees, certificates of participation, and Mello-Roos taxes. Since 1998, school districts have authorized approximately \$75.2 billion in local general obligation bonds. The voter threshold for local general obligation bonds was lowered to 55 percent in 2000 by Proposition 39. According to the LAO, approximately 80 percent of local bond measures have been approved since the lowering of the voter threshold. Districts are also allowed to levy developer fees to fund up to 100 percent of the project costs. Districts may levy developer fees in three tiers. Tier I is the lowest fee level and is set by the SAB and adjusted for inflation. Tier II fees may be levied if the state is providing new construction funds and are intended to cover over 50 percent of the project costs. Finally, Tier III can cover the full cost of the project if there are no state new construction funds available; Tier III fees have never been enacted.

School Facilities Program. State bond funding has been distributed through the school facilities program, which provided grants largely for new construction and modernization, but also for a handful of other programs such as for charter schools, seismic upgrades, overcrowding reduction, and energy efficiency. For new construction, the state share is intended to cover 50 percent of the cost of the project; and for modernization, the state share increases to 60 percent. The state has no bonding authority left in the new construction and modernization programs. Some authority does remain in the other programs, including: \$141 million in seismic repair and \$32 million for charter schools. School districts that participate in the new construction and modernization programs were required to set aside at least three percent of their annual general fund budget for routine maintenance for 20 years after receiving state funds. This requirement was waived in 2008-09 when the state enacted categorical flexibility policies. Categorical flexibility is set to expire at the end of 2014-15 and the maintenance set-aside requirements will resume.

Governor's Budget Proposal

The Governor's budget proposes a new state facilities program that would target state funding to the neediest school districts by limiting eligibility to school districts that are unable to issue local bonds in amounts that meet student needs, providing priority for health, safety, and severe overcrowding projects, and establishing a sliding scale for determining the state share of funding based on local funding capacity. The Governor also proposes to continue the dialogue with the Legislature and stakeholders that began in the current year about the best way to fund school facilities going forward.

The Governor does make some specific proposals for a new facilities program that would increase local capacity to fund facilities projects in the neediest schools and would not rely on state bond funding. These include:

- Raising the caps on local bonded indebtedness and tax rates associated with individual bond measures. Currently a school district's outstanding debt cannot exceed 2.5 percent of assessed value in the district for a unified school district and 1.25 percent for an elementary or high school district. In addition, districts are capped at levying tax rates to repay bonds at \$60 (unified school district) and \$30 (high school or elementary district) per \$100,000 of assessed value per election. The Governor does not recommend specific caps.
- Establishing consistency in developer fee levels. The Governor proposes to eliminate the three tiers of developer fees and set one fee level between tier II and tier III that could be subject to local negotiation.
- Expand the allowable use of restricted routine maintenance funds to include modernization and new construction.

In addition, the Governor makes additional facilities proposals for the following:

Charter School Facility Grant Program. The Charter School Facility Grant Program was established in 2001 to provide facilities funding for charter schools serving low-income students. Charter schools are eligible for funding if at least 70 percent of the students enrolled are eligible for free or reduced-price meals or if the schools is physically located within an elementary school attendance area where at least 70 percent of the students enrolled are eligible for free or reduced-price meals. The charter schools are funded at \$750 per unit of classroom-based average daily attendance or 75 percent of the annual facilities rent and lease costs, whichever is lower. Legislation enacted in 2014, (AB 948 [Olsen], Chapter 871, Statutes of 2014) amended the Charter School Facility Grant Program eligibility to allow any funds that remain, after funds have been distributed to those charter schools who meet the 70 percent threshold, to be distributed to other charter schools by reducing the free and reduced-price meals threshold one percentage point at a time, but in no case below 60 percent. The state appropriated \$92 million Proposition 98 General Fund for the Charter School Facility Grant Program in 2014-15.

The Governor proposes to increase charter school access to the Charter School Facility Grant Program by reducing the eligibility threshold from 70 to 55 percent of enrollment of students eligible for free or reduced-price meals and provides an additional \$50 million Proposition 98 General Fund for the program.

Emergency Repair Program. The *Williams v. California* lawsuit, originally filed in 2000, charged that the state had failed to give thousands of children the basic tools necessary for their education, in part due to "inadequate, unsafe, and unhealthful facilities." As a part of the *Williams* settlement, SB 6 (Alpert), Chapter 899, Statutes of 2004, established the Emergency Repair Program (ERP). To help fund the ERP, the School Facilities Emergency Repair Account is funded from the Proposition 98 Reversion Account until a total of \$800 million has been disbursed for the purpose of addressing emergency facilities needs at school sites in deciles 1 through 3 based on the 2006 Academic Performance Index. As a continuation of the provisions of the settlement, AB 607 (Goldberg), Chapter 704, Statutes of 2006, adopted and encouraged participation in the ERP by providing grant funding, as well as funding to reimburse applicants for emergency repairs, and provides for a permanent state standard of good repair. Thus far, the state has contributed a total of \$526.6 million for the ERP, including an installment of \$188 million in the 2014-15 budget.

The Governor proposes to provide \$273.4 million in one-time Proposition 98 General Fund to retire the ERP obligation in 2015-16. Of this total, \$110 million is from Proposition 98 savings and the remaining \$163 million is from one-time Proposition 98 funds and counts towards meeting settle-up obligations. The funds would be made available for districts that submitted applications and were approved for ERP funding in 2008. New funding is disbursed to districts in the order in which projects were originally submitted and approved. Over 100 districts have approved ERP projects, at over 700 school sites on file. These projects include emergency repairs such as heating and air conditioning system replacement, plumbing, electrical and roof repair.

LAO Analysis and Recommendations

In their recent report "The 2015-16 Budget: Rethinking How the State Funds School Facilities", the LAO notes that they share many of the concerns the Governor has noted with the existing School Facilities Program, particularly that the current system does not adequately take into account local property wealth, has a first-come, first served system that may favor certain districts, has an overly complex administration, and lacks a complete accountability system.

The LAO lays out a potential new funding system that would require the Legislature to provide an annual facilities grant to school districts to reflect that facilities are an ongoing need because school districts are always expending funds on maintenance, modernization, or new construction. The annualized grant would be based on a per pupil rate. This rate would be adjusted based on local resources and prior state investment in a district's facilities. While the LAO does not determine a specific rate nor total cost for the program, they do suggest that school districts would need an average of \$650 to \$1,300 per student per year from all sources (state and local) to maintain existing school buildings in their current state. The LAO does not specify a fund source, but believes the Legislature could choose to fund a facilities program with Proposition 98 funding. The LAO also suggests using one-time funds to address the current backlog of facilities projects. Finally, the LAO recommends requiring districts to formally adopt a five-year facility plan that would detail the district's plans for maintenance, modernization, and construction of new facilities to accommodate enrollment growth.

Staff Comments

Over the past few years, the Governor has sent a clear message that he does not support a new state general obligation bond to fund school facilities, citing the burden of debt service payments on the General Fund and the need for school facilities funding to be considered in the context of other education needs. However, the Governor's proposal lacks clear detail on the eligibility, funding, and statutory changes that would be needed to shape his proposed facilities program. The Governor's budget emphasizes a willingness to continue a conversation with the Legislature and stakeholders on

these issues. The Legislature may wish to consider the impact of the Governor's proposals to shift much of the school facilities funding responsibility to the local level, particularly the extent to which local financing is feasible and available, the role of the state in ensuring all students have adequate facilities that are properly maintained, and the amount and type of state funding that can be committed to a new program.

The Legislature may also wish to examine how recent legislative changes to the Charter School Facility Grant Program serve to increase access to the current level of ongoing funding for the program before considering the Governor's proposal to increase funding and further increase eligibility.

Finally staff notes that the Governor puts forth a framework for a new facilities program with a variety of components, while some of these changes would be made to individual programs; the Legislature should consider these proposals as a package to ensure that the state ultimately moves toward a comprehensive facilities program that meets the varied school facilities needs across the state.

Subcommittee Questions

1. Does the Department of Finance or LAO have any information on the extent to which school districts flexed their routine restricted maintenance funding under categorical flexibility? Is there evidence to suggest that the routine restricted maintenance percentage would result in unused funds such that these would be available to fund new construction or modernization per the Governor's proposal?
2. In past years the LAO has expressed concerns about paying off the ERP obligation, why does the LAO now support the Governor's current proposal to pay off this obligation?
3. Does the Department of Finance anticipate any facilities funding for charter schools other than the Charter School Facility Grant Program?
4. Charter schools below the 70 percent threshold may already qualify for funds in the charter school facility grant program based on recently passed legislation, why does the Governor's proposal no longer provide priority funding to those over the 70 percent threshold?
5. How much in savings has the Charter School Facility Grant Program allocation program resulted in over the past few years?
6. Why is there existing bond authority for seismic repairs and charter schools? Are there barriers to these programs being fully utilized?

Staff Recommendation:

Hold Open pending May Revision

Item 4: Proposition 39 Energy Efficiency Projects**Description**

The California Clean Energy Jobs Act was created with the approval of Proposition 39 in the November 6, 2012 statewide general election. Under this act, specific proceeds of corporate tax revenues are allocated to the Clean Energy Job Creation Fund through 2017-18, and are available for appropriation by the Legislature for eligible projects to improve energy efficiency and expand clean energy generation. This item includes an update on projects that have been completed or are underway and the Governor's proposal for the 2015-16 expenditure of funds.

Panel

- **Maritza Urquiza, Department of Finance**
- **Monique Ramos, Department of Education**
- **Marcia Smith, California Energy Commission**
- **Dan Troy, California Community Colleges**

Background

Proposition 39 changed the corporate income tax code to require most multistate businesses to determine their California taxable income using a single sales factor method. The increase in the state's corporate tax revenue, resulting from Proposition 39, is allocated half to the General Fund and half to the Clean Energy Job Creation Fund for five fiscal years, from 2013-14 through 2017-18. The Clean Energy Job Creation Fund is available for appropriation by the Legislature for eligible projects to improve energy efficiency and expand clean energy generation. For fiscal years 2013-14 and 2014-15 the state provided \$660 million in Proposition 39 revenue for K-12 energy efficiency projects and planning, \$85 million for community college energy projects, and \$56 million for a revolving loan program to fund similar types of projects in both segments. The state also provided smaller amounts to the California Workforce Investment Board and the California Conservation Corps.

K-12 - Local Educational Agency Proposition 39 Award Program. SB 73 (Committee on Budget and Fiscal Review), Chapter 29, Statutes of 2013, establishes that 89 percent of the funds deposited annually into the Clean Energy Job Creation Fund, and remaining after any transfers or other appropriations, be allocated by the State Superintendent of Public Instruction for awards and made available to LEAs for energy efficiency and clean energy projects. Minimum grant amounts were established for LEAs within the following average daily attendance (ADA) thresholds:

- \$15,000 for LEAs with ADA of 100 students or less.
- \$50,000 for LEAs with ADA of 100 to 1,000 students.
- \$100,000 for LEAs with ADA of 1,000 to 2,000 students.

The Energy Commission, in consultation with the Department of Education, Chancellor's Office and the Public Utilities Commission, was required to develop guidelines for contracts with LEAs. The Energy Commission released these guidelines in December 2013.

In order to receive an energy efficiency project grant, LEAs must submit an expenditure plan to the Energy Commission outlining the energy projects to be funded. The Energy Commission will review these plans to ensure they meet the criteria set forth in the guidelines. The Department of Education distributes funding to LEAs with approved expenditure plans. LEAs can also request funding for planning prior to submission of the plan. The Department of Education notes that as of February 2015, 1,645 LEAs have received planning funds and 216 have received energy project funds. The Energy Commission has approved \$170.8 million in projects affecting 788 schools; of these 80 percent are multi-year projects.

K-12 Proposition 39 Energy Efficiency Funds	
For 2013-14 and 2014-15 fiscal years as of February 2015	
(dollars in millions)	
Total Allocation	\$ 660.0
Planning funds paid	\$ (153.6)
Energy projects paid	\$ (70.3)
Total Payments	\$ (223.9)
Remaining balance	\$ 436.1

Source: Department of Education

California Community College Chancellor’s Office. SB 73 established that 11 percent of the funds deposited annually into the Clean Energy Job Creation Fund be allocated to the California Community College Chancellor’s Office to be made available to community college districts for energy efficiency and clean energy projects.

In conjunction with the Energy Commission, the Chancellor's office developed guidelines for districts as they plan to use Proposition 39 funds. Funding has been distributed to colleges on a per-student basis. In 2013-14, the Proposition 39 allocation was \$36 per full time equivalent students (FTES) and is \$28 per FTES in 2014-15. The guidelines also sought to leverage existing energy efficiency programs, including partnerships most districts had with investor owned utilities. These partnerships had been in existence since 2006, thus most college districts did not need to use Proposition 39 for planning; the planning was complete.

According to the Chancellor's office, for fiscal year 2014-15, \$30.9 million in funding has been allocated for 237 projects. At least 80 percent of the projects approved in 2014-15 are expected to be installed by June 30, 2015. The Chancellor's office estimates annual system-wide cost savings of about \$4.2 million from these projects. About 43 percent of the projects were related to upgrading lighting systems to make them more energy efficient and 32 percent of the projects were related to heating, ventilation, and air conditioning projects (HVAC).

The chart below indicates uses of the funding at community colleges in the first two years of Proposition 39.

Project Type	Number of Projects	Percentage of Total Projects
Lighting	266	50%
HVAC	128	24%
Controls	81	15%
Retrocommissioning (Building tune-ups to optimize control systems)	19	3.5%
Technical Assistance	4	1%
Self-Generation	3	1%
Monitoring-Based Commissioning (Installing metering systems to better track energy usage)	13	2%
Other	19	3.5%
Total Projects	532	100%

The Chancellor’s office reports that in the first two years, community colleges have spent \$70.4 million on these projects and have achieved the following savings:

- \$11.2 million in annual energy costs savings
- 78 kilowatt-hours annual savings
- 1,505 therms annual savings

In 2013-14, the system spent \$5 million of its Proposition 39 funding on workforce development programs related to energy efficiency. In addition, beginning on April 1, the Chancellor’s office will allocate \$4.55 million of the Proposition 39 funding, in the current-year, to provide for job training and workforce development and creating certificate and Associate degree programs. The majority of this funding is being distributed through a request-for-application renewal process designed to align with the CCC’s Doing What Matters for Jobs and the Economy framework, already in place. Another \$240,000 will extend an existing UC Davis contract for additional professional development, curriculum development and training for college instructors. The Chancellor’s Office will be reviewing the workforce development portion of this funding to determine an appropriate amount for 2015-16.

The Governor’s proposed budget provides \$39.5 million in Proposition 39 funding for community colleges in 2015-16. The Chancellor’s office reported that districts have already submitted 300 efficiency projects and 11 solar projects, with total cost of \$77.7 million. The deadline to submit project applications with detailed costs and scope information for 2015-16 is April 3rd. Since Proposition 39 is well established, this year’s projects will focus on larger scale, more comprehensive projects with higher energy savings compared to previous years.

California Energy Commission Energy Conservation Assistance Act – Education Subaccount: Loan and Technical Assistance Grant Program. In 2013-14, \$28 million was appropriated to the Energy Commission for the Energy Conservation Assistance Act – Education Subaccount. Of this amount, about 90 percent was to be made available for low-interest or no-interest loans. The remaining 10 percent was to be transferred to the Energy Commission’s Bright Schools Program to provide technical assistance grants to LEAs and community colleges. The Bright Schools Program technical assistance can provide American Society of Heating, Refrigerating and Air-Conditioning

Engineers (ASHRAE) Level Two energy audits to identify cost-effective energy efficiency measures. The Governor's budget does not include additional funding for the Energy Commission revolving loan program.

California Workforce Investment Board. SB 73 appropriates Proposition 39 funding to the CWIB each year to develop and implement a competitive grant program for eligible workforce training organizations, which prepares disadvantaged youth, veterans, or others for employment.

California Conservation Corps. Funds have been allocated each year to the California Conservation Corps for energy surveys and other energy conservation-related activities for public schools.

Governor's Budget Proposal

The Governor's budget estimates \$736 million in Proposition 39 revenue, based on projections by the Franchise Tax Board. Of this amount, one-half (\$368 million) is dedicated, primarily to schools and community colleges, as follows:

- \$320.1 million and \$39.5 million to K-12 school and community college districts, respectively, for energy efficiency project grants.
- \$5.3 million to the California Conservation Corps for continued technical assistance to K-12 school districts.
- \$3 million to the California Workforce Investment Board for continued implementation of the job-training program.

Subcommittee Questions

1. What types of projects have yielded the most energy savings for K-12 schools or community colleges?
2. There are still over \$400 million in funds available for K-12 school districts, when will these funds be allocated for projects?

Staff Recommendation

Hold open pending updated revenue projections at May Revision.

SUBCOMMITTEE NO. 1

Agenda

Senator Marty Block, Chair
Senator Benjamin Allen
Senator Mike Morrell



Thursday, March 26, 2015
9:30 a.m. or Upon Adjournment of Session
Room 3191, State Capitol

Consultants: Elisa Wynne and Anita Lee

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

6110 DEPARTMENT OF EDUCATION**Item 1: Adult Education and AB 86 Cabinet Report Oversight****Description**

New Adult Education Block Grant. The Governor's budget proposes to provide \$500 million in Proposition 98 funding on an ongoing basis for a new Adult Education Block Grant. The Governor's budget proposal is intended to build off of the last two years of planning and fund adult education programs through regional consortia.

Panel

- **Keith Nezaam, Department of Finance**
- **Natasha Collins, Legislative Analyst's Office (LAO)**
- **Dan Troy, Chancellor's Office of California Community Colleges**
- **Monique Ramos, California Department of Education**

Background

Adult education has been delivered by a variety of different providers in different areas of the state. These providers primarily include community colleges and adult schools operated by school districts, but other local providers such as libraries participate in some areas. According to a recent report submitted by CDE and the CCC Chancellor's Office, required by AB 86 (Committee on Budget), Chapter 43, Statutes of 2013, there are 554 adult schools and 250 community college adult programs. Adult school offerings began declining after the introduction of categorical flexibility in 2008-09 (discussed below). Recent enrollment counts from the report estimate that enrollment fell in adult education programs from 2.3 million students enrolled in 2008-09 to close to 1.5 million students currently being served.

Historically, adult education has lacked a clear definition and core mission and covered everything from learning English to completing secondary education to personal enrichment. Adult schools operated by school districts generally provide more of the literacy, high school diploma, English as a second language, and citizenship-related instruction, while community colleges have focused more on remedial instruction to prepare a student for college-level coursework and vocational education. However this school district and community college divide in education offerings is not consistent across the state, and local regions split adult education offerings in a variety of ways.

Funding. Prior to 2008-09, school districts operating adult schools received Proposition 98 funding, based on average daily attendance (ADA) at a specified rate for services, through a categorical block grant (approximately \$635 million annually). However under the policy of categorical flexibility (enacted in 2008-09), school districts' categorical funds, including those for adult education, were reduced but categorical dollars could be used for any purpose through 2014-15. This new flexibility was intended to help soften the significant cuts made to education funding as a result of the recession. The Department of Finance (DOF) estimates that roughly \$300 to \$350 million Proposition 98 is spent on adult education by school districts. Commencing with the 2013-14 fiscal year, the state transitioned to funding K-12 education under a new Local Control Funding Formula (LCFF). This new formula eliminated most categorical programs, including adult education, and instead provided school districts with a grade span adjusted per ADA amount based on the number and type (low income, English learner and foster youth students generate additional funds) of K-12 students. In order to protect adult education programs as the state transitioned to LCFF, the Legislature and the Governor

enacted a maintenance-of-effort requirement to ensure school districts continued to expend, from their LCFF allocation, the same amount of funds on adult education as they had in 2012-13 through the 2014-15 fiscal years.

Community colleges receive funding for adult education through Proposition 98 apportionments and receive different rates per student, based on the type of course and whether it is credit or non-credit instruction. According to the LAO, in 2014-15, community colleges received \$6.9 billion in Proposition 98 funding (both General Fund and property taxes) to serve 2.3 million students (1.1 million full-time equivalent students). Of this, \$5.8 billion was for apportionments, including \$5.6 billion for credit instruction (1.1 million full time equivalent students) and about \$230 million for non-credit instruction (70,000 full time equivalent students). The remainder includes categorical funding. The CCC Chancellor's Office estimates that about \$1.2 billion is spent on adult education annually from apportionments.

While adult education is funded primarily through Proposition 98 resources that are allocated for adult schools and community colleges, as discussed above, there are other funds sources as well. Some providers also receive federal funds through the Workforce Investment Act (WIA), recently reauthorized as the newly passed Workforce Innovation and Opportunity Act (WIOA); in 2014-15 a total of \$86 million supported providers, including 139 adult schools and 19 community colleges, according to the LAO. Finally, adult education providers have some authority to charge fees: community colleges can charge fees for credit instruction and adult schools can charge fees for English as a second language, citizenship, vocational courses and other instructional areas. Fee revenue according to the LAO, is in the low tens of millions for school districts and approximately \$120 million for community colleges.

A New Vision. At the same time LCFF was enacted to change the funding structure of K-12 education, the 2013 Budget Act and accompanying legislation in AB 86 set up a new structure for adult education that included:

- \$25 million in planning grants for regional consortia that consist of school districts and community colleges and could include other local providers of adult education services. These funds could be used to examine existing adult education services, determine regional needs, and create a program plan to address adult education needs.
- Reporting on the planning from the California Department of Education and the Community Colleges Chancellor's Office, referred to as the AB 86 Cabinet, due to the Legislature and Governor in March of 2014, and again in March of 2015.
- Intent language to continue to develop common policies for adult education and to fund an adult education program based on the consortia plans, commencing in 2015-16.

The March 2014 report from the AB 86 Cabinet detailed the organizational structure for the consortia, the initial planning process and the participants; 70 consortia (280 school districts and 72 community college districts) formed and received planning grants. These include all community college districts and all school districts operating adult education programs.

The March 2015 Cabinet report addressed each of the following, as required under LCFF statutes and additional legislation enacted in SB 173 (Liu), Chapter 545, Statutes of 2014:

- Current adult education services in each consortia region and any gaps in service.
- Plans to create linkages between services, leverage existing regional structures, such as local workforce investment boards, and create collaboration on professional development for providers.
- Strategies to accelerate student progress towards academic and career goals.
- Recommendations on creating common assessment and placement policies for adult education students at adult schools and community colleges, linked data systems, consistent fee policies, and a comprehensive accountability system.

The March 2015 report identified the populations eligible for adult education services compared to enrollment, the enrollment numbers before and after the recession, and waiting lists for adult education services in local areas to help determine the gap in services across the state. The total enrollment change from 2008-09 to 2012-13 across the AB 86 education categories reflects a decrease of 36 percent, while the percentage of the eligible population who receive services from K-12 or community colleges (the high-end indicator of need) varies across the state from 7 to 15 percent.

The report recommends that regions begin to address this need by focusing on restoring the capacity lost during the last recession, and exploring other delivery methods, such as online instruction. Other recommendations include hiring full-time faculty and counselors, and ensuring a dedicated funding stream.

The report identified a variety of existing and developing linkages across the two systems that vary by region. These include increased joint planning, data collection, instruction, transition support, and partnerships. Moving forward, the report recommends that the existing curricula be aligned across all five AB 86 program areas and between and within the K-12 and community college systems. To support this effort, additional professional development is recommended, not just for faculty, but also for counselors, so that there is a better understanding of options and pathways for adult students within a region-wide system.

In addition to the recommendations for strengthening curricula and professional development, the report identifies additional support structures that adult education can provide for students, both academic and social. Other recommendations reflect the integration of the adult education system into the community e.g. varied course offering times, childcare provisions if needed, and partnering with other community services.

The report recommends that the Legislature: 1) Consider the trade-offs of eliminating fees or establishing a consistent fee policy; 2) Convene a working group of the Department of Education and the Chancellor's office to consider existing assessments and to develop an integrated assessment system; and 3) Create a common approach to capturing data by leveraging existing systems and creating centralized data clearinghouses. To support and facilitate this process a shared set of data inputs and outputs would need to be determined, and especially a common student identifier system. The report does not specify the extent to which additional funds would be needed or these activities.

Finally, the report also specifically notes the value of the regional consortia planning process and specifies a need to continue this effort and to further this collaboration into the faculty level.

Governor's Budget Proposal

Under the proposal, the Chancellor of the Community Colleges (Chancellor), the Superintendent of Public Instruction (Superintendent) with the concurrence of the executive director of the State Board of Education (SBE) shall approve one adult education consortium in each region based on the current planning effort. The consortium shall provide for adult education in the region, based on the regional plan developed under the AB 86 planning process for 2015-16, and shall update and approve a plan annually thereafter that includes the following:

- An evaluation of the adult education needs.
- An evaluation of the current adult education services.
- An evaluation of the funds available for adult education, including from fund sources than the adult education block grant.
- Actions that can be taken to address adult education needs.
- Actions that can be taken to improve the delivery of services.
- Actions that can be taken to better transition adult education recipients into postsecondary education and/or the workforce.
- A description of alignment of adult education services with other plans from all providers, including those pursuant to the federal WIOA.

The governance structure of the adult education consortium would include all community college districts, school districts, or county offices of education that wished to join as members within the region. The consortium would be required to consult with other adult education and service providers in the region when developing their annual plans.

The chancellor and the superintendent, with the concurrence of the executive director of the SBE, would jointly approve the allocation of funds to consortia on an annual basis and shall consider prior year funding, share of statewide adult education need, and effectiveness of the consortium at meeting adult education needs, when determining the distribution of funds. Each consortium shall establish an allocation board that will approve the allocation schedule for funds in their region consistent with their annual plan and select a fiscal administrator for the distribution of the funds. The allocation board would consist of seven members, representing: community colleges, K-12 school districts, other adult education providers, local workforce investment boards, county social services departments, correctional rehabilitation programs, and a public member. Funds may be used for the following purposes, with up to five percent reserved for administration of the consortium:

- Elementary and secondary basic education
- Citizenship, English as a second language, and workforce preparation for immigrants
- Education for adults with disabilities
- Career technical education
- Apprenticeship and pre-apprenticeship programs subject to some conditions.

In 2015-16, the funds would first be allocated to K-12 school districts in the amount of their MOE requirements in previous years, and remaining funds would be allocated to regional consortia. In future years, all block grant funding would be allocated to regional consortia under the structure described above.

Annual reporting to the Legislature on consortium expenditures, activities, and outcomes would be provided by September 30 of each year.

Finally, the Governor also proposes to consolidate the Adults in Correctional Facilities program into the new adult education block grant in 2015-16. The 2015-16 Governor's budget provides reimbursement funding for the 2014-15 activities provided by this program. The Governor proposes, that commencing with 2015-16, these activities are funded from the adult education block grant.

Legislative Analyst's Office Analysis and Recommendations

The LAO recommends adopting the Governor's proposed adult education block grant, a one-year hold harmless provision for adult schools, and adopting the proposed reporting requirement on spending and outcomes.

While the LAO recommends adopting the Governor's proposal, they also recommend making several modifications. Specifically, the LAO has concerns regarding the parameters and function of the allocation committees, and recommends the Legislature request additional information from the Administration on how the committees will be held accountable for the actions, and how decisions would be made should a board not agree to an allocation plan. Alternatively, LAO states that the role of the committees could be modified to an advisory role, and leave formal authority for the allocation of funds to the designated consortia members.

Moreover, the LAO states that annual consortia planning is very time consuming and may be over burdensome for a region, and recommends the Legislature to extend the life of the comprehensive regional plans. Instead of updating every year, the LAO suggests updating them less frequently, from an annual basis to four years, which is consistent with the WIOA planning cycle. Additionally, LAO recommends gradually shifting future augmentations to reflect needs and performance.

Staff Comments

The Governor's proposal builds on the planning work done over the past two years. While the final AB 86 Cabinet report has been released, several outstanding questions and concerns around the funding and future of adult education remain.

As mentioned above, the Governor's budget proposal requires each adult education consortia to develop an annual plan, and select members for an allocation committee to determine the distribution of funds. Membership of the allocation committee is not limited to traditional Proposition 98 entities, such as school districts or community colleges. Instead the allocation committee includes other non-Proposition 98 entities, such as workforce development boards and libraries, that traditionally have not been a part of any decision making on how Proposition 98 funding is spent. This added level of bureaucracy has raised questions about whether it is appropriate to have entities and officials with no traditional involvement in Proposition 98 make decisions on how these new adult education funds are spent. Additionally, having two separate groups working on planning and spending may slow down the process of distributing funding. The Legislature may wish to consider whether this is the appropriate governance structure to distribute these funds.

Additionally, under the Governor's proposal, the adult education block grant only consists of Proposition 98 General Fund. However, there are other sources that fund adult education, including the Workforce Investment Act, which provide funds for adult literacy at schools, community colleges, libraries. If the goal of the Governor's proposal is to encourage collaboration and holistic regional coordination of adult education services, the Legislature may wish to consider how to best incentivize these programs to work together.

The Governor's proposal also provides no explanation of what formal authority and accountability the allocation committees would have for directing the flow of state dollars. For example, should issues

arise with the allocation committee on how the funds are spent, it is unclear who would hold the allocation committee accountable, and conversely, who would be held accountable for those issues. Thus, under the Governor's proposal, the level of accountability and oversight over the allocation committee and their decision making is unclear.

While the local allocation committees have very little oversight; on the state level, the State Board of Education may have too much oversight authority over the Chancellor and the Superintendent. Under the Governor's proposal, the executive director of the board has veto authority on every activity conducted by the Superintendent and Chancellor. Since the State Board of Education has had relatively little experience with adult education programs and previously did not oversee these programs, this level of oversight seems unusual, and overly burdensome.

The outcomes reporting requirement under the Governor's proposal has merit, however more clarity is needed to ensure consistent data collection and a common accountability approach. The Governor's proposal does not define what type of outcomes to report, nor do they define what "effectiveness" means in meeting adult education needs. In order to monitor the progress of adult education students and whether or not a consortium is meeting the needs of its region, consortia, the Chancellor, and the Superintendent should report on common metrics. The Legislature may wish to require reporting on various metrics such as number of degrees earned, number of adults who gained employment, number of adults who earned high school diplomas or GEDs, and other metrics that encourage regional collaboration.

The Legislature anticipated that the March 2015 AB 86 Cabinet report would further inform the discussion on the future adult education program. The 2013-14 budget provided significant funding for regional consortia planning and statewide planning. However, the report lacks specifics in many of the areas where it was expected to add insight and detail. The Legislature may wish to ask the AB 86 Cabinet to determine which recommendations are of the most value, are achievable in the short term, and what the need for additional funding, statute, or regulation is. For those areas where the AB 86 Cabinet was unable to come to a clear resolution and recommendation; for example establishing a consistent fee policy, the Legislature may wish to provide further guidance. The timelines and deliverables for any further activities should be clearly set in statute and aligned with further implementation of the adult education program. Priorities among these activities should include data collection, including establishment of uniform inputs and outputs, and an integrated assessment system.

Subcommittee Questions

- 1) How far does \$500 million go in meeting adult education program needs? Are there factors the Legislature should consider when determining the ongoing funding level for this program?
- 2) Are the Department of Finance and the Department of Education able to determine the amount of adult education funds that were provided to the five AB 86 adult education areas by school districts under the MOE for purposes of allocation in 2015-16?
- 3) The Adults in Correctional Facilities categorical program is proposed to be rolled into the adult education block grant. Funds for this program were not part of the adult education MOE in place for the past two years. Do these programs receive the same funding protections in 2015-16 as other adult education programs under the Governor's proposal?
- 4) What actions can be taken based on the AB 86 Cabinet report? What actions should be prioritized and what support or guidance is needed from the state to move forward on these actions?

- 5) What are the characteristics of the most successful regional consortia? Can these be replicated across the state?
- 6) How consistent are the federal data and accountability requirements under WIOA with the data and accountability measures that the AB 86 Cabinet consider necessary for a state adult education system?

Staff Recommendation

Hold open pending May Revision.

Item 2: Career Technical Education Proposals

Issue 1: K-12 Career Technical Education

- **Megan Stanton-Trehan, Department of Finance**
- **Natasha Collins, Legislative Analyst’s Office**
- **Monique Ramos, California Department of Education**

Issue 2: Community College Career Technical Education

- **Keith Nezaam, Department of Finance**
- **Judith Heiman, Legislative Analyst’s Office**
- **Dan Troy, California Community Colleges Chancellor’s Office**

Issue 3: Local Perspective

- **Jim Aschwanden, Executive Director of the California Agricultural Teachers Association**
- **Randy Page, Director, Regional Occupational Programs and Career Technical Education, Sutter County, and President of the California Association of Regional Occupational Centers and Programs**
- **Mollie Smith, Director of Occupational and Noncredit Programs at Palomar College**

Issue 1: 6110 DEPARTMENT OF EDUCATION, CAREER TECHNICAL EDUCATION

Background

The California Department of Education defines career technical education as a “...program of study that involves a multiyear sequence of courses that integrates core academic knowledge with technical and occupational knowledge to provide students with a pathway to postsecondary education and careers.” It further defines 15 industry fields for career technical education as noted in the table below:

Industry Sectors	
Agriculture	Health Science and Medical Technology
Arts, Media, and Entertainment	Hospitality, Tourism, and Recreation
Building Trades and Construction	Information Technology
Business and Finance	Manufacturing and Product Development
Child Development and Family Services	Marketing, Sales, and Services
Energy and Utilities	Public Services
Engineering and Design	Transportation
Fashion and Interior Design	

Career technical education has been provided through a variety of programs in California:

- **Regional Occupational Centers and Programs (ROCPs).** ROCPs provide services for high school students over 16 and some adult students. According to the California Department of Education, approximately 470,000 students enroll in ROCPs each year. Students may receive training at schools or regional centers. The provision of career

technical education services by ROCPs varies across the state and services are provided under the following organizational structures: 1) county office of education operates an ROCP in which school districts participate, 2) school districts participate in a joint powers agreement that operates an ROCP, or 3) a single school district operates an ROCP. Funding for ROCPs historically was on an hourly attendance basis, but is now provided under the LCFF.

Prior to 2008-09, ROCPs received funding through a categorical block grant (approximately \$450 million Proposition 98 annually). However, similar to adult education, under the policy of categorical flexibility, school districts could use ROCP funds for any purpose through 2012-13. Commencing with the 2013-14 fiscal year, the state transitioned to funding K-12 education under a new LCFF. This new formula eliminated most categorical programs including separate ROCP funding and instead provided school districts with a grade span adjusted per ADA amount based on the number and type (low income, English learner and foster youth students generate additional funds) of K-12 students. The high school grade span rate included an additional 2.6 percent increase over the base grant to represent the cost of career technical education in high schools; however, school districts are not required to spend this funding on career technical education. In order to protect career technical education programs as the state transitioned to LCFF, the Legislature and the Governor enacted a maintenance-of-effort requirement to ensure local educational agencies continued to expend, from their LCFF allocation, the same amount of funds on career technical education as they had in 2012-13 through the 2014-15 fiscal year. According to the California Department of Education, prior to this new flexibility there were 75 ROCP programs in the state and approximately six have closed or are planning to close since categorical flexibility was enacted.

- **Other Career Technical Education Categorical Programs.** Three additional high school career technical education categorical programs exist outside of LCFF. The Specialized Secondary Program provides seed funds for pilot programs in specialized fields and supports two high schools with special programs in math, science, and the arts. The Agricultural Career Technical Education Incentive Program provides funds to support non-salary expenses for agriculture education. Finally, the California Partnership Academies support smaller scale instruction cohorts in career-related fields. Combined these categorical programs receive approximately \$39 million in Proposition 98 funds. The Governor proposed folding the Specialized Secondary Program and the Agricultural Career Technical Education Incentive Program into LCFF in 2014-15; however, the Legislature rejected the proposal and retained separate funding to support these programs which are particularly important in specific regions of the state.
- **Career Pathways Trust and Career Technical Education Pathways Initiative.** Two grant programs provide funding to support building collaboration between career technical education programs in LEAs, postsecondary education institutions and the business community. The Career Pathways Trust is a one-time competitive grant program that provided \$250 million in one-time Proposition 98 funding (available for expenditure for the 2014-15 and 2015-16). The CTE Pathways Initiative is a partnership between the California Community Colleges and the Department of Education to provide CCC and K-12 students with technical training, mentorships, STEM academies, internships, and high-wage employment opportunities.

Governor's Proposal

New Career Technical Education Competitive Grant Program. The Governor's budget proposes to provide \$250 million in one-time Proposition 98 funding for each of the next three years for a Career Technical Education Incentive Grant program. This program would provide funding for school districts, charter schools, and county offices of education to develop and expand career technical education programs. Grantees would be required to provide dollar-for-dollar matching funds, including funding from any source, such as the Local Control Funding Formula, foundation funds, federal Perkins Grant, California Partnership Academies, the Agricultural Incentive Grant, and the California Career Pathways Trust. Grantees must also provide a plan for continued support of the program after the expiration of the three year grant and provide the following at a minimum:

- Curriculum and instruction aligned with the California Career Technical Education Model Curriculum Standards
- Quality career exploration and guidance for students
- Pupil support and leadership development
- System alignment and coherence
- Opportunities for after-school, extended day, and out-of-school work based learning
- Reflect regional or local labor market demands, and focus on high skill, high wage, or high demand occupations
- Lead to an industry recognized credential, certificate, or appropriate post-secondary training or employment
- Skilled teachers or faculty with professional development opportunities
- Data reporting

The California Department of Education in conjunction with the California State Board of Education shall determine whether a grantee continues to receive funds after the initial year based on the grantee's success in achieving positive outcomes in the following areas:

- Number of pupils graduating high school
- Number of pupils completing career technical education coursework
- Number of pupils obtaining an industry-recognized credential, certificate, license, or other measure of technical skill attainment.
- Number of former pupils employed and types of employment.
- Number of former pupils enrolled in postsecondary education, apprenticeships, or other job training.

Priority for funding would be given to regional partnerships and those that effectively leverage existing federal and state resources.

LAO Analysis and Recommendations

The LAO recommends that the Legislature reject the Governor's proposal to establish the Career Technical Education Incentive Grant Program and continue to focus on incentivizing career technical education through outcome based-reporting. They note the program is inconsistent with LCFF and allowing school districts to determine locally which programs provide the most value for their students. The LAO notes that school districts are incentivized to continue high quality career technical education programs as a result of the accountability system under LCFF. Career technical education helps to ensure students remain engaged in school and meet academic standards. Outcomes for student academics and engagement are already required to be reported in the district's Local Control and Accountability Plan (LCAP). In addition, districts must report on completion of career readiness through the LCAP. Finally, the LAO notes that the Department of Education continues to work on

adding a career-readiness indicator to the Academic Performance Index (API) and recommends that the department update the Legislature on the progress in this area.

Staff Comments

Under LCFF, school districts and county offices of education no longer receive separate career technical education categorical funds for ROCPs. Similar to other programs previously funded with categorical funding, school districts could choose to continue to support programs that met the needs of their students at funding levels they deem appropriate locally. The intention of LCFF is that school districts would retain their most successful programs and use the flexibility to amend, strengthen, or eliminate other programs, based on local needs. The Governor and Legislature agreed to an MOE requirement on career technical education programs for two years to ensure LEAs had time to transition to LCFF. In addition, some school districts participated in county office of education programs or other regional programs and the MOE allowed participants time to examine these program relationships in light of the new funding requirements. The new Career Technical Education Incentive Grant Program would allow school districts and county offices of education an additional three years to transition to funding of career technical education within LCFF. The Governor's proposed program includes requirements for a local match, eligibility, and accountability.

The Legislature may wish to consider whether to continue a categorical program outside of the LCFF rather than continuing with the original plan to transition this program to LCFF in 2015-16. If the Legislature does wish to continue a short-term categorical program, it is important to ensure that the eligibility and accountability requirements are not overly burdensome and are aligned with the LCFF and LCAP so that three years from now, school districts and county offices of education are in a position to retain and support career technical education programs within their LCFF resources.

Subcommittee Questions

- 1) How does the proposed Career Technical Incentive Grant allow for new innovative programs to be eligible for funds? These programs may not have data on the eligibility and accountability requirements immediately, and in some categories, not until the program is scheduled to sunset.
- 2) The accountability requirements for this new program exceed those currently required for Career Technical Education in the LCAP. Does the Department of Finance support amending LCAP statute to include more rigorous Career Technical Education indicators?
- 3) How will the career-readiness indicators, set to be included in the API, contribute to high-quality career technical education?

Staff Recommendation

Hold open pending May Revision.

Issue 2: 6870 COMMUNITY COLLEGES CAREER TECHNICAL EDUCATION**Description**

The Governor's budget proposes to extend the CTE Pathways Initiative Program through 2015-16 by providing \$48 million in 2014-15 Proposition 98 funds. The Governor's budget also proposes an additional \$29 million Proposition 98 General Fund for the expansion of apprenticeship programs, and \$49 million in Proposition 98 funds to reflect an increase in the funding rate for career development and college preparation non-credit courses to equal the rate provided for credit courses.

Background

According to an inventory of CTE courses published in 2012 by the Institute for Higher Education Leadership and Policy at Sacramento State University, community colleges collectively offered about 8,000 CTE certificate programs and 4,500 associate degree programs. Despite this diversity of courses, enrollment and completions are concentrated in a few fields, as the table below indicates.

Field	Share of Enrollment	Share of Completions
Administration of Justice	8%	9%
Nursing	8%	13%
Child Development/Early Care and Education	7%	10%
Accounting	6%	4%
Fire Technology	5%	5%
Office Technology/Office Computer Application	4%	2%
Information Technology, General	3%	<1%
Nutrition, Foods, and Culinary Arts	3%	2%
Cosmetology and Barbering	3%	2%
Automotive Technology	3%	3%

Source: Institute for Higher Education Leadership and Policy

The Division of Workforce and Economic Development within the Chancellor's Office provides support and manages grants for CTE programs across the state. The division manages other sources of CTE funding aside from apportionment funding, including the following:

Apprenticeship. Apprenticeships are paid education work programs that pair adult students with skilled workers for supervised, hands-on learning. Apprenticeship programs are commonly sponsored by business or labor unions that help design and support the programs. In addition to on-the-job training, apprentices also have classroom instruction through K-12 or community college partners. Classroom time, known as related supplemental instruction (RSI), is a smaller component of apprenticeships than training, and classroom hour requirements vary by industry. State funding helps support some costs of RSI by providing about \$5 for every hour of instruction.

The 2013 Budget Act moved the apprenticeship program previously administered by the Department of Education into the community college budget. Thus there are now two apprenticeship categorical programs administered by the Chancellor's Office: one originally administered by CCC and the one transferred from CDE. Funding in 2014-15 was \$7.2 million Proposition 98 General Fund for the community college program and \$15.7 million Proposition 98 General Fund for the K-12 program; funding levels are proposed to be \$31.4 million and \$20.5 million in 2015-16, respectively.

CTE Pathways Program. SB 70 (Scott), Chapter 352, Statutes of 2005, established the CTE Pathways Program, which directed the Board of Governors of the California Community Colleges to work with the CDE to improve linkages and career-technical education pathways between high schools and community colleges in order to create opportunities for students in both education systems. SB 1070 (Steinberg), Chapter 433, Statutes of 2012, reauthorized the program. The CTE Pathways Program provides competitive grants to consortia that must include community colleges and high school districts. The goal of the program is to help regions develop, over a three-year period, sustainable policies and infrastructure to improve CTE pathways among schools, community colleges, and regional businesses and labor organizations. CDE and the Chancellor's Office jointly administer the grants that work towards eight objectives outlined in SB 1070 (Steinberg). These objectives include aligning secondary and postsecondary CTE programs to create seamless transition for students, providing professional development to facilitate CTE partnerships, and increasing attainment of industry recognized certificates. The initiative helped build 5,792 partnerships, developed over 1,000 courses, provided trainings or externships to 36,000 staff at high schools and community colleges, and served approximately 750,000 students.

Economic and Workforce Development Program. This categorical grant program funds the development of programs that address regional workforce needs and supports regional centers, hubs, or advisory bodies, among other things. The Chancellor's Office has recently used this funding to hire statewide and regional experts in specific industries to help improve and coordinate programs to benefit local economies, as well as other efforts for the Doing What Matters for Jobs and the Economy, which is described below. This program received \$72.9 million in 2014-15, which includes a \$50 million one-time grant program. For 2015-16 the Governor proposes \$22.9 million, the same as its 2013-14 level.

Carl D. Perkins Career Technical Education Program. The Carl D. Perkins Career Technical Education Program provides \$113 million in ongoing federal funding for CTE programs, with half going to the K-12 system and half going to community colleges. Of these funds, 85 percent goes directly to LEAs and community colleges to be used for CTE purposes, including curriculum, professional development, and purchasing equipment and supplies. The remaining 15 percent is provided to the CDE and the Community College Chancellor's Office for administration of various CTE programs.

Nursing Program Support. This is a categorical program that provides grants to colleges to increase nursing program enrollment and completion rates. The grants are distributed on a two-year basis. Funding in 2014-15 was \$13.4 million Proposition 98 General Fund and is proposed for the same amount in 2015-16.

Doing What Matters for Jobs and the Economy. In an effort to better align CTE and workforce development programs with regional employer needs, the Chancellor's Office launched an initiative requiring regional collaboration between colleges and industry. The 11 economic regions are working to develop plans to better support programs for the sectors they have selected. Among the sectors are:

- Advanced Manufacturing
- Advanced Transportation and Renewables
- Agriculture, Water and Environmental Technologies
- Energy Efficiency and Utilities
- Global Trade and Logistics
- Health
- Information and Communication Technologies/Digital Media
- Life Sciences/Biotech

- Retail/Hospitality/Tourism
- Small Business

On November 17, 2014, the California Community Colleges Board of Governors commissioned the Task Force on Workforce, Job Creation and a Strong Economy which is comprised of 26 leaders from across the community college system, the business community, labor, public agencies involved in workforce training, community-based organizations, K-12 policy, and other groups. The goal of the taskforce is to consider strategies and develop recommend policies and practices on how the community college system can improve workforce training. Specifically, the task force will develop policy recommendations and practices that would:

- Prepare students for high-value jobs that currently and will exist in the state
- Position California's regions to attract high-value jobs in key industry sectors from other states and around the globe
- Create more jobs through workforce training that enables small business development, and
- Finance these initiatives by braiding state and federal resources

Over the last several months, the taskforce held 11 regional college conversations with community college chief executive officers, chief information officers, career technical education deans, and faculty, among others, to help develop recommendations for the priorities outlined above. From these conversations, five recommendation categories were observed: 1) workforce data and outcomes, 2) curriculum and instructors, 3) structured career pathways and student support, 4) funding, and 5) regional coordination. The task force will present the final policy and regulatory recommendations to the Board of Governors in September, 2015.

Governor's Budget Proposal

CTE Pathways Program. The Governor's proposed budget provides \$48 million in one-time Proposition 98 Funds to extend the CTE Pathways Program for one year. The Governor plans to use 2014-15 Proposition 98 General Fund to support the extension and funds can be used to cover existing grants or fund new grants for ongoing programs or initiatives with one-time goals. As mentioned previously, CDE and CDE jointly allocate funding for programs through an interagency agreement.

In the Chancellor's Office 2015-16 draft expenditure plan proposes spending the 2015-16 grants on:

- Certificate development and sector pathway alignment and training
- Creating additional pathways for Science Technology Engineering and Mathematics
- Funding existing and new California Partnership Academies
- Professional development to middle and high school teachers, and community college faculty
- Enhancing Science Technology Engineer Mathematics pathways programs
- Mapping of current regional and state pathways projects, training and infrastructure, among others

Apprenticeship. The Governor's proposed budget also provides \$51.9 million Proposition 98 General Fund for the two apprenticeship programs, a \$29 million increase over current-year funding levels. The increase would increase rates paid for apprenticeship instruction back to pre-recession levels, and support new apprenticeship programs in high-demand labor markets.

About \$14 million of the new apprenticeship funding would increase apprenticeship slots and raise the RSI from \$5.04 to \$5.46 to match the CCC noncredit hourly rate. This would bring the total amount for existing apprenticeships to \$27 million.

Additionally, the Governor also provides \$15 million in new, ongoing funding to support the development of apprenticeships in high-demand occupations. The Chancellor's Office indicates that they would create apprenticeships in nontraditional areas, such as:

- Healthcare: Radiology Technician, Community Health Worker, Certified Nursing Assistant
- Information & Communications Tech: Network Security, Applications Developer, Software analyst
- Advanced Manufacturing: Industrial Maintenance Mechanic, Computer Numeric Control (CNC) Milling Operator

The 2014-15 budget act established the CTE Enhancement Fund, which allocated, on a one time basis, \$50 million to help community college CTE programs purchase equipment, align and develop curriculum and provide professional development training. The Chancellor's office distributed funds to districts based on a formula that factored in CTE full-time students, all full time students, and the number of colleges in each region. A majority of these one-time funds went toward purchasing or upgrading equipment. Class sizes in CTE programs need to be smaller in order to give students hands-on experience with specialized equipment. Additional funds were used to provide professional development, and identify priorities and emerging sectors in ten industries. The Governor's 2015-16 budget proposal does not include funding for the enhancement fund.

Legislative Analyst's Office Analysis and Recommendations

The LAO recommends rejecting the Governor's proposal to extend the CTE Pathways Program. LAO states this proposal is counter to the state's school funding approach, which relies heavily on accountability for results, rather than dedicated funding tied to specific programmatic requirements. Instead, the Legislature could use associated funds for other high one-time Proposition 98 priorities.

The LAO also recommends rejecting the Governor's proposal on apprenticeship programs. LAO states that apprenticeship education is already included as one of the five priority areas for the Governor's proposed adult education block grant, and as a result, the Governor's proposal would fund the same goal in two different areas, increasing fragmentation and hindering integration. LAO recommends folding the apprenticeship categorical program into the adult education block grant.

Staff Comments

Over the last eight years, the CTE Pathways Program provided more than \$380 million to improve CTE through various local, statewide and regional initiatives. In particular, grants have funded CA Partnership Academies, which are small learning communities within a high school; the teacher preparation pipeline; and developed industry-specific model courses for statewide use that meet "a-g" requirements for the University of California, among others. The subcommittee may wish to ask the Administration and the Chancellor's Office whether it will continue to support some, or all of these programs in the future.

Additionally, both the Administration and the LAO have noted that the state has a myriad of career development programs that overlap, or operate in silos, from other programs. Under the federal Workforce Innovation and Opportunity Act, efforts to better coordinate these programs are underway with the development of a new statewide workforce plan, as well as the Chancellor's new Task Force on Workforce, Job Creation and a Strong Economy.

While the CTE Pathways Program has made significant strides in enhancing regional and local coordination, there are still some challenges regarding outcome measures, data collection and updating curriculum. In a recent WestEd report, *Career Technical Education Pathways Initiative Final Report*, it notes that the program lacks the ability to track students from one system to the next. Specifically, there is no unique identification code that follows students as they transition between segments. Data reports only provide yearly snapshots of participation in grant-funded programs, rather than following cohorts of students through pathways to determine the impact of the grant dollars over time. The Legislature may wish to ask the Chancellor's Office about specific steps that could be taken to ensure better data collection and coordination.

Apprenticeships play an important role in preparing our state's workforce with the skills and tools to obtain jobs and higher wages. In early 2015, California had over 53,000 active apprentices in 47 trades. The most common apprenticeships are construction trades and public safety, which make up over 75 percent of apprentices. During the Great Recession, apprenticeship programs were significantly cut: the community college program was cut by 50 percent and the K-12 program was cut by 20 percent, both rates have remained stagnant since the cuts. The Governor's proposal supports 1997 legislation that has previously been unfunded. The legislation called for the development and implementation of innovative apprenticeship training in high growth industries that meet local labor market needs.

While the Governor's budget proposal restores the apprenticeship categorical to pre-recession levels, it does not provide a similar augmentation or restoration to other categoricals at the community colleges, such as Extended Opportunity Programs and Services and part-time faculty office hours. These items will be discussed at a later subcommittee hearing. Additionally, as noted above, apprenticeship programs are one of the five state priorities in the adult education block grant, and it is unclear how these separate funding streams will coordinate.

Subcommittee Questions

- 1) DOF and Chancellor's Office: What specific steps that could be taken to better consolidate or align programs, and what the goals are for these current efforts to improve and expand workforce education and training programs?
- 2) How will the Chancellor's Office address the data collection and coordination?
- 3) How are CTE programs and courses meeting the needs of employers? What challenges do community colleges face in meeting employer and industry needs, and what are possible solutions?
- 4) How will these efforts and programs align with the new statewide workforce plan?

Staff Recommendation

Hold open pending May Revision.

Item 3: Mandates**Description**

The California Constitution requires the state to reimburse local governments for new programs or requirements for higher levels of service that the state imposes on them, commonly referred to as “mandates”. In the area of education, local governments that qualify for reimbursement include school districts, county offices of education (COEs), and community colleges—collectively referred to as local educational agencies (LEAs). The state currently owes approximately \$4.2 billion in prior year mandate costs. In addition, the state established the mandate block grant to provide funding for mandated activities on an ongoing basis. The Governor proposes to provide \$1.5 billion to pay off K-14 mandate claims, and also proposes to add a new mandated activity to the mandate block grant.

Panel

- **Cheryl Ide, Department of Finance**
- **Jameel Naqvi, Legislative Analyst’s Office**
- **Monique Ramos, Department of Education**
- **Dan Troy, Chancellor’s Office, California Community Colleges**

Background

The concept of state reimbursement to local agencies and school districts for state-mandated activities originated with the Property Tax Relief Act of 1972 (Senate Bill 90, Chapter 1406, Statutes of 1972), known as SB 90. The primary purpose of the Act was to limit the ability of local agencies and school districts to levy taxes. In 1979, Proposition 4 was passed by voters, which required local governments to be reimbursed for new programs or higher levels of services imposed by the state. Local educational agencies (LEAs) can seek reimbursement for these mandated activities. In response to Proposition 4, the Legislature created the Commission on State Mandates (CSM) to hear and decide upon claims requesting reimbursement for costs mandated by the state.

Proposition 1A, approved by the state’s voters in 2004, required the Legislature to appropriate funds in the annual budget to pay a mandate’s outstanding claims, “suspend” the mandate (render it inoperative for one year), or “repeal” the mandate (permanently eliminate it or make it optional). The provisions in Proposition 1A, however, do not apply to K-14 education.

Over the years, as the cost and number of education mandates grew, the state began to defer the full cost of education mandates. Prior to the 2010-11 budget act, the state had deferred the cost of roughly 50 education mandates but still required LEAs to perform the mandated activity by providing a nominal amount of money (\$1,000) for each activity. An exception was made 2006, when the state provided more than \$900 million in one-time funds for state mandates. This funding retired almost all district and college mandate claims (plus interest) through the 2004-05 fiscal year. Though a superior court in 2008 found the state’s practice of deferring mandate payments unconstitutional, constitutional separation of powers means the courts cannot force the Legislature to make appropriations for mandates.

Mandates Backlog. The SCO provides an estimate of unpaid claims and, as of October 2014, this totaled approximately \$5.7 billion for K-12 mandates and \$500 million for the California Community College mandates. However the LAO estimates an actual backlog of closer to \$4.2 billion. This is based on the SCO estimate, and updated to include the \$450 million payment that the state made to reduce the mandates backlog in 2014-15, a potential reduction in claims due to audits of \$170 million,

and a reduction in claims of \$940 million due to a potential overstatement of claims as the state has identified and directed LEAs to use other funds provided in the budget to pay for some mandated activities.

Mandate Reimbursement Processes. Under the traditional mandate reimbursement process, the CSM first determines whether an activity is a mandate. Next, LEAs are required to document in detail how much they spent on a particular mandate. The LEAs then submit this information on an ongoing basis to the State Controller's Office (SCO) for review and approval. This process has been criticized because reimbursements are based on actual costs, and LEAs may therefore lack an incentive to perform required activities as efficiently as possible. This process also does not consider how well an activity is performed. As a result, the state may pay some LEAs more than others, regardless of their performance.

In recent years, the state created two alternative reimbursement systems. First, in 2004, the state created the Reasonable Reimbursement Methodology (RRM). Rather than requiring LEAs to submit detailed documentation of actual costs, RRM uses general allocation formulas or other approximations of costs approved by the CSM. Only three school mandates currently have approved RRM.

Then, as part of the 2012-13 budget, the state created two block grants for education mandates: one for school districts, COEs, and charter schools (for which some mandated activities apply) and another for community colleges. Instead of submitting detailed claims that track the time and money spent on each mandated activity on an ongoing basis, LEAs can choose to receive block grant funding for all mandated activities included in the block grant.

Block Grant Participation. The 2014-15 budget included a total of \$250 million for the mandates block grants (\$218 million for schools and \$32 million for community colleges). Block grant funding is allocated to participating LEAs on a per-pupil basis, based on average daily attendance (ADA) or full-time equivalent students. The rate varies by type of LEA and by grade span, due to the fact that some mandates only apply to high schools. The per-pupil rates are as follows:

- School districts receive \$28 per student in grades K-8 and \$56 per student in grades 9-12.
- Charter schools receive \$14 per student in grades K-8 and \$42 per student in grades 9-12.
- County offices of education (COEs) receive \$28 for each K-8 student they serve directly and \$56 for each student they serve in grades 9-12, plus an additional \$1 for each student within the county. (The \$1 add-on for COEs is intended to cover mandated costs largely associated with oversight activities, such as reviewing district budgets.)
- Community colleges receive \$28 per student.

Most school districts and COEs, and virtually all charter schools and community college districts, have opted to participate in the block grant. Specifically, in 2014-15, the LEAs participating in the block grant served 95 percent of K-12 students and 98 percent of community college students.

New Education Mandates. While various activities are currently moving through the CSM mandate determination process, one recent state law was determined to be a mandate and the CSM has adopted a cost estimate for the mandated activities. AB 354 (Arambula), Chapter 434, Statutes of 2010 required LEAs to verify the pertussis (whooping cough) immunization records for all students at the beginning of seventh grade on an annual basis and once for students in grades eight through twelve only in 2011-12. This statute augmented existing state law that requires the verification of the pertussis immunization when students first start attending school. The CSM determined that the mandated activities under this law were to verify immunization records, conditionally admit students pending proof of immunization, and exclude students who did not produce proof of immunization or

exemption. The CSM further adopted a statewide cost estimate of \$1.7 million based on claims submitted in 2012-13.

Governor's Budget Proposals

The Governor's budget proposes to both pay off the mandates backlog and to make adjustments to the mandates block grant:

- The Governor proposes to provide \$1.1 billion in one-time Proposition 98 General Fund for K-12 mandates and \$379 million for community colleges. These funds would be distributed to all school districts, charter schools, and county offices of education on a per average daily attendance (ADA) basis and to all community colleges on a per full time equivalent student (FTES) basis. While the funds are discretionary, intended to reimburse LEAs and community colleges for activities that were completed in the past, the Governor does include intent language that LEAs use the funds for implementing new state standards and that community colleges use the funds for one-time activities, including deferred maintenance and updating instructional equipment.

Providing mandates funds on a per ADA and per FTES basis means that all LEAs and community colleges would receive some funding, regardless of whether they had submitted mandate claims or the dollar amount of their outstanding claims. As a result, the entire \$1.5 billion will not offset the mandates backlog, but rather some lesser portion of the total as determined by the SCO. The Governor estimates this, combined with the \$450 million payment in the 2014-15 budget, would reduce the SCO's mandate backlog balance of \$5.7 billion to approximately \$4 billion.

- The Governor further proposes to add the pertussis immunization mandate to the mandates block grant and increase the grant by \$1.7 million.

LAO Analysis and Recommendations

The LAO supports adopting the Governor's proposal to provide additional one-time funding to pay down the mandates backlog. They are also supportive of the method (per ADA and per FTES) of payment since it recognizes that while all LEAs and community colleges were required to complete mandated activities, not all LEAs and community colleges submitted claims, for a variety of reasons, some of which may be simply related to the administrative workload of documenting costs, retaining records, and filing claims. The LAO believes that the additional \$1.5 billion payment proposed by the Governor would reduce the backlog to \$2.9 billion (the LAO differs from the Department of Finance on the estimate of the remaining backlog and the amount of leakage in recent and proposed backlog payments).

The LAO does however note a concern over determining the amount of "leakage", or the amount of the one-time payment that would not count against the mandate backlog because it was provided to LEAs or community colleges that did not submit claims. The LAO recommends that the Legislature direct the SCO to report to the Governor and Legislature on the estimated leakage amounts for 2014-15 by November 1, 2016, and for 2015-16 by November 1, 2017.

The LAO also supports the Governor's proposal to include the pertussis immunization mandate in the mandates block grant. However, they recommend adding \$4.5 million to the block grant for this mandate rather than the Governor's estimate of \$1.5 million. The LAO's recommendation takes into account the median cost of providing these activities and applies it to the total number of seventh grade students in the state. They believe this represents the true cost of the mandated activities rather than the Governor's approach of relying on total claims submitted, which excludes those LEAs

who have not submitted claims for various reasons. The LAO also recommends reducing the mandate block grant by \$1.5 million to reflect the elimination of a previously mandated activity: verifying hepatitis B immunizations for seventh grade students. This requirement was deleted in the same legislation that amended the pertussis immunization requirements. The LAO bases their \$1.5 million recommendation on an estimated cost of the hepatitis B claims at the time the block grant was established, and recommends that the Legislature direct the Department of Finance to file a request for redetermination with the CSM for this change.

Finally, the LAO recommends providing a cost-of-living-adjustment (COLA) of 1.58 percent, as provided to other categorical programs in the Governor's budget, to the mandates block grant. They believe providing the COLA would protect the value or purchasing power of the mandates block grant and continue to encourage the participation of LEAs and community colleges. Applying the COLA would require an increase of \$4 million, \$3.5 million for the K-12 block grant, and \$513,000 for the community college block grant.

Staff Comments

The Governor's proposal to use one-time Proposition 98 funds to pay for one-time costs, such as the mandates backlog is a reasonable use of funds. These funds provide LEAs and community colleges with additional revenues that they can use for discretionary purposes. Staff also agree that, as noted by the LAO, as the Legislature and Governor continue to pay down the mandates backlog, it will be important to accurately estimate the amount of "leakage" that occurs each year to determine the amount of funding needed to pay off the remaining claims in future years. Working with the SCO to ensure this information can be accurately reported in a timely manner will be necessary and staff supports the LAO recommendation to require reporting deadlines for this information.

Staff also agrees with the LAO and Governor that the pertussis mandate be added to the mandates block grant. However, staff believes that a consistent approach to funding the mandates block grant should be established, whether this is to estimate the cost of performing the mandate statewide or to base the additional funding on claims filed. This method should be applied for both adding new mandates and removing activities that are no longer mandated by the state. A consistent method moving forward should also include a discussion of whether to include a COLA each year. The Legislature may wish to ask the LAO and Department of Finance to provide an update on any other impending mandate claims after the May Revision as they consider amending the mandates block grant.

Subcommittee Questions

- 1) When will the information on how much budgeted funds in 2014-15 offset claims be available (both estimates and actuals)? Has the Department of Finance, the Department of Education, or the LAO been working with the SCO to find this information?
- 2) Why does the Department of Finance propose to fund the mandates block grant based on claims data rather than mandate activity costs?
- 3) Why did the Department of Finance not provide a COLA for the mandate block grant?
- 4) How does the Department of Finance currently approach redeterminations of mandates? Is the Department of Finance currently requesting any mandate redeterminations?
- 5) Would the Department of Finance, LAO, Department of Education, and Chancellor's Office support using additional one-time funds, if available at the May Revision, to pay down additional mandates backlog?

Staff Recommendation

Hold open pending May Revision.

SUBCOMMITTEE NO. 1

Agenda

Senator Marty Block, Chair
Senator Benjamin Allen
Senator Mike Morrell



Thursday, April 9, 2015
9:30 a.m. or Upon Adjournment of Session
Room 3191, State Capitol

Consultant: Elisa Wynne

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

6110 DEPARTMENT OF EDUCATION**Item 1: Fiscal Crisis and Management Assistance Team Update****Description:**

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

Panel:

- Joel Montero, Chief Executive Officer, FCMAT

Background:

Budget Overview: The Governor's 2015-16 budget provides the same operational support for FCMAT as provided in the current year. Specifically, the budget proposes to provide \$5.3 million Proposition 98 General Fund for FCMAT functions and oversight activities related to K-12 schools. The Governor's budget also includes \$570,000 Proposition 98 General Fund for FCMAT to provide support to community colleges.

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

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

AB 1200 also created FCMAT, recognizing the need for a statewide resource to help monitoring agencies in providing fiscal and management guidance. The purpose of FCMAT is to help LEAs fulfill their financial and management responsibilities by providing fiscal advice, management assistance, training, and other related services. The bill specified that one county office of education would be selected to administer the assistance team. Through a competitive process, the office of the Kern County Superintendent of Schools was selected to administer FCMAT in June 1992. There are several defined "fiscal crises" that can prompt a COE to intervene in a district: a disapproved budget, a qualified or negative interim report, or recent actions by a district that could lead to not meeting its financial obligations.

Statute added by AB 1200 states the intent that the legislative budget subcommittees annually conduct a review of each qualifying school district (those that are rated as unlikely to meet their fiscal operations for the current and two subsequent years), as follows: “It is the intent of the Legislature that the legislative budget subcommittees annually conduct a review of each qualifying school district that includes an evaluation of the financial condition of the district, the impact of the recovery plans upon the district’s educational program, and the efforts made by the state-appointed administrator to obtain input from the community and the governing board of the district.”

Interim Financial Status Reports

Current law requires LEAs to file two interim reports annually on their financial status with the CDE. First interim reports are due to the state by December 15 of each fiscal year; Second interim reports are due by March 17 each year. Additional time is needed by the CDE to certify these reports.

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

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

First Interim Report. The first interim report was published by CDE in February 2015 and identified five LEAs with negative certifications. These LEAs will not be able to meet their financial obligations for 2014-15 or 2015-16. The first interim report reflects data generated by LEAs in Fall 2014, prior to release of the Governor’s January 2015-16 budget. The first interim report also identified 38 LEAs with qualified certifications. LEAs with qualified certifications may not be able to meet their financial obligations for 2014-15, 2015-16 or 2016-17.

Second Interim Report. The second interim report, which covers the period ending January 31, 2014, has not been released by CDE yet. Based on preliminary information provided by FCMAT, it is estimated that four LEAs will have negative certifications based on second interim reporting and 27 LEAs will have qualified certifications. This data has not yet been verified by CDE.

Negative Certification	
Second Interim Budget Certifications - Projected	
County:	District:
Los Angeles	Castaic Union
Los Angeles	Inglewood Unified
Riverside	Lake Elsinore Unified
Sonoma	Kashia Elementary

Source: Fiscal Crisis and Management Assistance Team

Qualified Certification			
Second Interim Budget Certifications - Projected			
County:	District:	County:	District:
Alameda	Emery Unified	Placer	Placer Hills Union Elementary
Alameda	Oakland Unified	San Benito	Bitterwater-Tully Elementary
Butte	Bangor Union Elementary	San Benito	Panoche Elementary
Butte	Pioneer Union Elementary	San Benito	Southside Elementary
Calaveras	Calaveras Unified	San Bernardino	Adelante Elementary
El Dorado	Black Oak Mine Unified	San Diego	Coronado Unified
Glenn	Stony Creek Joint Unified	San Diego	San Diego Unified
Los Angeles	Glendale Unified	San Diego	Warner Unified
Los Angeles	Los Angeles Unified	San Luis Obispo	Shandon Jt. Unified
Madera	Chawanakee Unified	San Mateo	San Bruno Park Elementary
Madera	Yosemite Unified	Santa Cruz	Pajaro Valley Unified
Marin	Lagunitas Elementary	Shasta	Junction Elementary
Nevada	Penn Valley Union Elementary	Sonoma	Cotati-Rohnert Park Unified
Orange	Ocean View Elementary		

Source: Fiscal Crisis and Management Assistance Team

Looking back to 2001-02, the number of negative certifications in the second interim peaked in 2008-09 at 19, while the number of qualified certifications peaked in 2011-12 at 176.

Certifications of Financial Reports

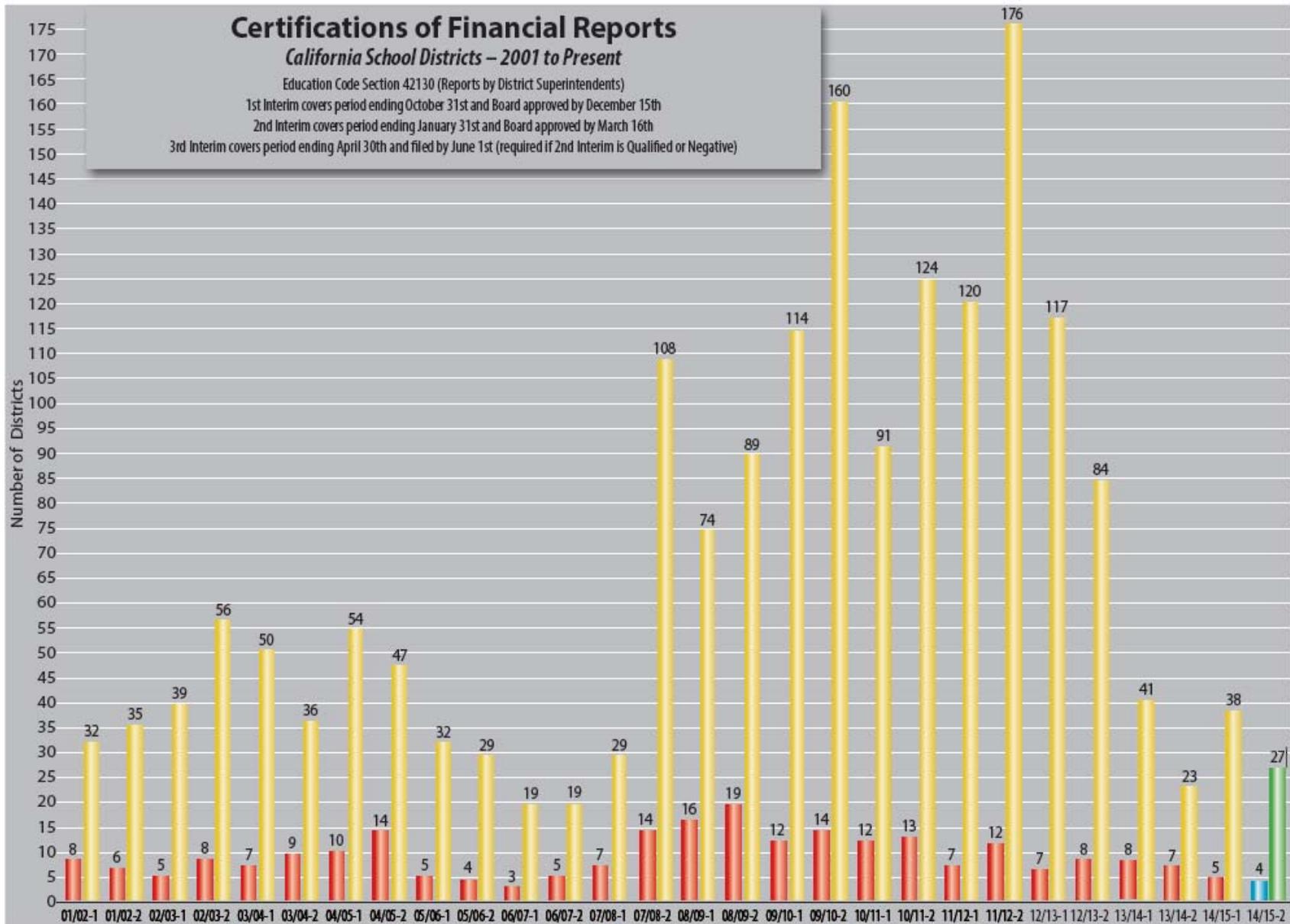
California School Districts – 2001 to Present

Education Code Section 42130 (Reports by District Superintendents)

1st Interim covers period ending October 31st and Board approved by December 15th

2nd Interim covers period ending January 31st and Board approved by March 16th

3rd Interim covers period ending April 30th and filed by June 1st (required if 2nd Interim is Qualified or Negative)



■ Negative Certification
 ■ Qualified Certification
 ■ Preliminary Negative Certification
 ■ Preliminary Qualified Certification
 ■ Projected Negative Certification
 ■ Projected Qualified Certification

Positive Certification: Shall be assigned to any school district that, based upon current projections, will meet its financial obligations for the current fiscal year and subsequent two fiscal years.
 Qualified Certification: Shall be assigned to any school district that, based upon current projections, may not meet its financial obligations for the current fiscal year or two subsequent fiscal years.
 Negative Certification: Shall be assigned to any school district that, based upon current projections, will be unable to meet its financial obligations for the remainder of the fiscal year or the subsequent fiscal year.

Projected results are based on an informal survey of educational agencies.
 Fiscal Crisis & Management Assistance Team 3/30/15

State Emergency Loans

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

- The State Superintendent of Public Instruction (SPI) shall assume all the legal rights, duties, and powers of the governing board of the district.
- The SPI shall appoint an administrator to act on behalf of the SPI.
- The school district governing board shall be advisory only and report to the state Administrator.
- The authority of the SPI and state administrator shall continue until certain conditions are met. At that time, the SPI shall appoint a trustee to replace the administrator.

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

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

State Emergency Loan Recipients. Nine school districts have sought emergency loans from the state since 1991. The table below summarizes the amounts of these emergency loans, interest rates on loans, and the status of repayments. Five of these districts: Coachella Valley Unified, Compton Unified, Emery Unified, West Fresno Elementary, and Richmond/West Contra Costa Unified have paid off their loans. Four districts have continuing state emergency loans: Oakland Unified, South Monterey County Joint Union High (formerly King City Joint Union High), Vallejo City Unified, and Inglewood Unified School District. The most recently authorized loan was to Inglewood Unified School District in 2012 in the amount of \$55 million from the General Fund and the California Infrastructure and Economic Development Bank (I-Bank). Of the four districts with continuing emergency loans from the state, Inglewood Unified School District is projected to remain on the negative certification list in the second interim report in 2015-16.

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

District	State Role	Date of Issue	Amount of State Loan	Interest Rate	Amount Paid	Pay Off Date
Inglewood Unified	Administrator	11/15/12 11/30/12 02/13/13	\$7,000,000 \$12,000,000 <u>\$10,000,000</u> \$29,000,000 (\$55 million authorized)	2.307%	\$0	11/01/33 GF
South Monterey County Joint Union High (formerly King City Joint Union High)	Administrator	07/22/09 03/11/10 04/14/10	\$2,000,000 \$3,000,000 <u>\$8,000,000</u> \$13,000,000	2.307%	\$4,749,848	October 2028 I-bank
Vallejo City Unified	Administrator Trustee	06/23/04 08/13/07	\$50,000,000 <u>\$10,000,000</u> \$60,000,000	1.5%	\$33,147,652	January 2024 I-bank 08/13/24 GF
Oakland Unified	Administrator Trustee	06/04/03 06/28/06	\$65,000,000 <u>\$35,000,000</u> \$100,000,000	1.778%	\$59,555,098	January 2023 I-bank 6/29/26 GF
West Fresno Elementary	Administrator Trustee	12/29/03	\$1,300,000 (\$2,000,000 authorized)	1.93%	\$1,425,773	12/31/10 GF
Emery Unified	Administrator Trustee	09/21/01	\$1,300,000 (\$2,300,000 authorized)	4.19%	\$1,742,501	06/20/11 GF
Compton Unified	Administrators Trustee	07/19/93 10/14/93 06/29/94	\$3,500,000 \$7,000,000 <u>\$9,451,259</u> \$19,951,259	4.40% 4.313% 4.387%	\$24,358,061	06/30/01 GF
Coachella Valley Unified	Administrators Trustee	06/16/92 01/26/93	\$5,130,708 <u>\$2,169,292</u> \$7,300,000	5.338% 4.493%	\$9,271,830	12/20/01 GF
West Contra Costa Unified (formerly Richmond Unified)	Trustee Administrator Trustee	08/1/90 01/1/91 07/1/91	\$2,000,000 \$7,525,000 <u>19,000,000</u> \$28,525,000	1.532% 2004 refi rate	\$47,688,620	05/30/12 I-bank

Source: California Department of Education

Staff Comments:

Based on the projected second interim reporting, negative and qualified certifications of LEAs are down significantly from their peak numbers in 2008-09 and 2011-12. Over the past few years, LEAs have seen significant increases in Proposition 98 General Fund as the economy rebounded from the recession. Additionally, the Legislature and Governor have enacted policy changes that have begun to pay down education debt, such as mandates, or will retire debt, in the case of the policy of deferring payments to LEAs that, under current law, will be completely paid off in 2015-16. These policies, along with changes to ongoing education funding under the Local Control Funding Formula, have

resulted in an influx of funding to LEAs over the past few years with fewer restrictions for use than under the past system of categorical funds and revenue limits. Both the Department of Finance and the LAO have projected that the Proposition 98 guarantee is unlikely to continue growing at the rate of the past few years and shows a potential for more modest growth beginning in 2016-17. At the same time, LEAs may be using current funding levels to build back from the deep cuts to education since 2006-07, provide increased services to their neediest students, and absorb new costs, such as contributions to the State Teachers Retirement System and rising healthcare and minimum wage costs. The Legislature should continue to closely monitor reporting on the fiscal health of LEAs as these new policies continue to roll out over the next few years with slowing Proposition 98 growth.

Finally, the Legislature should also closely monitor the ongoing work at Inglewood Unified School District which, despite being under the purview of a state administrator and receiving an emergency loan, continues to struggle and remains on the negative certification list for 2015-16.

Suggested Questions:

1. How have recent policy changes, such as the enactment of the Local Control Funding Formula, the continuing pay down of debt (deferrals and mandates), and elimination of categoricals, impacted LEAs' financial operations?
2. How has the work of FCMAT changed to align with these recent policy changes?
3. What are the common trends for LEAs in negative certification and those in qualified certification? What is being done to mitigate these problems going forward?
4. What other state or national policies are impacting LEAs' fiscal health?
5. How has the traditional work of FCMAT, related to AB 1200 and fiscal oversight, changed to align with new related demands of LEAs under the new Local Control and Accountability Plans?

Staff Recommendation: Information Only

6360 COMMISSION ON TEACHER CREDENTIALING**Item 2: Commission on Teacher Credentialing Overview (Information Only)****Description:**

The Commission on Teacher Credentialing (CTC) will provide background information for the agency, including: (1) an update on major activities and workload; (2) conclusion of the 2011 Bureau of State Audit review; and (3) a status report on the special funds administered by the CTC.

Panel:

- Dr. Mary Sandy, Executive Director
- Philip Chen, Director, Fiscal and Business Services

Background:

Major Responsibilities. The CTC is responsible for the following major state operations activities, which are supported by special funds:

- Issuing credentials, permits, certificates, and waivers to qualified educators;
- Enforcing standards of practice and conduct for licensed educators;
- Developing standards and procedures for the preparation and licensure of school teachers and school service providers;
- Evaluating and approving teacher and school service provider preparation programs; and,
- Developing and administering competency exams and performance assessments.

Major Activities. In 2013-14, the CTC processed approximately 235,000 candidate applications for credential and waiver documents. In addition, the CTC currently administers, largely through contract, a total of six different educator exams annually. The CTC also monitors the assignments of educators and reports the findings to the Legislature.

In addition, the CTC must review and take appropriate action on misconduct cases involving credential holders and applicants resulting from criminal charges, reports of misconduct by local educational agencies, and misconduct disclosed on applications. In 2013-14, the CTC averaged 2,382 open cases per month, with a total of 5,514 new cases opened in 2013-14.

Lastly, the CTC is responsible for accrediting 253 approved sponsors of educator preparation programs, including public and private institutions of higher education and, local educational agencies in California. (Of this total, there are 23 California State University campuses; eight University of California campuses; 56 private colleges and universities; 165 local educational agencies; and one other sponsor.)

Revenues. The CTC is a “special fund” agency whose state operations are largely supported by two special funds -- the Test Development and Administration Account (0408) and the Teacher Credentials Fund (0407). Of the CTC’s \$20.6 million state operations budget in 2014-15, about \$16 million is from credential and accreditation fees, which are revenue sources for the Teacher Credentials Fund and \$4 million is from educator exam fees, which fund the Test Development and Administration Account. The CTC also received a small amount in reimbursement revenue.

Commission on Teacher Credentialing 2014-15 Projected Revenue				
Teacher Credentialing Fees	Accreditation/ Other Fees	Assessment Related Fees	Reimbursements	Total
\$15.3 Million	\$850,000	\$4.1 Million	\$483,000	\$20.8 Million

Source: Commission on Teacher Credentialing

- Teacher Credentials Fund (Credential Fees).** The Teacher Credentials Fund is generated by fees for issuance of new and renewed credentials and other documents. Current law also requires, as a part of the annual budget review process, the Department of Finance to recommend to the Legislature an appropriate credential fee sufficient to generate revenues necessary to support the operating budget of the CTC plus a prudent reserve of not more than 10 percent. In 2012-13, the credential fee, paid every five years, was increased from \$55 to \$70 due to a projected budget shortfall and drop in credentials. This action restored the fee to the statutory maximum (Education Code §44235). Since 1998-99, credential fees had been below the statutory maximum, reaching a low of \$55 in 2001-02 based on high demand for applications. However demand for applications has generally tracked with changes in the economy and began decreasing in 2007-08 as the state economy slowed. In addition to credential application fees, the Budget Act of 2014 and related trailer bill legislation included authority for the CTC to begin assessing fees on teacher preparation programs to cover the cost of accrediting these programs. These fees were established through regulations and the CTC began assessing fees in 2013-14.
- Test Development and Administration Account (Exam Fees).** The Test Development Administration Account is generated by various fees for exams administered by the CTC, such as the California Basic Educational Skills Test (CBEST), the Reading Instruction Competence Assessment (RICA), the California Subject Examinations for Teachers (CSET), the California Teachers of English Learners (CTEL), and the California Preliminary Administrative Credential Examination (CPACE). The CTC has statutory authority (Education Code §44235.1) for reviewing and approving the examination fee structure, as needed, to ensure that the examination program is self-supporting. To determine fees for these testing programs, CTC staff projects the number of exams – based upon the most recent actual figures - and compares these figures with projected examination program costs. Similar to demand for credential applications, the number of examinations has fallen in over past years. The CTC has made a number of adjustments in recent years based upon the demand for the various exams. Most recently, in 2012-13, the CTC increased fees for most exams. No exam fee adjustments were implemented for 2014-15 and none are anticipated for 2015-16.

2015-16 Expenditure Authority. The Governor’s budget includes the following changes to the CTC budget for 2015-16:

- \$270,000 in workload adjustments (\$217,000 Teacher Credentials Fund and \$53,000 Test Development and Administration Fund)
- \$4 million in one-time General Fund for the development and revision of teacher preparation assessments, including the Teacher Performance Assessment and the Administrator Performance Assessment. (See Item 3)
- \$3.467 million in one-time General Fund to develop a data system to house accreditation-related data. (See Item 4)
- \$600,000 from the Test Development and Administration Account reserve to align the CSET with the Next Generation Science Standards. (See Item 5)

Commission on Teacher Credentialing Proposed Expenditure Authority Changes					
Budget Year	General Fund	Teacher Credentials Fund	Test Development and Administration Account	Reimbursements	Total
2014-15 Budget Act	\$0	\$15,919,000	\$4,218,000	\$483,000	\$20,620,000
2015-16 Governor's Budget	\$7,467,000	\$16,136,000	\$4,871,000	\$308,000	\$28,782,000
Difference	\$7,467,000	\$217,000	\$653,000	(\$175,000)	\$8,162,000

Source: Commission on Teacher Credentialing

Credential Processing within Statutory Timeframes. Provisional language in the annual budget act requires the CTC to submit biannual reports to the Legislature, the Legislative Analyst’s Office and the Department of Finance on the minimum, maximum, and average number of days taken to process the following:

- Renewal and university-recommended credentials;
- Out-of-state and special education credentials;
- Service credentials and supplemental authorizations;
- Adult and career technical education certificates and child center permits;
- Substitute, intern, and short-term staff permits; and,
- Percentage of renewals and new applications completed online

This provisional language was added to the budget in 2004-05 in order to provide updates to the Legislature, the Legislative Analyst’s Office, and the Department of Finance on the credential processing time workload and efforts to address a significant backlog of credential applications. AB 469 (Horton), Chapter 133, Statutes of 2007, revised the application processing time from 75-working days to 50-working days, effective January 1, 2008. Based on the most recent CTC report, released March 1, 2015, covering September 2014 through January 2015, approximately 83 percent of applications are being processed within 10 working days with over 97 percent of applications processed within the required 50-working day processing time requirement.

Teacher Misconduct Workload. The Division of Professional Practices conducts investigations of misconduct on behalf of the Committee of Credentials – a commission-appointed body. The committee meets monthly to review allegations of misconduct and, when appropriate, recommends that the commission discipline credential holders or applicants, including revoking or denying credentials when the committee determines holders or applicants are unfit for the duties authorized by the credential. Provisional language in the annual budget act requires the CTC to submit biannual reports to the Legislature, the Legislative Analyst’s Office and the Department of Finance on the workload of the Division of Professional Practices and the status of the teacher misconduct caseload. This report is required to include the number of cases opened by type, and average number of days and targets for each key step in reviewing teacher misconduct cases. Based on the most recent CTC report, released March 1, 2015, the total number of open cases at the end of January 2015 was 2,488, significantly reduced from 4,629 in January 2010. Recently the normal range has been to open 400-500 cases per month, in January 2015, the CTC opened 443 cases and closed 530.

Follow-Up Review of Commission on the CTC response to the Bureau of State Audits (BSA) Recommendations. On April 7, 2011 the California State Auditor issued a report entitled “*Despite*

Delays in Discipline of Teacher Misconduct, the Division of Professional Practices has not Developed an Adequate Strategy or Implemented Processes That Will Safeguard Against Future Backlogs”.

Overall, the BSA audit found that the CTC revealed weaknesses in the educator discipline process and in hiring policies and practices. **Key findings** from the audit include the following:

1. As of the summer of 2009, according to the commission’s management, the Division of Professional Practices had accumulated a backlog of 12,600 unprocessed reports of arrest and prosecution (RAP sheets)—almost three times a typical annual workload.
2. The large backlog of unprocessed reports appears to have significantly delayed processing of alleged misconduct by the Division of Professional Practices and potentially allowed educators of questionable character to retain a credential.
3. The Division of Professional Practices has not effectively processed all the reports of arrest and prosecution that it receives. A review of randomly selected reports could not be located within the CTC’s database. Further, the division processes reports it no longer needs.
4. To streamline the committee’s processing of pending cases, the Division of Professional Practices uses its discretion to close cases or not open cases for which it believes the committee would choose not to recommend disciplinary action against the credential holder. However, the BSA did not believe the committee can lawfully delegate this discretion to the division.
5. The Division of Professional Practices lacks comprehensive written procedures for reviewing reported misconduct and the database it uses for tracking cases of reported misconduct does not always contain complete and accurate information.
6. Familial relationships among commission employees may have a negative impact on employees’ perceptions and without a complete set of approved and consistently applied hiring practices, the CTC is vulnerable to allegations of unfair hiring and employment practices.

The BSA audit made numerous recommendations to the CTC including that it develop and formalize comprehensive procedures for reviews of misconduct and for hiring and employment practices to ensure consistency. The audit also recommended that the CTC provide training and oversight to ensure that case information on its database is complete, accurate, and consistent. Moreover, the BSA audit provided specific recommendations for the CTC to revisit its processes for overseeing investigations to adequately address the weaknesses in its processing of reports of misconduct and reduce the time elapsed to perform critical steps in the review process. The CTC has addressed the findings and recommendations of the 2011 BSA audit and provided progress updates to the BSA and Legislature, as required. At the September 2012 CTC meeting, the State Auditor announced that the commission had fully addressed all of the findings and recommendations of the 2011 BSA review.

In June 2014, the BSA returned to the CTC to do a follow-up review of the actions taken in response to the 2011 BSA audit. The BSA found that the CTC had followed up and fully implemented all of the BSA’s recommendations or taken alternative actions to appropriately resolve concerns raised by the BSA. The final recommendation made by the BSA in this follow-up review was that the CTC update its strategic plan to include measurable goals and timelines that are evaluated on an ongoing basis. The CTC began the development of a new strategic plan in August 2014 that will meet these objectives.

6360 COMMISSION ON TEACHER CREDENTIALING**Item 3: Teacher and Administrator Performance Assessments****Description:**

The Governor proposes to provide \$5 million in non-Proposition 98 General Fund to the CTC for the update and development of teacher and administrator performance assessments.

Panel:

- Kimberly Leahy, Department of Finance
- Dr. Mary Sandy, Executive Director, Commission on Teacher Credentialing
- Jameel Naqvi, Legislative Analyst's Office

Background:

There are a variety of paths to becoming a teacher in California, however, most new teachers first obtain a preliminary credential, which is issued for up to a five year period, and then meet the requirements for a clear credential. The general requirements are as follows:

For a **preliminary credential**, applicants must satisfy all of the following:

- Complete a baccalaureate or higher degree, except in professional education, from an accredited college or university.
- Satisfy the basic skills requirement.
- Complete a teacher preparation program including successful student teaching, and obtain a formal recommendation for the credential by the California college or university where the program was completed. The Teacher Performance Assessment (TPA) is a required indicator of recommendation for a credential.
- Verify subject matter competence through achieving a passing score on the appropriate subject matter examination(s).
- Pass the Reading Instruction Competence Assessment (RICA), or satisfy this requirement through a teacher preparation program.
- Satisfy the Developing English Language Skills requirement.
- Complete a course on the U.S. Constitution or pass an examination given by an accredited college or university.
- Complete basic computer technology course work, that includes the use of technology in educational settings.

For a **clear credential**, new teachers generally must complete a CTC-approved General Education Induction Program. Induction programs are most often sponsored by, or in partnership with, the school district or county office of education who is employing the teacher, however colleges and universities, and other school districts and county offices of education may also provide these programs. The induction program is intended to provide support to a new teacher and should be tailored to his or her needs and the needs of the employer.

Legislation passed in 2006 (SB 1209, [Scott] Chapter 517, Statutes of 2006) required that as of July 1, 2008, all new teacher candidates take a Teaching Performance Assessment (TPA) as part of the

teacher preparation program. Prior to this legislation, the TPA requirement was dependent on an appropriation in the annual budget act. The TPA is intended to measure the mastery of California's Teaching Performance Expectations for beginning teachers and consists of four performance tasks: (1) Subject-specific pedagogy (single or multiple subject), (2) designing instruction, (3) assessing learning, and (4) a culminating teaching experience. The TPA is administered by teacher preparation programs. There are currently four versions of the TPA used in California, including the CTC-developed TPA or "CalTPA". Teacher preparation programs may use any of the four commission-approved TPA models. Each teacher preparation program locally scores the TPA using trained assessors. The results of the TPA are included in the recommendation of a new teacher candidate for a credential and may inform the new teacher candidate's areas of focus in a beginning teacher induction program.

The CTC has heard multiple agenda items over the past few years on improving the TPA. One of the largest concerns with the current TPA is that scoring is done locally, although trained assessors are used. The CTC noted that the recognized way to assure scoring reliability and consistency, in accordance with the Joint National Standards for Educational and Psychological Testing, is to use a centrally scored model in which a scoring entity (typically a contractor) oversees scorer training, calibration, reliability during the scoring process, and recalibration over time. The commission took action in December 2014 to adopt TPA Design Principles and TPA Assessment Design Standards for the next generation of TPA models that both specify the use of a centralized scoring model.

At the same time, the CTC has recently approved new program standards for the Preliminary Administrative Services Credential Program and voted to require the passage of an Administrative Performance Assessment (APA) for preliminary licensure once one has been developed for this purpose. Currently, candidates who are seeking an Administrative Services Credential can qualify by taking the CPACE in addition to meeting other requirements, or through a CTC-approved preparation program or intern program.

Governor's Proposal:

The Governor proposes to provide \$5 million in non-Proposition 98 General Fund to the CTC to update the Cal TPA and develop an Administrator Performance Assessment (APA). The funding would be provided over a two-year period, with \$4 million appropriated in the 2015-16 budget. The Governor proposes accompanying budget bill language as follows:

Item 6360-001-0001, Provision 1:

"Of the funds appropriated in Schedule (1), \$4,000,000 in one-time General Fund is provided to support development of an administrator performance assessment and revise Commission-owned and Commission-approved teacher performance assessments."

LAO Analysis and Recommendations:

The LAO notes that the Governor's proposal to spend \$5 million General Fund over two years for various TPA and APA purposes is reasonable in light of the state's new content standards, the commission's plan to use TPA and APA results as part of a new accreditation data system, and the CTC's recent adoption of the APA requirement for administrator credential programs. The LAO agrees that these improvements could help enhance the quality of teacher and administrator candidates and ensure that data on teacher candidates is more reliable across the various teacher preparation programs.

Staff Comments:

The Governor's proposal would bring to fruition much of the work already begun by the CTC to ensure that new teacher candidates are adequately trained and that this training is aligned with related state policies and standards. In addition, based on the CTC's recent meetings on this topic, enacting centralized scoring will facilitate consistency across teacher preparation programs and make the comparison of programs easier for potential teachers, education stakeholders, and policymakers.

The CTC would be required to put the assessment contract(s) out to bid (request for proposals) to solicit applications from testing experts for the activities outlined and the associated costs. The CTC staff has recommended, and the Department of Finance agrees, that \$5 million is a reasonable estimate based on the cost of developing assessments in the past. CTC staff have noted that the process of securing an assessment contract could take up to six months to complete and that if this proposal is approved, they anticipate a contract in place by the end of 2015 or early 2016. The estimated time to fully operational assessments is two years. Staff believes that the estimates and timelines are reasonable, however recommends that the Legislature consider additional reporting language to ensure that when a contract(s) is in place, the Legislature is updated on the actual costs and the timeline for the development of these assessments.

Suggested Questions:

- 1) Does the CTC estimate that these new assessments will result in increased costs for teacher preparation programs?
- 2) How many teacher preparation programs use the CTC-owned CalTPA and how many use other teacher performance assessments?
- 3) Are there ongoing costs to the state associated with an updated Teacher Performance Assessment or the proposed Administrator Performance Assessment?
- 4) How will these changes improve the quality of teacher preparation programs in the state?

Staff Recommendation:

Hold open pending May Revision estimates of total available non-Proposition 98 General Fund.

6360 COMMISSION ON TEACHER CREDENTIALING**Item 4: Accreditation****Description:**

The Governor proposes to provide \$5 million in non-Proposition 98 General Fund to the CTC to develop a data system for accreditation, with \$3.467 million appropriated in the 2015-16 budget.

Panel:

- Kimberly Leahy, Department of Finance
- Dr. Mary Sandy, Executive Director, Commission on Teacher Credentialing
- Jameel Naqvi, Legislative Analyst's Office

Background:

The CTC is responsible for accrediting approved sponsors of educator preparation programs, including public and private institutions of higher education and, local educational agencies in California. In order to conduct this work, the CTC appoints a Committee on Accreditation (COA) that includes six representatives from K-12 and six from postsecondary education. An institution must first be approved by the CTC and then the teacher preparation program must be approved by the COA. Once the program is approved, it enters a seven year accreditation cycle that includes the following:

- Biennial reports that provide data on candidate competence
- A site visit by a trained team of evaluators that conduct interviews of graduates, candidates, employers, program faculty, and administrators.
- A program assessment that provides data on assessment performance, employer feedback, program updates, and changes.

This accreditation cycle is meant to ensure continuous outcome accountability, consistent adherence to the CTC standards for teacher preparation programs, and alignment with the state's academic content standards.

The CTC currently has been consistently working towards streamlining the accreditation system, requiring fewer inputs into the system and relying more on output measures. This includes a plan for the following:

- 1) Develop and implement candidate, employer, and other surveys regarding preparation program effectiveness
- 2) Develop reporting mechanisms so sponsors can improve or expand existing practices
- 3) Develop data dashboards to inform decision making, provide transparency, and provide reliable data for other public uses.

The CTC has a completed Feasibility Study Report (FSR) approved by the California Department of Technology that details these activities and supports the cost estimate provided and funded in the Governor's budget. The CTC also notes that they have moved forward on some of these activities using existing resources, including development of surveys to inform program effectiveness; preliminary teacher and leader surveys have been piloted and additional (employer, master teacher, supervisor) pilots are in development for implementation in Spring-Summer 2015. The FSR also

includes security enhancements for existing and newly updated online pieces of the plan. If funded in the 2015-16 budget, the project should be largely completed in 2017.

Governor's Budget Proposal:

The Governor proposes to provide \$5 million in non-Proposition 98 General Fund to the CTC to fund a data system for accreditation, with \$3.467 million appropriated in the 2015-16 budget. This is aligned with the CTC's approved FSR. The Governor proposes accompanying budget bill language as follows:

Item 6360-001-0001, Provision 2:

"Of the funds appropriated in Schedule (1), \$3,467,000 in one-time General Fund is provided to support streamlining the Accreditation System."

Legislative Analyst's Office Analysis and Recommendations:

The LAO agrees that the CTC's data system proposal would help to reduce the accreditation system's heavy reliance on program inputs, especially extensive documentation, as well as reduce associated staff time and costs. They also note that the proposal is consistent with their past recommendations to shift from an input to an outcome-oriented accreditation system. However, they note that several critical features of the data system remain unclear. Most notably, the CTC has yet to identify what specific data elements will be collected and housed in the system. Also lacking at this time is a specific plan to collect those data elements, including any agreements or regulatory changes necessary to obtain the data from other state or local agencies. Moreover, the commission has not yet presented a specific plan for how it will use the new data system to streamline accreditation. The LAO is also concerned about the possibility that CTC could actually increase accreditation-related costs and staff time by adding a new data system without significantly reducing existing burdens on teacher preparation programs and CTC staff. If the accreditation system were to become even more costly, the CTC likely would begin charging programs even higher accreditation fees.

The LAO recommends requiring the CTC to report to the Legislature by January 1, 2016 with answers to several key questions. Specifically, in the report, the CTC should (1) identify the data it plans to include in the new data system; (2) explain how it will use the data to streamline the accreditation process and reduce the associated administrative burden for teacher preparation programs and CTC staff; and (3) provide an analysis of the ongoing fiscal effect of the new data and accreditation system. This report should also describe what modifications the CTC plans to make to its accreditation fees to reflect changes to the accreditation system. Once the CTC has provided this information, the LAO recommends the Legislature reconsider funding the data proposal in 2016-17.

Staff Comments:

Staff notes that the current CTC accreditation system is complex and cumbersome. Over the past year, the CTC and the CTC-appointed COA have included and publicly discussed a new framework for a streamlined accreditation system. These discussions have resulted in agreement among stakeholders for some key guiding principles – the system should emphasize reliable outcome data, increase efficiency of site visits, and identify promising practices as well as target poor performers for review and support. In addition, the discussion emphasized increasing transparency within the system for teachers, employers, program sponsors, and the public. These goals are aligned with other recent policy changes, such as the Local Control Funding Formula, and would also support high quality teacher preparation going forward. Staff notes that the CTC is planning on redirecting current staff and resources to support the proposal, however, the CTC has already made significant cuts and enacted efficiencies to bring expenditure in line with revenues over the past few years. The Legislature should ensure that a new system is supportable within the proposed resources, and to

that effect may wish to direct staff to work with the CTC to add budget bill language to specify the planned redirection of funds to ensure General Fund resources for this project are indeed one-time.

Suggested Questions:

- 1) What are the ongoing costs and staffing support needed for this project?
- 2) What tangible results will teachers, employers, and preparation program sponsors see from this project?
- 3) If this project is not funded, are there other ways the CTC can move to streamline the accreditation system within existing resources?

Staff Recommendation:

Hold open pending May Revision estimates of total available non-Proposition 98 General Fund.

6360 COMMISSION ON TEACHER CREDENTIALING**Item 5: Science Teacher Preparation and Assessment****Description:**

The Governor proposes to provide \$600,000 in additional expenditure authority from the Test Development and Administration Account in 2015-16 to align teacher preparation programs and the CSET with the Next Generation Science Standards (NGSS).

Panel:

- Kimberly Leahy, Department of Finance
- Dr. Mary Sandy, Executive Director, Commission on Teacher Credentialing
- Jameel Naqvi, Legislative Analyst's Office

Background:

The CSET is used to verify subject matter competence for both single and multiple subject teaching credentials and, as noted in Item 3 of this agenda, passage of the appropriate exam(s) is one of the requirements for a preliminary credential. Science is included in both the multiple subject subtests and in stand-alone single subject competence exams. The CSET is periodically updated to comply with state academic content standards through augmentations to the assessment contract. In addition, the required content of the state's teacher preparation programs is specified by CTC adopted standards that are updated to align with state academic content standards.

The NGSS were adopted by the State Board of Education in September of 2013, pursuant to SB 300 (Hancock), Chapter 625, Statutes of 2011. The NGSS describe the key scientific ideas and practices that all students should learn by the time they graduate from high school. The NGSS detail performance expectations for kindergarten through grades 8 and high school.

The development of the NGSS started with the development of the *Framework for K–12 Science Education* by the National Research Council the staff arm of the National Academy of Sciences. After the framework was in place, the standards were developed collaboratively with states and other stakeholders in science, science education, higher education and industry, including extensive public review. This process produced a set of high quality, college- and career-ready K–12 *Next Generation Science Standards* ready for state adoption. The standards were completed in April 2013.

Full implementation of NGSS for California is planned to occur over several years and in the context of a continuous learning process, likely not fully operational until 2016-17. In addition, a statewide student assessment for the NGSS has not yet been developed.

Governor's Budget Proposal:

The Governor proposes to provide \$600,000 in additional expenditure authority from the Test Development and Administration Account in 2015-16 to align the CSET with the Next Generation Science Standards (NGSS). The Governor proposes accompanying budget bill language as follows:

Item 6360-001-0408, Provision 5:

"Of the funds appropriated in Schedule (2), \$600,000 in one-time Test Development and Administration Account funds is provided to align teacher standards and science examinations with the Next Generation Science Standards"

Legislative Analyst's Office Analysis and Recommendations:

The LAO believes that the Governor's proposal to allow the CTC to spend \$600,000 from the Test Development and Administration Account to update science-related assessments is reasonable given the state's new science standards and the projected budget reserve of \$2.3 million in the account at the end of 2014-15. At the end of 2015-16, the administration projects the Test Development and Administration Account will have a reserve of \$1.6 million, 37 percent of ongoing annual expenditures from the account. The LAO notes, even with this proposal, they believe the reserve levels are adequate to cover the CTC's cash flow needs in 2015-16.

Staff Comments:

The Next Generation Science Standards for grades kindergarten through 12 were adopted by the State Board of Education in September of 2013. Since this time, the California Department of Education and the State Board of Education have continued to work towards completing an implementation plan for the NGSS. This CTC workload is a key step to supporting the preparation of teachers for teaching the NGSS. Funds in the Test Development and Administration Account may be appropriately used for this purpose and the CTC may revise the current assessment contract for these changes.

Subcommittee Questions:

- 1) How much is the current reserve level of the Test Development and Administration Account?
- 2) When does the CTC anticipate the assessment update will be complete?

Staff Recommendation:

Staff recommends approval of this item.

6360 COMMISSION ON TEACHER CREDENTIALING**Item 6: Department of Finance April Letter – Commission on Teacher Credentialing****Description:**

This is a technical budget proposal to provide reimbursement authority for expenditure of carryover funds for the Collaboration for Effective Educator Development, Accountability, and Reform project.

Panel:

- Kimberly Leahy, Department of Finance
- Dr. Mary Sandy, Executive Director, Commission on Teacher Credentialing
- Jameel Naqvi, Legislative Analyst's Office

Governor's Budget Proposal:

The Department of Finance proposes a technical adjustment to increase reimbursement authority for CTC to reflect available carryover for the Collaboration for Effective Educator Development, Accountability, and Reform project as follows:

Amendment to Budget Bill Item 6360-001-0407 and Reimbursements, Support, Commission on Teacher Credentialing

It is requested that Item 6360-001-0407 be amended by increasing reimbursements by \$80,000 to provide one-time reimbursement carryover for the Collaboration for Effective Educator Development, Accountability, and Reform project. This project, which began in late 2013 and will be completed in fiscal year 2015-16, is convening field experts to develop a credential program to prepare a teacher candidate concurrently for a special education and general education credential to address the needs of students with disabilities in achieving the Common Core State Standards.

It is further requested that provisional language be added as follows to conform to this action:

X. Of the funds appropriated in Schedule (1), \$80,000 is one-time reimbursement carryover funding for convening field experts to develop a dual credential program model that will allow educators to concurrently earn a special education credential and general education credential.

Staff Recommendation:

Staff recommends approval of this technical item.

SUBCOMMITTEE NO. 1

Agenda

Senator Marty Block, Chair
Senator Benjamin Allen
Senator Mike Morrell



Thursday, April 9, 2015
9:30 a.m. or Upon Adjournment of Session
Room 3191, State Capitol

Outcomes

Consultant: Elisa Wynne

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Public Comment

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

6110 DEPARTMENT OF EDUCATION**Item 1: Fiscal Crisis and Management Assistance Team Update****Description:**

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

Panel:

- Joel Montero, Chief Executive Officer, FCMAT

Background:

Budget Overview: The Governor's 2015-16 budget provides the same operational support for FCMAT as provided in the current year. Specifically, the budget proposes to provide \$5.3 million Proposition 98 General Fund for FCMAT functions and oversight activities related to K-12 schools. The Governor's budget also includes \$570,000 Proposition 98 General Fund for FCMAT to provide support to community colleges.

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

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

AB 1200 also created FCMAT, recognizing the need for a statewide resource to help monitoring agencies in providing fiscal and management guidance. The purpose of FCMAT is to help LEAs fulfill their financial and management responsibilities by providing fiscal advice, management assistance, training, and other related services. The bill specified that one county office of education would be selected to administer the assistance team. Through a competitive process, the office of the Kern County Superintendent of Schools was selected to administer FCMAT in June 1992. There are several defined "fiscal crises" that can prompt a COE to intervene in a district: a disapproved budget, a qualified or negative interim report, or recent actions by a district that could lead to not meeting its financial obligations.

Statute added by AB 1200 states the intent that the legislative budget subcommittees annually conduct a review of each qualifying school district (those that are rated as unlikely to meet their fiscal operations for the current and two subsequent years), as follows: “It is the intent of the Legislature that the legislative budget subcommittees annually conduct a review of each qualifying school district that includes an evaluation of the financial condition of the district, the impact of the recovery plans upon the district’s educational program, and the efforts made by the state-appointed administrator to obtain input from the community and the governing board of the district.”

Interim Financial Status Reports

Current law requires LEAs to file two interim reports annually on their financial status with the CDE. First interim reports are due to the state by December 15 of each fiscal year; Second interim reports are due by March 17 each year. Additional time is needed by the CDE to certify these reports.

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

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

First Interim Report. The first interim report was published by CDE in February 2015 and identified five LEAs with negative certifications. These LEAs will not be able to meet their financial obligations for 2014-15 or 2015-16. The first interim report reflects data generated by LEAs in Fall 2014, prior to release of the Governor’s January 2015-16 budget. The first interim report also identified 38 LEAs with qualified certifications. LEAs with qualified certifications may not be able to meet their financial obligations for 2014-15, 2015-16 or 2016-17.

Second Interim Report. The second interim report, which covers the period ending January 31, 2014, has not been released by CDE yet. Based on preliminary information provided by FCMAT, it is estimated that four LEAs will have negative certifications based on second interim reporting and 27 LEAs will have qualified certifications. This data has not yet been verified by CDE.

Negative Certification	
Second Interim Budget Certifications - Projected	
County:	District:
Los Angeles	Castaic Union
Los Angeles	Inglewood Unified
Riverside	Lake Elsinore Unified
Sonoma	Kashia Elementary

Source: Fiscal Crisis and Management Assistance Team

Qualified Certification			
Second Interim Budget Certifications - Projected			
County:	District:	County:	District:
Alameda	Emery Unified	Placer	Placer Hills Union Elementary
Alameda	Oakland Unified	San Benito	Bitterwater-Tully Elementary
Butte	Bangor Union Elementary	San Benito	Panoche Elementary
Butte	Pioneer Union Elementary	San Benito	Southside Elementary
Calaveras	Calaveras Unified	San Bernardino	Adelante Elementary
El Dorado	Black Oak Mine Unified	San Diego	Coronado Unified
Glenn	Stony Creek Joint Unified	San Diego	San Diego Unified
Los Angeles	Glendale Unified	San Diego	Warner Unified
Los Angeles	Los Angeles Unified	San Luis Obispo	Shandon Jt. Unified
Madera	Chawanakee Unified	San Mateo	San Bruno Park Elementary
Madera	Yosemite Unified	Santa Cruz	Pajaro Valley Unified
Marin	Lagunitas Elementary	Shasta	Junction Elementary
Nevada	Penn Valley Union Elementary	Sonoma	Cotati-Rohnert Park Unified
Orange	Ocean View Elementary		

Source: Fiscal Crisis and Management Assistance Team

Looking back to 2001-02, the number of negative certifications in the second interim peaked in 2008-09 at 19, while the number of qualified certifications peaked in 2011-12 at 176.

Certifications of Financial Reports

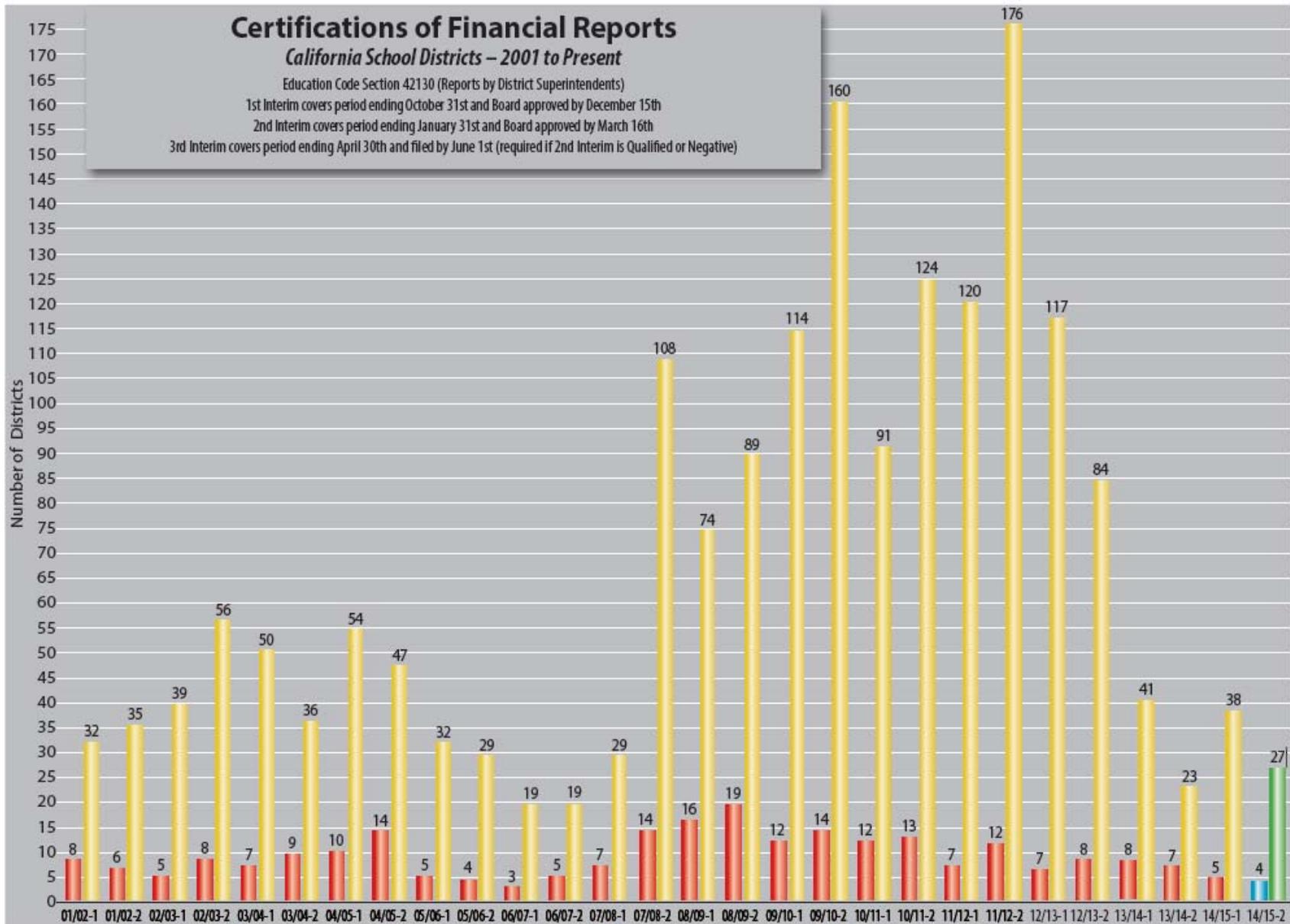
California School Districts – 2001 to Present

Education Code Section 42130 (Reports by District Superintendents)

1st Interim covers period ending October 31st and Board approved by December 15th

2nd Interim covers period ending January 31st and Board approved by March 16th

3rd Interim covers period ending April 30th and filed by June 1st (required if 2nd Interim is Qualified or Negative)



■ Negative Certification
 ■ Qualified Certification
 ■ Preliminary Negative Certification
 ■ Preliminary Qualified Certification
 ■ Projected Negative Certification
 ■ Projected Qualified Certification

Positive Certification: Shall be assigned to any school district that, based upon current projections, will meet its financial obligations for the current fiscal year and subsequent two fiscal years.
 Qualified Certification: Shall be assigned to any school district that, based upon current projections, may not meet its financial obligations for the current fiscal year or two subsequent fiscal years.
 Negative Certification: Shall be assigned to any school district that, based upon current projections, will be unable to meet its financial obligations for the remainder of the fiscal year or the subsequent fiscal year.

Projected results are based on an informal survey of educational agencies.
 Fiscal Crisis & Management Assistance Team 3/30/15

State Emergency Loans

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

- The State Superintendent of Public Instruction (SPI) shall assume all the legal rights, duties, and powers of the governing board of the district.
- The SPI shall appoint an administrator to act on behalf of the SPI.
- The school district governing board shall be advisory only and report to the state Administrator.
- The authority of the SPI and state administrator shall continue until certain conditions are met. At that time, the SPI shall appoint a trustee to replace the administrator.

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

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

State Emergency Loan Recipients. Nine school districts have sought emergency loans from the state since 1991. The table below summarizes the amounts of these emergency loans, interest rates on loans, and the status of repayments. Five of these districts: Coachella Valley Unified, Compton Unified, Emery Unified, West Fresno Elementary, and Richmond/West Contra Costa Unified have paid off their loans. Four districts have continuing state emergency loans: Oakland Unified, South Monterey County Joint Union High (formerly King City Joint Union High), Vallejo City Unified, and Inglewood Unified School District. The most recently authorized loan was to Inglewood Unified School District in 2012 in the amount of \$55 million from the General Fund and the California Infrastructure and Economic Development Bank (I-Bank). Of the four districts with continuing emergency loans from the state, Inglewood Unified School District is projected to remain on the negative certification list in the second interim report in 2015-16.

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

District	State Role	Date of Issue	Amount of State Loan	Interest Rate	Amount Paid	Pay Off Date
Inglewood Unified	Administrator	11/15/12 11/30/12 02/13/13	\$7,000,000 \$12,000,000 <u>\$10,000,000</u> \$29,000,000 (\$55 million authorized)	2.307%	\$0	11/01/33 GF
South Monterey County Joint Union High (formerly King City Joint Union High)	Administrator	07/22/09 03/11/10 04/14/10	\$2,000,000 \$3,000,000 <u>\$8,000,000</u> \$13,000,000	2.307%	\$4,749,848	October 2028 I-bank
Vallejo City Unified	Administrator Trustee	06/23/04 08/13/07	\$50,000,000 <u>\$10,000,000</u> \$60,000,000	1.5%	\$33,147,652	January 2024 I-bank 08/13/24 GF
Oakland Unified	Administrator Trustee	06/04/03 06/28/06	\$65,000,000 <u>\$35,000,000</u> \$100,000,000	1.778%	\$59,555,098	January 2023 I-bank 6/29/26 GF
West Fresno Elementary	Administrator Trustee	12/29/03	\$1,300,000 (\$2,000,000 authorized)	1.93%	\$1,425,773	12/31/10 GF
Emery Unified	Administrator Trustee	09/21/01	\$1,300,000 (\$2,300,000 authorized)	4.19%	\$1,742,501	06/20/11 GF
Compton Unified	Administrators Trustee	07/19/93 10/14/93 06/29/94	\$3,500,000 \$7,000,000 <u>\$9,451,259</u> \$19,951,259	4.40% 4.313% 4.387%	\$24,358,061	06/30/01 GF
Coachella Valley Unified	Administrators Trustee	06/16/92 01/26/93	\$5,130,708 <u>\$2,169,292</u> \$7,300,000	5.338% 4.493%	\$9,271,830	12/20/01 GF
West Contra Costa Unified (formerly Richmond Unified)	Trustee Administrator Trustee	08/1/90 01/1/91 07/1/91	\$2,000,000 \$7,525,000 <u>19,000,000</u> \$28,525,000	1.532% 2004 refi rate	\$47,688,620	05/30/12 I-bank

Source: California Department of Education

Staff Comments:

Based on the projected second interim reporting, negative and qualified certifications of LEAs are down significantly from their peak numbers in 2008-09 and 2011-12. Over the past few years, LEAs have seen significant increases in Proposition 98 General Fund as the economy rebounded from the recession. Additionally, the Legislature and Governor have enacted policy changes that have begun to pay down education debt, such as mandates, or will retire debt, in the case of the policy of deferring payments to LEAs that, under current law, will be completely paid off in 2015-16. These policies, along with changes to ongoing education funding under the Local Control Funding Formula, have

resulted in an influx of funding to LEAs over the past few years with fewer restrictions for use than under the past system of categorical funds and revenue limits. Both the Department of Finance and the LAO have projected that the Proposition 98 guarantee is unlikely to continue growing at the rate of the past few years and shows a potential for more modest growth beginning in 2016-17. At the same time, LEAs may be using current funding levels to build back from the deep cuts to education since 2006-07, provide increased services to their neediest students, and absorb new costs, such as contributions to the State Teachers Retirement System and rising healthcare and minimum wage costs. The Legislature should continue to closely monitor reporting on the fiscal health of LEAs as these new policies continue to roll out over the next few years with slowing Proposition 98 growth.

Finally, the Legislature should also closely monitor the ongoing work at Inglewood Unified School District which, despite being under the purview of a state administrator and receiving an emergency loan, continues to struggle and remains on the negative certification list for 2015-16.

Suggested Questions:

1. How have recent policy changes, such as the enactment of the Local Control Funding Formula, the continuing pay down of debt (deferrals and mandates), and elimination of categoricals, impacted LEAs' financial operations?
2. How has the work of FCMAT changed to align with these recent policy changes?
3. What are the common trends for LEAs in negative certification and those in qualified certification? What is being done to mitigate these problems going forward?
4. What other state or national policies are impacting LEAs' fiscal health?
5. How has the traditional work of FCMAT, related to AB 1200 and fiscal oversight, changed to align with new related demands of LEAs under the new Local Control and Accountability Plans?

Staff Recommendation: Information Only

6360 COMMISSION ON TEACHER CREDENTIALING**Item 2: Commission on Teacher Credentialing Overview (Information Only)****Description:**

The Commission on Teacher Credentialing (CTC) will provide background information for the agency, including: (1) an update on major activities and workload; (2) conclusion of the 2011 Bureau of State Audit review; and (3) a status report on the special funds administered by the CTC.

Panel:

- Dr. Mary Sandy, Executive Director
- Philip Chen, Director, Fiscal and Business Services

Background:

Major Responsibilities. The CTC is responsible for the following major state operations activities, which are supported by special funds:

- Issuing credentials, permits, certificates, and waivers to qualified educators;
- Enforcing standards of practice and conduct for licensed educators;
- Developing standards and procedures for the preparation and licensure of school teachers and school service providers;
- Evaluating and approving teacher and school service provider preparation programs; and,
- Developing and administering competency exams and performance assessments.

Major Activities. In 2013-14, the CTC processed approximately 235,000 candidate applications for credential and waiver documents. In addition, the CTC currently administers, largely through contract, a total of six different educator exams annually. The CTC also monitors the assignments of educators and reports the findings to the Legislature.

In addition, the CTC must review and take appropriate action on misconduct cases involving credential holders and applicants resulting from criminal charges, reports of misconduct by local educational agencies, and misconduct disclosed on applications. In 2013-14, the CTC averaged 2,382 open cases per month, with a total of 5,514 new cases opened in 2013-14.

Lastly, the CTC is responsible for accrediting 253 approved sponsors of educator preparation programs, including public and private institutions of higher education and, local educational agencies in California. (Of this total, there are 23 California State University campuses; eight University of California campuses; 56 private colleges and universities; 165 local educational agencies; and one other sponsor.)

Revenues. The CTC is a “special fund” agency whose state operations are largely supported by two special funds -- the Test Development and Administration Account (0408) and the Teacher Credentials Fund (0407). Of the CTC’s \$20.6 million state operations budget in 2014-15, about \$16 million is from credential and accreditation fees, which are revenue sources for the Teacher Credentials Fund and \$4 million is from educator exam fees, which fund the Test Development and Administration Account. The CTC also received a small amount in reimbursement revenue.

Commission on Teacher Credentialing 2014-15 Projected Revenue				
Teacher Credentialing Fees	Accreditation/ Other Fees	Assessment Related Fees	Reimbursements	Total
\$15.3 Million	\$850,000	\$4.1 Million	\$483,000	\$20.8 Million

Source: Commission on Teacher Credentialing

- Teacher Credentials Fund (Credential Fees).** The Teacher Credentials Fund is generated by fees for issuance of new and renewed credentials and other documents. Current law also requires, as a part of the annual budget review process, the Department of Finance to recommend to the Legislature an appropriate credential fee sufficient to generate revenues necessary to support the operating budget of the CTC plus a prudent reserve of not more than 10 percent. In 2012-13, the credential fee, paid every five years, was increased from \$55 to \$70 due to a projected budget shortfall and drop in credentials. This action restored the fee to the statutory maximum (Education Code §44235). Since 1998-99, credential fees had been below the statutory maximum, reaching a low of \$55 in 2001-02 based on high demand for applications. However demand for applications has generally tracked with changes in the economy and began decreasing in 2007-08 as the state economy slowed. In addition to credential application fees, the Budget Act of 2014 and related trailer bill legislation included authority for the CTC to begin assessing fees on teacher preparation programs to cover the cost of accrediting these programs. These fees were established through regulations and the CTC began assessing fees in 2013-14.
- Test Development and Administration Account (Exam Fees).** The Test Development Administration Account is generated by various fees for exams administered by the CTC, such as the California Basic Educational Skills Test (CBEST), the Reading Instruction Competence Assessment (RICA), the California Subject Examinations for Teachers (CSET), the California Teachers of English Learners (CTEL), and the California Preliminary Administrative Credential Examination (CPACE). The CTC has statutory authority (Education Code §44235.1) for reviewing and approving the examination fee structure, as needed, to ensure that the examination program is self-supporting. To determine fees for these testing programs, CTC staff projects the number of exams – based upon the most recent actual figures - and compares these figures with projected examination program costs. Similar to demand for credential applications, the number of examinations has fallen in over past years. The CTC has made a number of adjustments in recent years based upon the demand for the various exams. Most recently, in 2012-13, the CTC increased fees for most exams. No exam fee adjustments were implemented for 2014-15 and none are anticipated for 2015-16.

2015-16 Expenditure Authority. The Governor’s budget includes the following changes to the CTC budget for 2015-16:

- \$270,000 in workload adjustments (\$217,000 Teacher Credentials Fund and \$53,000 Test Development and Administration Fund)
- \$4 million in one-time General Fund for the development and revision of teacher preparation assessments, including the Teacher Performance Assessment and the Administrator Performance Assessment. (See Item 3)
- \$3.467 million in one-time General Fund to develop a data system to house accreditation-related data. (See Item 4)
- \$600,000 from the Test Development and Administration Account reserve to align the CSET with the Next Generation Science Standards. (See Item 5)

Commission on Teacher Credentialing Proposed Expenditure Authority Changes					
Budget Year	General Fund	Teacher Credentials Fund	Test Development and Administration Account	Reimbursements	Total
2014-15 Budget Act	\$0	\$15,919,000	\$4,218,000	\$483,000	\$20,620,000
2015-16 Governor's Budget	\$7,467,000	\$16,136,000	\$4,871,000	\$308,000	\$28,782,000
Difference	\$7,467,000	\$217,000	\$653,000	(\$175,000)	\$8,162,000

Source: Commission on Teacher Credentialing

Credential Processing within Statutory Timeframes. Provisional language in the annual budget act requires the CTC to submit biannual reports to the Legislature, the Legislative Analyst’s Office and the Department of Finance on the minimum, maximum, and average number of days taken to process the following:

- Renewal and university-recommended credentials;
- Out-of-state and special education credentials;
- Service credentials and supplemental authorizations;
- Adult and career technical education certificates and child center permits;
- Substitute, intern, and short-term staff permits; and,
- Percentage of renewals and new applications completed online

This provisional language was added to the budget in 2004-05 in order to provide updates to the Legislature, the Legislative Analyst’s Office, and the Department of Finance on the credential processing time workload and efforts to address a significant backlog of credential applications. AB 469 (Horton), Chapter 133, Statutes of 2007, revised the application processing time from 75-working days to 50-working days, effective January 1, 2008. Based on the most recent CTC report, released March 1, 2015, covering September 2014 through January 2015, approximately 83 percent of applications are being processed within 10 working days with over 97 percent of applications processed within the required 50-working day processing time requirement.

Teacher Misconduct Workload. The Division of Professional Practices conducts investigations of misconduct on behalf of the Committee of Credentials – a commission-appointed body. The committee meets monthly to review allegations of misconduct and, when appropriate, recommends that the commission discipline credential holders or applicants, including revoking or denying credentials when the committee determines holders or applicants are unfit for the duties authorized by the credential. Provisional language in the annual budget act requires the CTC to submit biannual reports to the Legislature, the Legislative Analyst’s Office and the Department of Finance on the workload of the Division of Professional Practices and the status of the teacher misconduct caseload. This report is required to include the number of cases opened by type, and average number of days and targets for each key step in reviewing teacher misconduct cases. Based on the most recent CTC report, released March 1, 2015, the total number of open cases at the end of January 2015 was 2,488, significantly reduced from 4,629 in January 2010. Recently the normal range has been to open 400-500 cases per month, in January 2015, the CTC opened 443 cases and closed 530.

Follow-Up Review of Commission on the CTC response to the Bureau of State Audits (BSA) Recommendations. On April 7, 2011 the California State Auditor issued a report entitled “*Despite*

Delays in Discipline of Teacher Misconduct, the Division of Professional Practices has not Developed an Adequate Strategy or Implemented Processes That Will Safeguard Against Future Backlogs”.

Overall, the BSA audit found that the CTC revealed weaknesses in the educator discipline process and in hiring policies and practices. **Key findings** from the audit include the following:

1. As of the summer of 2009, according to the commission’s management, the Division of Professional Practices had accumulated a backlog of 12,600 unprocessed reports of arrest and prosecution (RAP sheets)—almost three times a typical annual workload.
2. The large backlog of unprocessed reports appears to have significantly delayed processing of alleged misconduct by the Division of Professional Practices and potentially allowed educators of questionable character to retain a credential.
3. The Division of Professional Practices has not effectively processed all the reports of arrest and prosecution that it receives. A review of randomly selected reports could not be located within the CTC’s database. Further, the division processes reports it no longer needs.
4. To streamline the committee’s processing of pending cases, the Division of Professional Practices uses its discretion to close cases or not open cases for which it believes the committee would choose not to recommend disciplinary action against the credential holder. However, the BSA did not believe the committee can lawfully delegate this discretion to the division.
5. The Division of Professional Practices lacks comprehensive written procedures for reviewing reported misconduct and the database it uses for tracking cases of reported misconduct does not always contain complete and accurate information.
6. Familial relationships among commission employees may have a negative impact on employees’ perceptions and without a complete set of approved and consistently applied hiring practices, the CTC is vulnerable to allegations of unfair hiring and employment practices.

The BSA audit made numerous recommendations to the CTC including that it develop and formalize comprehensive procedures for reviews of misconduct and for hiring and employment practices to ensure consistency. The audit also recommended that the CTC provide training and oversight to ensure that case information on its database is complete, accurate, and consistent. Moreover, the BSA audit provided specific recommendations for the CTC to revisit its processes for overseeing investigations to adequately address the weaknesses in its processing of reports of misconduct and reduce the time elapsed to perform critical steps in the review process. The CTC has addressed the findings and recommendations of the 2011 BSA audit and provided progress updates to the BSA and Legislature, as required. At the September 2012 CTC meeting, the State Auditor announced that the commission had fully addressed all of the findings and recommendations of the 2011 BSA review.

In June 2014, the BSA returned to the CTC to do a follow-up review of the actions taken in response to the 2011 BSA audit. The BSA found that the CTC had followed up and fully implemented all of the BSA’s recommendations or taken alternative actions to appropriately resolve concerns raised by the BSA. The final recommendation made by the BSA in this follow-up review was that the CTC update its strategic plan to include measurable goals and timelines that are evaluated on an ongoing basis. The CTC began the development of a new strategic plan in August 2014 that will meet these objectives.

6360 COMMISSION ON TEACHER CREDENTIALING**Item 3: Teacher and Administrator Performance Assessments****Description:**

The Governor proposes to provide \$5 million in non-Proposition 98 General Fund to the CTC for the update and development of teacher and administrator performance assessments.

Panel:

- Kimberly Leahy, Department of Finance
- Dr. Mary Sandy, Executive Director, Commission on Teacher Credentialing
- Jameel Naqvi, Legislative Analyst's Office

Background:

There are a variety of paths to becoming a teacher in California, however, most new teachers first obtain a preliminary credential, which is issued for up to a five year period, and then meet the requirements for a clear credential. The general requirements are as follows:

For a **preliminary credential**, applicants must satisfy all of the following:

- Complete a baccalaureate or higher degree, except in professional education, from an accredited college or university.
- Satisfy the basic skills requirement.
- Complete a teacher preparation program including successful student teaching, and obtain a formal recommendation for the credential by the California college or university where the program was completed. The Teacher Performance Assessment (TPA) is a required indicator of recommendation for a credential.
- Verify subject matter competence through achieving a passing score on the appropriate subject matter examination(s).
- Pass the Reading Instruction Competence Assessment (RICA), or satisfy this requirement through a teacher preparation program.
- Satisfy the Developing English Language Skills requirement.
- Complete a course on the U.S. Constitution or pass an examination given by an accredited college or university.
- Complete basic computer technology course work, that includes the use of technology in educational settings.

For a **clear credential**, new teachers generally must complete a CTC-approved General Education Induction Program. Induction programs are most often sponsored by, or in partnership with, the school district or county office of education who is employing the teacher, however colleges and universities, and other school districts and county offices of education may also provide these programs. The induction program is intended to provide support to a new teacher and should be tailored to his or her needs and the needs of the employer.

Legislation passed in 2006 (SB 1209, [Scott] Chapter 517, Statutes of 2006) required that as of July 1, 2008, all new teacher candidates take a Teaching Performance Assessment (TPA) as part of the

teacher preparation program. Prior to this legislation, the TPA requirement was dependent on an appropriation in the annual budget act. The TPA is intended to measure the mastery of California's Teaching Performance Expectations for beginning teachers and consists of four performance tasks: (1) Subject-specific pedagogy (single or multiple subject), (2) designing instruction, (3) assessing learning, and (4) a culminating teaching experience. The TPA is administered by teacher preparation programs. There are currently four versions of the TPA used in California, including the CTC-developed TPA or "CalTPA". Teacher preparation programs may use any of the four commission-approved TPA models. Each teacher preparation program locally scores the TPA using trained assessors. The results of the TPA are included in the recommendation of a new teacher candidate for a credential and may inform the new teacher candidate's areas of focus in a beginning teacher induction program.

The CTC has heard multiple agenda items over the past few years on improving the TPA. One of the largest concerns with the current TPA is that scoring is done locally, although trained assessors are used. The CTC noted that the recognized way to assure scoring reliability and consistency, in accordance with the Joint National Standards for Educational and Psychological Testing, is to use a centrally scored model in which a scoring entity (typically a contractor) oversees scorer training, calibration, reliability during the scoring process, and recalibration over time. The commission took action in December 2014 to adopt TPA Design Principles and TPA Assessment Design Standards for the next generation of TPA models that both specify the use of a centralized scoring model.

At the same time, the CTC has recently approved new program standards for the Preliminary Administrative Services Credential Program and voted to require the passage of an Administrative Performance Assessment (APA) for preliminary licensure once one has been developed for this purpose. Currently, candidates who are seeking an Administrative Services Credential can qualify by taking the CPACE in addition to meeting other requirements, or through a CTC-approved preparation program or intern program.

Governor's Proposal:

The Governor proposes to provide \$5 million in non-Proposition 98 General Fund to the CTC to update the Cal TPA and develop an Administrator Performance Assessment (APA). The funding would be provided over a two-year period, with \$4 million appropriated in the 2015-16 budget. The Governor proposes accompanying budget bill language as follows:

Item 6360-001-0001, Provision 1:

"Of the funds appropriated in Schedule (1), \$4,000,000 in one-time General Fund is provided to support development of an administrator performance assessment and revise Commission-owned and Commission-approved teacher performance assessments."

LAO Analysis and Recommendations:

The LAO notes that the Governor's proposal to spend \$5 million General Fund over two years for various TPA and APA purposes is reasonable in light of the state's new content standards, the commission's plan to use TPA and APA results as part of a new accreditation data system, and the CTC's recent adoption of the APA requirement for administrator credential programs. The LAO agrees that these improvements could help enhance the quality of teacher and administrator candidates and ensure that data on teacher candidates is more reliable across the various teacher preparation programs.

Staff Comments:

The Governor's proposal would bring to fruition much of the work already begun by the CTC to ensure that new teacher candidates are adequately trained and that this training is aligned with related state policies and standards. In addition, based on the CTC's recent meetings on this topic, enacting centralized scoring will facilitate consistency across teacher preparation programs and make the comparison of programs easier for potential teachers, education stakeholders, and policymakers.

The CTC would be required to put the assessment contract(s) out to bid (request for proposals) to solicit applications from testing experts for the activities outlined and the associated costs. The CTC staff has recommended, and the Department of Finance agrees, that \$5 million is a reasonable estimate based on the cost of developing assessments in the past. CTC staff have noted that the process of securing an assessment contract could take up to six months to complete and that if this proposal is approved, they anticipate a contract in place by the end of 2015 or early 2016. The estimated time to fully operational assessments is two years. Staff believes that the estimates and timelines are reasonable, however recommends that the Legislature consider additional reporting language to ensure that when a contract(s) is in place, the Legislature is updated on the actual costs and the timeline for the development of these assessments.

Suggested Questions:

- 1) Does the CTC estimate that these new assessments will result in increased costs for teacher preparation programs?
- 2) How many teacher preparation programs use the CTC-owned CalTPA and how many use other teacher performance assessments?
- 3) Are there ongoing costs to the state associated with an updated Teacher Performance Assessment or the proposed Administrator Performance Assessment?
- 4) How will these changes improve the quality of teacher preparation programs in the state?

Staff Recommendation:

Hold open pending May Revision estimates of total available non-Proposition 98 General Fund.

6360 COMMISSION ON TEACHER CREDENTIALING**Item 4: Accreditation****Description:**

The Governor proposes to provide \$5 million in non-Proposition 98 General Fund to the CTC to develop a data system for accreditation, with \$3.467 million appropriated in the 2015-16 budget.

Panel:

- Kimberly Leahy, Department of Finance
- Dr. Mary Sandy, Executive Director, Commission on Teacher Credentialing
- Jameel Naqvi, Legislative Analyst's Office

Background:

The CTC is responsible for accrediting approved sponsors of educator preparation programs, including public and private institutions of higher education and, local educational agencies in California. In order to conduct this work, the CTC appoints a Committee on Accreditation (COA) that includes six representatives from K-12 and six from postsecondary education. An institution must first be approved by the CTC and then the teacher preparation program must be approved by the COA. Once the program is approved, it enters a seven year accreditation cycle that includes the following:

- Biennial reports that provide data on candidate competence
- A site visit by a trained team of evaluators that conduct interviews of graduates, candidates, employers, program faculty, and administrators.
- A program assessment that provides data on assessment performance, employer feedback, program updates, and changes.

This accreditation cycle is meant to ensure continuous outcome accountability, consistent adherence to the CTC standards for teacher preparation programs, and alignment with the state's academic content standards.

The CTC currently has been consistently working towards streamlining the accreditation system, requiring fewer inputs into the system and relying more on output measures. This includes a plan for the following:

- 1) Develop and implement candidate, employer, and other surveys regarding preparation program effectiveness
- 2) Develop reporting mechanisms so sponsors can improve or expand existing practices
- 3) Develop data dashboards to inform decision making, provide transparency, and provide reliable data for other public uses.

The CTC has a completed Feasibility Study Report (FSR) approved by the California Department of Technology that details these activities and supports the cost estimate provided and funded in the Governor's budget. The CTC also notes that they have moved forward on some of these activities using existing resources, including development of surveys to inform program effectiveness; preliminary teacher and leader surveys have been piloted and additional (employer, master teacher, supervisor) pilots are in development for implementation in Spring-Summer 2015. The FSR also

includes security enhancements for existing and newly updated online pieces of the plan. If funded in the 2015-16 budget, the project should be largely completed in 2017.

Governor's Budget Proposal:

The Governor proposes to provide \$5 million in non-Proposition 98 General Fund to the CTC to fund a data system for accreditation, with \$3.467 million appropriated in the 2015-16 budget. This is aligned with the CTC's approved FSR. The Governor proposes accompanying budget bill language as follows:

Item 6360-001-0001, Provision 2:

"Of the funds appropriated in Schedule (1), \$3,467,000 in one-time General Fund is provided to support streamlining the Accreditation System."

Legislative Analyst's Office Analysis and Recommendations:

The LAO agrees that the CTC's data system proposal would help to reduce the accreditation system's heavy reliance on program inputs, especially extensive documentation, as well as reduce associated staff time and costs. They also note that the proposal is consistent with their past recommendations to shift from an input to an outcome-oriented accreditation system. However, they note that several critical features of the data system remain unclear. Most notably, the CTC has yet to identify what specific data elements will be collected and housed in the system. Also lacking at this time is a specific plan to collect those data elements, including any agreements or regulatory changes necessary to obtain the data from other state or local agencies. Moreover, the commission has not yet presented a specific plan for how it will use the new data system to streamline accreditation. The LAO is also concerned about the possibility that CTC could actually increase accreditation-related costs and staff time by adding a new data system without significantly reducing existing burdens on teacher preparation programs and CTC staff. If the accreditation system were to become even more costly, the CTC likely would begin charging programs even higher accreditation fees.

The LAO recommends requiring the CTC to report to the Legislature by January 1, 2016 with answers to several key questions. Specifically, in the report, the CTC should (1) identify the data it plans to include in the new data system; (2) explain how it will use the data to streamline the accreditation process and reduce the associated administrative burden for teacher preparation programs and CTC staff; and (3) provide an analysis of the ongoing fiscal effect of the new data and accreditation system. This report should also describe what modifications the CTC plans to make to its accreditation fees to reflect changes to the accreditation system. Once the CTC has provided this information, the LAO recommends the Legislature reconsider funding the data proposal in 2016-17.

Staff Comments:

Staff notes that the current CTC accreditation system is complex and cumbersome. Over the past year, the CTC and the CTC-appointed COA have included and publicly discussed a new framework for a streamlined accreditation system. These discussions have resulted in agreement among stakeholders for some key guiding principles – the system should emphasize reliable outcome data, increase efficiency of site visits, and identify promising practices as well as target poor performers for review and support. In addition, the discussion emphasized increasing transparency within the system for teachers, employers, program sponsors, and the public. These goals are aligned with other recent policy changes, such as the Local Control Funding Formula, and would also support high quality teacher preparation going forward. Staff notes that the CTC is planning on redirecting current staff and resources to support the proposal, however, the CTC has already made significant cuts and enacted efficiencies to bring expenditure in line with revenues over the past few years. The Legislature should ensure that a new system is supportable within the proposed resources, and to

that effect may wish to direct staff to work with the CTC to add budget bill language to specify the planned redirection of funds to ensure General Fund resources for this project are indeed one-time.

Suggested Questions:

- 1) What are the ongoing costs and staffing support needed for this project?
- 2) What tangible results will teachers, employers, and preparation program sponsors see from this project?
- 3) If this project is not funded, are there other ways the CTC can move to streamline the accreditation system within existing resources?

Staff Recommendation:

Hold open pending May Revision estimates of total available non-Proposition 98 General Fund.

6360 COMMISSION ON TEACHER CREDENTIALING**Item 5: Science Teacher Preparation and Assessment****Description:**

The Governor proposes to provide \$600,000 in additional expenditure authority from the Test Development and Administration Account in 2015-16 to align teacher preparation programs and the CSET with the Next Generation Science Standards (NGSS).

Panel:

- Kimberly Leahy, Department of Finance
- Dr. Mary Sandy, Executive Director, Commission on Teacher Credentialing
- Jameel Naqvi, Legislative Analyst's Office

Background:

The CSET is used to verify subject matter competence for both single and multiple subject teaching credentials and, as noted in Item 3 of this agenda, passage of the appropriate exam(s) is one of the requirements for a preliminary credential. Science is included in both the multiple subject subtests and in stand-alone single subject competence exams. The CSET is periodically updated to comply with state academic content standards through augmentations to the assessment contract. In addition, the required content of the state's teacher preparation programs is specified by CTC adopted standards that are updated to align with state academic content standards.

The NGSS were adopted by the State Board of Education in September of 2013, pursuant to SB 300 (Hancock), Chapter 625, Statutes of 2011. The NGSS describe the key scientific ideas and practices that all students should learn by the time they graduate from high school. The NGSS detail performance expectations for kindergarten through grades 8 and high school.

The development of the NGSS started with the development of the *Framework for K–12 Science Education* by the National Research Council the staff arm of the National Academy of Sciences. After the framework was in place, the standards were developed collaboratively with states and other stakeholders in science, science education, higher education and industry, including extensive public review. This process produced a set of high quality, college- and career-ready K–12 *Next Generation Science Standards* ready for state adoption. The standards were completed in April 2013.

Full implementation of NGSS for California is planned to occur over several years and in the context of a continuous learning process, likely not fully operational until 2016-17. In addition, a statewide student assessment for the NGSS has not yet been developed.

Governor's Budget Proposal:

The Governor proposes to provide \$600,000 in additional expenditure authority from the Test Development and Administration Account in 2015-16 to align the CSET with the Next Generation Science Standards (NGSS). The Governor proposes accompanying budget bill language as follows:

Item 6360-001-0408, Provision 5:

"Of the funds appropriated in Schedule (2), \$600,000 in one-time Test Development and Administration Account funds is provided to align teacher standards and science examinations with the Next Generation Science Standards"

Legislative Analyst's Office Analysis and Recommendations:

The LAO believes that the Governor's proposal to allow the CTC to spend \$600,000 from the Test Development and Administration Account to update science-related assessments is reasonable given the state's new science standards and the projected budget reserve of \$2.3 million in the account at the end of 2014-15. At the end of 2015-16, the administration projects the Test Development and Administration Account will have a reserve of \$1.6 million, 37 percent of ongoing annual expenditures from the account. The LAO notes, even with this proposal, they believe the reserve levels are adequate to cover the CTC's cash flow needs in 2015-16.

Staff Comments:

The Next Generation Science Standards for grades kindergarten through 12 were adopted by the State Board of Education in September of 2013. Since this time, the California Department of Education and the State Board of Education have continued to work towards completing an implementation plan for the NGSS. This CTC workload is a key step to supporting the preparation of teachers for teaching the NGSS. Funds in the Test Development and Administration Account may be appropriately used for this purpose and the CTC may revise the current assessment contract for these changes.

Subcommittee Questions:

- 1) How much is the current reserve level of the Test Development and Administration Account?
- 2) When does the CTC anticipate the assessment update will be complete?

Staff Recommendation:

Staff recommends approval of this item.

Vote: 3-0 Approved Item

6360 COMMISSION ON TEACHER CREDENTIALING**Item 6: Department of Finance April Letter – Commission on Teacher Credentialing****Description:**

This is a technical budget proposal to provide reimbursement authority for expenditure of carryover funds for the Collaboration for Effective Educator Development, Accountability, and Reform project.

Panel:

- Kimberly Leahy, Department of Finance
- Dr. Mary Sandy, Executive Director, Commission on Teacher Credentialing
- Jameel Naqvi, Legislative Analyst's Office

Governor's Budget Proposal:

The Department of Finance proposes a technical adjustment to increase reimbursement authority for CTC to reflect available carryover for the Collaboration for Effective Educator Development, Accountability, and Reform project as follows:

Amendment to Budget Bill Item 6360-001-0407 and Reimbursements, Support, Commission on Teacher Credentialing

It is requested that Item 6360-001-0407 be amended by increasing reimbursements by \$80,000 to provide one-time reimbursement carryover for the Collaboration for Effective Educator Development, Accountability, and Reform project. This project, which began in late 2013 and will be completed in fiscal year 2015-16, is convening field experts to develop a credential program to prepare a teacher candidate concurrently for a special education and general education credential to address the needs of students with disabilities in achieving the Common Core State Standards.

It is further requested that provisional language be added as follows to conform to this action:

X. Of the funds appropriated in Schedule (1), \$80,000 is one-time reimbursement carryover funding for convening field experts to develop a dual credential program model that will allow educators to concurrently earn a special education credential and general education credential.

Staff Recommendation:

Staff recommends approval of this technical item.

Vote: 3-0 Approved Item

SUBCOMMITTEES No. 1 and 3

Education and Health & Human Services

Chair, Senator Marty Block

Senator John M.W. Moorlach
Senator Benjamin Allen



Chair, Senator Holly J. Mitchell

Senator Jeff Stone, Pharm.D.
Senator William W. Monning

April 16, 2015
9:30 a.m. or Upon Adjournment of Session
Room 4203, State Capitol

AGENDA

Consultant: Samantha Lui

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PLEASE NOTE. Only those items contained in this agenda will be discussed at this hearing. Please see the Senate Daily File for dates and times of subsequent hearings. Issues will be discussed in the order as noted in the Agenda unless otherwise directed by the Chair. Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling 916-651-1505. Requests should be made one week in advance whenever possible. Thank you.

OVERVIEW OF CALIFORNIA'S CHILD CARE AND EARLY LEARNING SYSTEM

The period from birth through age five is a critical time for a child to develop physical, emotional, social, and cognitive skills.¹ Early childhood interventions have demonstrated consistent positive effects for a child's long-term health and well-being, including better health outcomes, higher cognitive skills, higher school attainment, and lower rates of delinquency and crime.² Some academic literature finds that investing in quality early childhood education can produce future budget saving. For example, James Heckman, a University of Chicago Nobel Laureate economist, found that quality preschool investments generate seven to ten cents per year on every dollar invested.³ To provide context for the subcommittees' consideration of the Governor's budget regarding, and oversight of, child care and early childhood education issues, the following sections will: (1) present the impact of poverty on child development; (2) discuss infrastructural factors that impact the delivery of California's child care and early learning programs; and (3) consider possible proposals of investment.

Eligibility and access. Programs in the early care and education system, generally, have two objectives: to support parental work participation and to support child development. To be eligible for subsidized child care, families' incomes must be below 70 percent of the state median income (\$42,000 for a family of three); parents must be working or participating in an education or training program; and children must be under the age of 13. California has, traditionally, guaranteed subsidized child care through a variety of programs, including child care for families currently participating in the California Work Opportunity and Responsibility to Kids (CalWORKs) program. The state subsidizes child care for several years, with Stage 1 care provided for families seeking employment; Stage 2 for families who have been deemed "stable" by a county or are transitioning off of cash assistance; and Stage 3, for families who have been off cash assistance for at least two years.

Summary of California's Child Care and Development Programs

Program	Description	2014 Budget Act Slots	Proposed Slots for 2015-16	Percent Change
CalWORKs (based on estimated caseload)				
Stage 1	Provides cash aid and services to eligible families. Begins when a participant enters the CalWORKs program.	38,363	40,847	6%
Stage 2	When the county deems a family "stable." Participation in Stage 1 and/or Stage 2 is limited to two years after an adult transitions off cash aid.	51,956	46,968	-10%
Stage 3	When a family expends time limit in Stage 2, and as long as family remains otherwise eligible.	34,563	35,908	4%
Subtotals for CalWORKs child care		124,882	123,723	-1%

¹ U.S. Department of Health and Human Services (2003, June). *Strengthening Head Start: What the evidence shows* <http://aspe.hhs.gov/hsp/StrengthenHeadStart03/index.htm>

² A. Reynolds, J. Temple, S. Ou, D. Robertson, J. Mersky, J. Topitzes, and M. Niles (2007) *Effects of a School-Based, Early Childhood Intervention on Adult Health and Well-being: A 19-year follow-up of low-income families*. *ArchPediatrics Adolescent Med/Vol. 161* (No. 8), pp.730-739.

³ J. Heckman (2011). "The Economic of Inequality: The value of early childhood education." *American Educator*, pp.31-47.

Non-CalWORKs (based on proposed number of slots to be funded)				
General Child Care	State and federally funded care for low-income working families not affiliated with CalWORKs program. Serves children from birth to 12 years old.	51,287	53,323	4%
Alternative Payment	State and federally funded care for low-income working families not affiliated with CalWORKs program. Helps families arrange and make payment for services directly to child care provider, as selected by family.	26,554	27,146	2%
Migrant Child Care	Serves children of agricultural workers while parents work.	2,505	2,609	4%
Severely Handicapped Program	Provides supervision, therapy, and parental counseling for eligible children and young adults until 21 years old.	145	146	1%
State Preschool	Part-day and full-day care for 3 and 4-year old children from low-income families.	148,588	153,177	3%
Total		353,961	360,124	2%

How are programs funded? California provides child care and development programs through vouchers and contracts.

- Vouchers.** The three stages of CalWORKs child care and the Alternative Payment Program are reimbursed through vouchers. Parents are offered vouchers to purchase care from licensed or license-exempt caregivers, such as friends or relatives who provide in-home care. Families can use these vouchers at any licensed child care provider in the state, and the value of child care vouchers is capped. The state will only pay up to the Regional Market Rate (RMR) — a different amount in each county and based on regional surveys of the cost of child care. The RMR is currently set to the 85th percentile of the RMR survey conducted in 2009, minus 10.11 percent. If a family chooses a child care provider who charges more than the maximum amount of the voucher, then a family must pay the difference, called a co-payment. Typically, a Title 22 program – referring to the state Title 22 health and safety regulations that a licensed provider must meet — serves families who receive vouchers. The Department of Social Services (DSS) funds CalWORKs Stage 1, and county welfare departments locally administer the program. The California Department of Education (CDE) funds the remaining voucher programs, which are administered locally by 76 Alternative Payment (AP) agencies statewide. Alternative Payment Agencies (APs), which issue vouchers to eligible families, are paid through the “administrative rate,” which provides them with 17.5 percent of total contract amounts. As the state cut the number of child care slots, APs issued fewer vouchers, which generated less funding for programs.
- Contracts.** Providers of General Child Care, Migrant Child Care, and State Preschool – known as Title 5 programs for their compliance with Title 5 of the California Code of Regulations — must meet additional requirements, such as development assessments for children, rating scales, and staff development. Title 5 programs contract with, and receive payments directly from, CDE. These programs receive the same reimbursement rate (depending on the age of the child), no matter where in the state the program is located. Since 2007, the standard reimbursement rate (SRR) was \$34.38 per child per day of enrollment, and increased to \$36.67 following a five percent increase in last year’s budget. Over the past few years, some small and medium-sized

providers have been absorbed by larger providers that have greater economies of scale. This is one indication that the SRR may not be sufficient for them to operate.

For license-exempt care, reimbursement rates remain at sixty percent of the regional reimbursement rate established for family child care homes.

Funding. Child care and early childhood education programs are generally capped programs, meaning that funding is provided for a fixed amount of slots or vouchers, not for every qualifying family or child. The exception is the CalWORKs child care program (Stages 1 and 2), which are entitlement programs in statute.

Subsidized child care programs are funded by a combination of non-Proposition 98 state General Fund and federal funds. Until the 2011-12 fiscal year, the majority of these programs were funded from within the Proposition 98 guarantee for K-14 education. In 2012, funding for CSPP and the General Child Care Programs were consolidated; all funding for the part-day/part-year CSPP is now budgeted under the State Preschool program, which is funded from within the Proposition 98 guarantee. The remaining funding in the General Child Care program supports the wrap-around care required for working parents.

California also receives funding from the federal Child Care and Development Fund (CCDF), which is comprised of federal funding for child care under the Child Care and Development Block Grant (CCDBG) Act and the Social Security Act. Four percent of the federal block grant must be spent on improving the quality of child care.

Other early learning and child care programs and funding support. Programs, such as Head Start and California First 5, and other funding sources, such as the Race to the Top grant, local school districts, and community college districts, also support child development and early education programs.

Head Start. Head Start is a national program, administered by the U.S. Department of Health and Human Services Administration on Children, Youth, and Families, that serves preschool-age children and their families around the state. Many Head Start programs also provide Early Head Start, which serves infants, toddlers, pregnant women, and their families who have incomes below the federal poverty level. Programs may be based in:

- Centers or schools that children attend for part-day or full-day services;
- Family child care homes; and/or,
- Children's own homes, where a staff person visits once a week to provide services to the child and family. Children and families who receive home-based services gather periodically with other enrolled families for a group learning experience facilitated by Head Start staff.

According to CDE, in 2012, over 111,000 children were served by Head Start with a program budget of over \$965 million. California's Head Start programs are administered through a system of 74 grantees and 88 delegate agencies. A majority of these agencies also have contracts with the CDE to administer general child care and/or State Preschool programs. CDE indicates that it has over 1,316 contracts, through approximately 718 public and private agencies, providing services to approximately 400,000 children.

California First 5 and County First 5 Commissions. In 1998, voters approved Proposition 10, the California Children and Families First Act, which created the California Children and Families Program, also known as First 5. There are 58 county First 5 commissions, as well as the State California and Families Commission (State Commission), which provide and direct early development programs for children through age five. A cigarette tax (50 cent per pack) is the primary funding mechanism, of which about 80 percent is allocated to the county commissions and 20 percent is allocated to the State Commission. According to the Legislative Analyst's Office, the tax generates approximately \$400 million annually. In fiscal year 2013-14, the state and commission invested more than \$195 million to improve access and quality for early learning, including professional development for teachers and classroom support, like family specialists. First 5 can also provide developmental screenings.

After School Education and Safety Program. In 2002, California voters approved Proposition 49, which expanded and renamed the "Before and After School Learning and Safe Neighborhood Partnerships Program" to the "After School Education and Safety (ASES) Program." The ASES Program funds after school education and enrichment programs, created in partnerships between schools and community resources for students in kindergarten through ninth grade. After school programs must have (1) an educational and literacy element, such as tutoring and/or homework assistance, and (2) an educational enrichment element, such as music, performing arts, or community-service learning. ASES grantees must operate programs a minimum of 15 hours a week, and at least until 6:00 p.m. every regular school day during the regular school year. Currently, the ASES program is funded at \$550 million.

Race to the Top -- Early Learning Challenge (RTT-ELC).⁴ In 2012, California was one of nine states awarded a Race to the Top -- Early Learning Challenge grant, which aims to improve the quality of early learning programs and to close the achievement gap for children from birth to age five. California's grant totals \$52.6 million over four years (January 2012 to December 2015). State agencies, including the State Board of Education, DSS, Department of Public Health, Department of Developmental Services, and First 5 California, work with a voluntary network of 17 Regional Leadership Consortia (Consortia)⁵ to operate or develop a local Quality Rating and Improvement System (QRIS). The grant is also making one-time investments in state capacity, such as teacher/provider training and professional development, kindergarten readiness, home visitation, and developmental screenings. Around 74 percent of California's grant is spent in 16 counties⁶ to support a voluntary network of early learning programs. CDE estimates that nearly 1.9 million children, or 70 percent of children under five, can benefit from this grant.

Local School Districts. Local school districts also make considerable investments in early childhood education. Many elementary schools have preschool programs and child care programs on-site, such as Head Start, First 5 funded programs, or State Preschool. However, some programs are funded directly by school districts using other funds, including local property taxes and parent fees. School districts

⁴ For more information on California's Race to the Top -- Early Learning Challenge Grant, please see the May 2013 Report to the Governor, the Legislature, and the Legislative Analyst's Office at <http://www.cde.ca.gov/sp/cd/rt/documents/rttelc2012legrpt.pdf>

⁵ The Consortia includes the counties of Alameda, Contra Costa, El Dorado, Fresno, Los Angeles, Merced, Orange, Sacramento, San Diego, San Francisco, San Joaquin, Santa Barbara, Santa Clara, Santa Cruz, Ventura, and Yolo.

⁶ The Consortia includes 17 members in the counties of Alameda, Contra Costa, El Dorado, Fresno, Los Angeles, Merced, Orange, Sacramento, San Diego, San Francisco, San Joaquin, Santa Barbara, Santa Clara, Santa Cruz, Ventura, and Yolo.

have the flexibility to use their funding streams on early childhood education. There are various funding mechanisms include:

- Title I federal funding, which is dedicated to improving the academic achievement of the disadvantaged;
- Federal special education funding; and,
- California School Age Families Education (CalSAFE) that provided money specifically for child care and other supports for parenting students. This program was added to categorical flexibility in 2008-09, and the funds allocated to districts are no longer restricted to the CalSAFE program.

Community College Districts. There is also a small amount of funding allocated to the Community College districts to support subsidized child care for students. The budget includes funding for the following programs:

- CalWORKs \$9.2 million for subsidized child care for children of CalWORKs recipients.
- Cooperative Agencies Resources for Education (CARE) - Administered by the state Chancellor's Office, CARE uses Proposition 98 funds to operate 113 CARE programs. For fiscal year 2013-14, the program was allocated \$9.3 million to provide eligible students with supplemental support services designed to assist low-income single parents to succeed in college.⁷
- Child Care Tax Bailout - This program was first established in 1978 to mitigate the effect of Proposition 13 on 25 community colleges that had previously dedicated local taxes to child care and development centers. This program was included in the categorical flex item with funding of \$3.4 million in the 2009-10 budget, but there has been no change to this program since that time.

RECENT TRENDS

Some families, despite similar characteristics, are provided different funding and educational opportunities. The Legislature may wish to examine how child care services and early education programs are currently administered and delivered, so as to maximize available funding, deliver quality services, and meet the diverse needs of California's families. This section will review reductions made during the Great Recession and examine current issues and trends, pertaining to the following: (1) access to child care and early learning programs; (2) reimbursement rates; and (3) quality measures.

From 2009-2013, overall funding for child care and preschool programs decreased by \$984 million; and approximately 110,000 slots, across all programs, were eliminated. The following chart by the Legislative Analyst's Office outlines the funding, slot, and caseload reductions made to child care and preschool programs.

⁷ The Chancellor's Office temporarily suspended the Board of Governors-approved CARE allocations' funding formula, so each CARE program is awarded the same allocation received in the past four years. For more information about CARE's final allocations, please see <http://extranet.cccco.edu/Divisions/StudentServices/CARE/Allocations.aspx>

Recent Funding and Slot/Caseload Reductions to Child Care and Preschool Programs	
<i>(Dollars in Millions)</i>	
Year Change	Reductions
2009-10	
Exemptions for Stage 1 families	\$69
Eliminate Latchkey after school program	27
Technical/caseload adjustments	-14 ^a
Total Funding Reduction	\$82
Total Slot/Caseload Reduction	10,400
2010-11	
Cap Title 5 provider reserves at 5 percent	\$83
Reduce CalWORKs Stage 3 (Governor's veto)	70 ^b
Reduce license-exempt rates from 90 percent to 80 percent of licensed rates	31
Reduce administrative payments from 19 percent to 17.5 percent of total contract amounts	17
Reduce some quality improvement activities	6
Technical/caseload adjustments	83
Total Funding Reduction	\$290
Total Slot/Caseload Reduction	35,200^c
2011-12	
Across-the-board cut of 11 percent ^d	\$177
Reduce license-exempt rates from 80 percent to 60 percent of licensed rates	68
Lower income eligibility from 75 percent to 70 percent of state median income	28
Reduce or eliminate some quality improvement activities	16
Eliminate Centralized Eligibility List	8
Additional across-the-board cut of 4 percent ^d (midyear trigger cut)	23
Technical/caseload adjustments	107
Total Funding Reduction	\$427
Total Slot/Caseload Reduction	37,100
2012-13	
Across-the-board cut of 9 percent ^{d,e}	\$130
Institute family fees for part-day preschool	3
Technical/caseload adjustments	52
Total Funding Reduction	\$185
Total Slot/Caseload Reduction	27,300
Total Funding Reduction	\$984
Total Slot/Caseload Reduction	110,000
^a Reflects net increase in funding, not reduction. ^b Governor originally vetoed \$256 million in CalWORKs Stage 3 funding. Legislature restored \$186 million. ^c Reductions primarily due to CalWORKs Stage 3 families not returning to the program after the veto. ^d Except for CalWORKs Stage 1 and Stage 2. ^e Alternate Payment Program was reduced by 18 percent.	

How did the Recession impact child care and early learning access? According to data from CDE, the aggregate number of children served by program type has fluctuated annually. The table below provides more specific numbers of children by program type.

Aggregate Number of Children Served by Program Type (2008-09 to 2013-14)

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
General Child Care	145,353	71,004	68,386	60,317	55,563	54,461
CalWORKs Stage 2	115,242	107,505	109,495	110,033	104,890	91,967
CalWORKs Stage 3	81,035	76,247	67,128	40,391	42,332	44,929
Alternative Payment	54,678	58,226	56,937	51,000	39,768	39,727
California State Preschool Program*	N/A	201,630	213,931	200,426	181,052	180,295
General Migrant Care	4,906	4,393	4,845	4,474	4,069	3,935
Severely Handicapped	178	229	235	245	235	193

* Part-day and Full-day Preschool Programs, and Pre-K Literacy Part-day and Full-day Programs were incorporated into CSPP, pursuant to AB 2759 (Jones), Chapter 308, Statutes of 2007.

Source: CD-801A Monthly Child Care Report. Data summarized represent unduplicated count of children by program type who received subsidized child care and developmental services any time during fiscal year. A child may be counted more than once if he or she receives services within multiple program types during the year.

Increasing demand for subsidized child care remains constant. Families often contact contractors directly to request being placed on waiting lists. In the past, the statewide centralized eligibility list (CEL) consolidated waiting lists for subsidized child care programs. Functionally, the CEL organized and prioritized enrollment of eligible and needy children; it also demonstrated the need for subsidized child care and funding by county and statewide. Due to the budget deficit, Senate Bill 87 (Budget and Fiscal Review Committee), Chapter 33, Statutes of 2011, eliminated funding for CEL. At the time of its elimination, around 240,000 children were waiting for a subsidized child care slot. Since then, some counties have maintained their own CEL with existing local funds. According to data from January 2014, from fifteen Northern California counties, around 24,278 children were on the wait list. As of February 2015, 25,126 income eligible children in the Alternative Payment program (not including center-based care) were on waiting lists in North Los Angeles and San Bernardino counties. Extrapolating from the Los Angeles and San Bernardino county figures, which typically represents ten percent of the state's child care population, a rough estimate would be that more than 251,000 children are currently on waiting lists.

According to the Department of Social Services, between February 2013 and June 2014, California lost 2,305 licensed facilities. A number of factors may contribute to a facility closing, including the increased cost of care per child (especially for infants and toddlers), inability for certain a provider to absorb the impact of, or provide for, minimum wage increases, and stagnant reimbursement rates.

The Department of Education has initiated several initiatives to outreach to families whose first language is not English; for families with children with disabilities; and for infant-toddler care.

Language availabilities. CDE provides key documents in multiple languages. Confidential Application for Child Development Services, Emergency Identification and Information, Notification and Certification, and Statement of Incapacity are available in Chinese (simplified), Chinese (traditional), Hmong, Korean, Pilipino (Tagalog), Spanish and Vietnamese. The Resource and Referral agencies, under contract with the CDE, are required to make every effort to reach all parents within their defined geographic area, including, but not limited to toll-free telephone lines, office space convenient to parents, and referrals with staff proficient in the languages which are spoken in the community.

For families with children with disabilities. CDE is the lead fiscal agency for the Race to the Top-Early Learning Challenge (RTT-ELC) grant, which seeks to improve the quality of early learning programs and close the achievement gap for children who are low-income, English learners, and children with disabilities or developmental delays. California is taking a unique approach that builds upon the state's local and statewide successes. For more information about RTT-ELC, please see page 6 of the agenda.

The Office of Head Start and the Child Care Bureau, Administration for Children and Families, U.S. Department of Health and Human Services funds the Center on the Social and Emotional Foundations for Early Learning (CSEFEL) to provide training and technical assistance to California; and to expand opportunities for inclusion of children with disabilities and other

exceptional needs in child care settings. CSEFEL facilitates a collaborative effort to expand opportunities for children with disabilities and support integration. Resources are available to providers to include children with special needs into child care settings and participating CSEFEL sites. Coordination with the Map to Inclusive Child Care Project (Map Project) began in state fiscal year 1998–99. Stakeholders in the Map Project include representatives from early childhood programs, Head Start, CDE’s Special Education Division, key state agencies such as the California Departments of Developmental Services, Social Services, and Mental Health, and professional organizations providing support services for children with disabilities and their families.

For infant and toddler care. Other resources include the Inclusion and Behavior Consultation Network, which provides consultation, on-site training, and technical assistance to programs serving children with disabilities and special needs, including challenging behaviors through direct support to care providers. The Program for Infant Toddler Care (PITC), Inclusion of Infants and Toddlers with Disabilities provides training of trainers institutes for college instructors and PITC graduates. Local capacity to serve infants and toddlers with disabilities is increased by training provided by 100 to 130 PITC-certified trainers and interventionists.

Rates. The state reimburses child care providers using two rate structures—the regional market rate (RMR) and the standard reimbursement rate (SRR)—depending on the child care program. Families also pay fees for services based on their income.

- Regional Market Rate. For child care, CDE conducts its RMR survey every two years, but state law does not require that California adopt the rate. Over the past few years, providers increasingly have been charging the maximum of what the state will pay for vouchers. In some counties, this is more pronounced than in others. If child care providers charge too high a price, families may be unwilling or unable to pay. In communities with large numbers of low-income families who do not receive subsidies, the families’ ability to pay may be more limited than what the providers could otherwise charge if all families had subsidies. However, if most families were subsidized, the provider could charge closer to the RMR cap without affecting the families’ ability to pay.
- Standard Reimbursement Rate. Since 2007, the standard reimbursement rate (SRR) was \$34.38 per child per day of enrollment, and increased to \$36.67 following a five percent increase in last year’s budget. Over the past few years, some small and medium-sized providers have been absorbed by larger providers that have greater economies of scale. This is one indication that the SRR may not be sufficient for them to operate.

Quality.⁸ The state funds a number of activities to improving quality in child care and early learning settings. For example, four percent of the Child Care and Development Block Grant (CCDBG) must be spent on improving the quality of child care. The Child Care and Development Fund (CCDF), which is comprised of federal funding for child care under the CCDBG Act and the Social Security Act. Examples of uses for quality funds include technical assistance and training, Resource & Referral services, and grants and loans to providers for start-up costs. In 2012-13, the state budgeted \$72 million

⁸ Every three years, California must prepare and submit to the federal government a plan detailing how its CCDF funds are allocated and expended. <http://www.cde.ca.gov/sp/cd/re/stateplan.asp>

for 27 distinct projects, including professional development, stipends for providers, and activities related to health and safety. Another example includes the establishment of the Quality Rating Improvement System for state preschool, which will be further discussed on pg. 15 of the agenda. Additionally, Assembly Bill 212 (Aroner), Chapter 547, Statutes of 2000, provides \$15 million annually to Local Child Care and Development Planning Councils (LPCs)

The subcommittees invited the following panelists to provide their perspective on the value of investing in early childhood education and the possible challenges in the field.

Panelists: Lourdes Alarcon, Parent Voices
 Doris Russell, SEIU Local 99
 Cristina Alvarado, Child Care Alliance of LA

5180 Department of Social Services
6100 Department of Education

1. Governor's Budget and TBL #300: Education Trailer Bill Master

Panelists: Jessica Holmes, Department of Finance
 Brandon Nunes, Department of Finance
 Carolyn Chu, Legislative Analyst's Office

Budget Issue. The Governor's budget provides \$2.5 billion total funds (\$899 million federal funds; \$657 million Proposition 98 General Fund; and \$941 million non-Proposition 98 General Fund) for child care and early education programs. The budget reflects an overall increase in child care funding of \$101 million, attributed to changes in the cost of care in the CalWORKs programs, increases to the Regional Market Rate (RMR), and the inclusion of statutory growth and a cost-of-living adjustment (COLA) for specified programs. The table below provides the allocation amounts by program.

Program	Governor's Budget (dollars in millions)
CalWORKs Child Care	
Stage 1	\$362
Stage 2	\$349
Stage 3	\$264
Subtotal	\$974
Non-CalWORKs Programs	
General Child Care	\$574
Alternative Payment	\$190
Other	\$30
State Preschool	\$657
Totals	\$2,497

In addition, the budget includes the following:

- Full-year funding for 4,000 full-day State Preschool slots. The budget includes \$16 million in ongoing Proposition 98 to support a full year of additional full-day State Preschool slots⁹ and \$9.2 million in Proposition 98 to provide COLA for some child care programs. Also, the budget maintains ongoing \$50 million quality grants for State Preschool, which are allocated on a competitive basis to local education agencies.
- Full-year Regional Market Rate increase. The 2014 Budget Act provided \$19.1 million to increase the RMR for the Alternative Payment Program and all three CalWORKs stages, starting

⁹ SB 852 (Budget and Fiscal Review Committee), Chapter 25, Statutes of 2014; SB 858 (Budget and Fiscal Review Committee), Chapter 32, Statutes of 2014; and SB 876 (Budget and Fiscal Review), Chapter 687, Statutes of 2014, enacted several restoration and reinvestment augmentations for State Preschool, General Child Care, and Alternative Payment slots.

January 1, 2015. The new RMR sets the maximum reimbursement rate at the 85th percentile of the 2009 regional market survey reduced by 10.11 percent. The budget annualizes the increase in reimbursement rates and provides \$27.7 million.

- Growth and statutory COLA for the Alternative Payment, General Child Care, State Preschool, Migrant, and Handicapped Programs. The Governor's budget includes an increase of \$9.2 million Proposition 98 General Fund and \$12.3 non-Proposition 98 General Fund to resume the COLA, which was suspended for programs from 2008-09 through 2014-15. The Governor's budget provides a 0.57 percent growth adjustment and a 1.58 percent COLA. For the Alternative Payment Program, the COLA increase is applied to the program's appropriation, but its use is unspecified (traditionally this increase has supported additional slots). Programs using the Standard Reimbursement Rate (General Child Care, State Preschool, Handicapped and some Migrant programs), are increased by the COLA.
- Adjustments for CalWORKs Stage 2 and Stage 3. The budget includes an overall year-to-year decrease of \$11.6 million for Stage 2 due to a decrease in caseload (4,988 fewer slots). Stage 3 funding increases \$38.6 million year-to-year due to increases in the average cost of care (independent from the RMR increase) and a slightly higher caseload (1,345 additional slots).
- \$50 million for quality grants. The Governor's proposal maintains the ongoing \$50 million quality grants for State Preschool, which are allocated on a competitive basis to local education agencies.
- Federal Child Care and Development Funds. The budget includes a decrease of \$14.9 million federal funds to reflect a reduction in carryover funds.

The budget includes trailer bill language, which contains the following provisions:

- Establishes income eligibility limits for subsidized child care to be 70 percent of the state median income in use for the 2007-08 year, adjusted for family size.
- Uncodified language that requires the Department of Education to convene two working groups (one for contractors that provide state preschool and other subsidized child care/Title 5 providers; and another for CalWORKs Stage 2, Stage 3, and alternative payment programs) to review the administrative requirements of the two types of programs. The working groups would identify ways to reduce program administration workload, identify efficiencies in program implementation, and provide its recommendations to the Legislature, Department of Finance, and CDE, no later than April 1, 2016.

Staff Comments and Recommendation. Hold open. Staff recommends keeping the proposed budget and trailer bill language open for further discussion and review.

Question

1. To DOF: Please present the Governor's budget and proposed trailer bill language.

2. Oversight: Implementation of Budget Act of 2014

Panelists: Monique Ramos, Director of Government Affairs, California Department of Education
Debra McMannis, Director of Early Education and Support Division, CDE
Jessica Holmes, Department of Finance

Budget Issue. Last year's budget and trailer bills¹⁰ enacted an early care and education package, which includes quality enhancements, restoration and expansion of preschool access, increased reimbursement rates, and increased slots; including:

- **Increase Regional Market Rate (RMR) and the Standard Reimbursement Rate (SRR).** The regional market rate is the maximum rate the state will pay to reimburse child care providers accepting vouchers. The Budget Act of 2014 allocated \$19.1 million to increase the RMR to the 85th percentile of the 2009 survey, reduced by 10.11 percent. Language also increased the SRR by five percent, effective July 1, 2014.
- **California State Preschool Program.** The Budget Act of 2014 established 4,000 additional full-day State Preschool slots for part of the year. In addition, the 2014 Budget repealed CSPP family fees.
- **One-Time Professional Development.** \$15 million of the funding provided in SB 852 must be allocated to the Department of Education to fund professional development stipends for teachers, to be administered by local planning councils. Further, SB 852 established priorities for the use of those funds, including first priority for transitional kindergarten (TK) teachers and second priority for teachers in the California state preschool program. Language also provided a one-time allocation of \$35 million for facility and improvement and professional development.
- **Ongoing Quality Improvement Grants.** The 2014 Budget also provided an ongoing \$50 million to Quality Rating and Improvement System (QRIS) block grants to support State Preschool.

Background. According to the Department of Education, all available funding has been awarded. Anecdotally, contractors have notified the Early Education and Support Division within the department of possible challenges for expending the award amounts, such as an inability to rapidly and fully enroll enough children, a shortage of facilities, and challenges obtaining additional licenses in time to begin expending contracts.

The following charts detail the slots requests, by county, and amount of slots available.

¹⁰ SB 852 (Budget and Fiscal Review Committee), Chapter 25, Statutes of 2014; SB 858 (Budget and Fiscal Review Committee), Chapter 32, Statutes of 2014; SB 876 (Budget and Fiscal Review), Chapter 687, Statutes of 2014.

FY 2014-15 CCTR Restoration					
County Name	Slots Requested				Slots Funded
	Infant Slots (0-17 months)	Toddler Slots (18-36 months)	School Age Slots	Other Eligible Slots ¹	Infant/Toddler Slots ²
Alameda	35	90	15	0	125
Colusa	3	3	0	0	6
Contra Costa	0	108	0	0	48
Del Norte	8	2	0	0	10
Fresno	34	99	44	0	133
Humboldt	1	20	0	0	5
Imperial	7	8	0	0	15
Kern	0	13	0	0	13
Los Angeles	168	411	68	32	351
Mono	0	0	6	0	0
Monterey	9	7	7	0	10
Nevada	10	8	15	0	18
Orange	12	24	22	0	36
Riverside	42	60	12	0	102
Sacramento	15	58	60	60	73
San Bernardino	0	15	0	0	0
San Diego	2	38	0	0	25
San Francisco	10	114	0	0	108
San Joaquin	5	5	0	0	10
San Luis Obispo	8	0	28	28	8
San Mateo	10	12	13	13	22
Santa Barbara	4	4	0	0	8
Santa Clara	65	81	373	116	63
Santa Cruz	25	44	20	16	69
Solano	0	0	10	0	0
Stanislaus	11	32	8	3	43
Tulare	10	9	0	0	19
Yolo	6	20	0	16	26
Total	500	1,270	701	284	1,346

¹ Includes 3 and 4 year olds being served in FCCHEEN.
Priority given Infant/Toddler slot requests, funded in Start Date priority.

²

State Preschool Restoration Slots Requested. All requested slots were funded.

County Name	Full-day/Full-year Slot Totals	Part-day/Part-year Slot Totals
Alameda	460	87
Butte	54	0
Colusa	24	0
Contra Costa	75	12
Del Norte	0	40
El Dorado	29	0
Fresno	1023	365
Humboldt	8	20
Imperial	40	10
Kern	40	10
Lake	12	48
Los Angeles	1578	346
Madera	8	16
Marin	36	24
Merced	34	24
Monterey	43	22
Orange	103	948
Plumas	0	36
Riverside	340	212
Sacramento	312	309
San Benito	0	136
San Bernardino	43	72
San Diego	333	268
San Francisco	443	0
San Joaquin	50	163
San Mateo	130	112
Santa Barbara	57	24
Santa Clara	693	221
Santa Cruz	0	88
Shasta	48	8
Siskiyou	0	1
Solano	10	0
Sonoma	21	48
Stanislaus	0	16
Sutter	0	24
Tehama	0	48
Tulare	32	48
Tuolumne	0	10
Ventura	12	248
Yolo	94	20
Yuba	0	28
Total	6,185	4,112

State Preschool Expansion			
County Name	Full-Day Total Per County	Part-Day Total Per County	Total Combined Per County
Alameda	141	0	141
Butte	24	16	40
Colusa	0	24	24
Contra Costa	76	0	76
Del Norte	0	0	0
Fresno	286	0	286
Imperial	0	120	120
Kern	20	24	44
Lassen	0	27	27
Los Angeles	2,027	1,064	3,091
Madera	0	19	19
Marin	24	63	87
Merced	48	40	88
Mono	0	42	42
Monterey	42	0	42
Napa	64	0	64
Orange	472	1,046	1,518
Placer	120	0	120
Plumas	16	0	16
Riverside	462	176	638
Sacramento	522	80	602
San Bernardino	162	96	258
San Diego	762	106	868
San Francisco	46	0	46
San Joaquin	460	96	556
Santa Barbara	26	48	74
Santa Clara	213	68	281
Santa Cruz	20	96	116
Solano	48	0	48
Sonoma	48	0	48
Stanislaus	0	32	32
Sutter	98	24	122
Tehama	0	47	47
Tulare	0	145	145
Ventura	84	160	244
Total	6,311	3,659	9,970

According to data as of April 2, 2015, the following counties did not receive a rate increase under the 2009 RMR Survey with the 10.11 percent deficit factor.

**Counties That Did Not Receive a Rate Increase Under
2009 RMR Survey with 10.11 Percent Deficit Factor, Hold Harmless**

The list below includes the counties that have been held harmless for one or more age groups. This analysis only looks at the Monthly Full Time, Weekly Part Time and Hourly rate categories. It does not include an analysis of the Daily, Weekly Full Time or Monthly Part Time rate categories.

Monthly Full Time Child Care Centers	Monthly Full Time Family Child Care Homes	Weekly Part Time Child Care Centers	Weekly Part Time Family Child Care Homes
ALAMEDA	ALAMEDA	AMADOR	ALAMEDA
CONTRA COSTA	AMADOR	COLUSA	AMADOR
EL DORADO	BUTTE	DEL NORTE	CALAVERAS
FRESNO	CALAVERAS	GLENN	CONTRA COSTA
HUMBOLDT	COLUSA	IMPERIAL	LOS ANGELES
KERN	CONTRA COSTA	INYO	MENDOCINO
MONO	EL DORADO	LASSEN	MONO
NAPA	FRESNO	MADERA	NAPA
NEVADA	GLENN	MARIPOSA	NEVADA
ORANGE	HUMBOLDT	MENDOCINO	ORANGE
PLACER	INYO	MERCED	PLACER
RIVERSIDE	KERN	MODOC	SACRAMENTO
SACRAMENTO	KINGS	PLUMAS	SAN BENITO
SAN BENITO	LAKE	SHASTA	SAN BERNARDINO
SOLANO	LASSEN	SIERRA	SAN LUIS OBISPO
SONOMA	LOS ANGELES	SISKIYOU	SANTA BARBARA
VENTURA	MADERA	STANISLAUS	SONOMA
	MARIN	SUTTER	VENTURA
17 COUNTIES	MARIPOSA	TEHAMA	
	MENDOCINO	TRINITY	18 COUNTIES
	MERCED	TULARE	
	MODOC	TUOLUMNE	
	MONTEREY	YUBA	
	NAPA		
	ORANGE	23 COUNTIES	
	PLACER		
	PLUMAS		
	RIVERSIDE		
	SACRAMENTO		
	SAN BERNARDINO		
	SAN DIEGO		
	SAN FRANCISCO		
	SAN JOAQUIN		
	SAN LUIS OBISPO		
	SAN MATEO		
	SANTA BARBARA		
	SANTA CLARA		
	SANTA CRUZ		
	SHASTA		
	SIERRA		
	SISKIYOU		
	SOLANO		
	SONOMA		
	STANISLAUS		
	TRINITY		
	TULARE		
	TUOLUMNE		
	VENTURA		
	YOLO		
	YUBA		
	50 COUNTIES		

Staff Comment and Recommendation. The item is included for discussion, and no action is needed at this time.

Questions

1. To CDE: Please present how last year’s budget actions have been implemented, including expansion and restoration of slots and the rate increases.

3. Oversight: CalWORKs Child Care and Alternative Payment Program

Panelists: Todd Bland, Deputy Director of the Welfare to Work Division, Department of Social Services
 Kim Johnson, Branch Chief of the Child Care and Refugee Program, DSS
 Legislative Analyst's Office

Background. To ensure an adequate supply of child care resources to recipients and those transitioning off welfare-to-work, AB 1542 (Ducheny), Chapter 270, Statutes of 1997, eliminated seven former welfare-related childcare programs and consolidated them into the three-stage CalWORKs child care programs. CalWORKs child care seeks to help a family transition smoothly from the immediate, short-term child care needed as the parent starts work or work activities to stable, long-term child care. CalWORKs Stage One is administered by the county welfare departments; Stages 2 and 3 are administered by Alternative Payment Program (APP) agencies under contract with the California Department of Education (CDE). The three stages of CalWORKs child care are defined as follows:

- Stage 1 begins with a family's entry into the CalWORKs program. Clients leave Stage One after six months or when their situation is "stable," and when there is a slot available in Stage Two or Three.
- Stage 2 begins after six months or after a recipient's work or work activity has stabilized, or when the family is transitioning off of aid. Clients may continue to receive child care in Stage Two up to two years after they are no longer eligible for aid.
- Stage 3 begins when a funded space is available and when the client has acquired the 24 months of child care, after transitioning off of aid (for former CalWORKs recipients).

Historically, caseload projections have generally been funded for Stages 1, 2, and 3 in their entirety – even though Stage 3 is not technically an entitlement or caseload-driven program. There has been considerable turmoil in the Stage 3 program since Governor Schwarzenegger first vetoed all of its funding in 2010. In 2011, the program was effectively capped and the California Department of Education (CDE) was required to provide instructions to the field on how to dis-enroll families.

During the March 10 and March 26 hearings, the Senate Budget and Fiscal Review Subcommittee No. 3 on Health and Human Services considered several issues related to California's existing welfare-to-work plan, including the Department of Social Services' (DSS) implementation of early engagement strategies and how DSS has re-engaged families. The subcommittee conducted oversight to determine whether the utilization of supportive services, like child care, has increased, in light of significant CalWORKs program changes, such as the end of the young-child exemption and differentiation between welfare-to-work participation rules that apply before expiration of a 24-month time limit.

Issues to consider.

- Uptake rate. Historically, the uptake rate for CalWORKs child care and alternative payment programs appears low. Yet, as more work-eligible individuals participate in re-engagement¹¹ and

¹¹ Re-engagement refers to the process by which DSS re-engaged parents in approximately 15,000 families whose young-child exemptions ended over the last two years.

re-enter the workforce, and more individuals participate in variable work schedules and non-traditional hours, there should be a corresponding increase in child care. However, there has not been a significant impact driving utilization for any of CalWORKs child care stages. Instead, there has been decrease in Stage 1 and 2 slots from 2012-13 to 2013-14, with only slight upticks in Stages 1 and 3 in the last two years.

Advocates find that parents, who receive CalWORKs assistance, may not be adequately assessed for child care needs, or are not told of its availability. Providers in the field also note that many families, who are currently receiving CalWORKs assistance, are on local child care alternative payment waiting lists, suggesting the inadequacy of the needs assessment or inappropriate referral for child care.

- Transfers and sanctions. Another challenge regarding CalWORKs is an apparent misunderstanding about whether families, who have a sanctioned adult in the assistance unit, are eligible for child care. According to legal services, some sanctioned families are still being denied care or transfer. Many alternative payment agencies report that high numbers of families are self-referring into Stage 2, instead of from county referrals. Also, for families who had the young-child exemption under the CalWORKs program, they may not have been told of the availability of child care assistance when re-engaged. In legal services, many clients generally report difficulty being referred to Stage 2 services when they stabilize.
- License-exempt reimbursement ceilings. Some advocates note that the level of payment for license-exempt care has impacted the availability of providers. The Legislature may wish to review whether these reimbursement ceilings, which may function as wages to a provider, is a level comparable to other types of care or work provided in another setting.
- Reviewing “stability” for CalWORKs. Before a family moves from CalWORKs Child Care Stage 1 to Stage 2, a county must determine the family to be in “stable” condition. However, there is no statewide definition of what constitutes “stable.” Because funding for these programs rely heavily on caseload projections and estimates, unpredictable shifts from Stage 1 to Stage 2 could undermine the ability for resources to be allocated accordingly. The Legislature may wish to examine how various counties define “stable” for purposes of determining eligibility for transfer from Stage 1 to Stage 2 of CalWORKs Child Care.
- Characteristics study. The Department of Social Services and California Department of Education are conducting a Subsidized Child Care and Development Characteristics Study, which will generate data from the state’s subsidized child care programs regarding the characteristics of service providers and children and the families receiving these services. The data collected will inform decision-makers on how to improve child care services for families in need. Approximately \$2 million of existing funds from the CDSS’ research budget will fund the study over the next two years. The CDSS and the CDE meet monthly with the Technical Advisory Group (TAG). It is unclear when the complete product will be released.

Staff Recommendation. This item is informational and included for discussion. No action is required at this time.

Questions

1. To DSS: Please provide an update on actions needed to meet child care needs of the re-engaged CalWORKs population. What is currently being done to meet the child care needs of those who are re-engaged, but are no longer eligible for the current young child exemption?
2. To DSS: What actions are being taken to ensure that supportive services include the assessment and provision of child care?

4. Federal Child Care and Development Block Grant (CCDBG)

Panelists. Monique Ramos, Director of Government Affairs, CDE
Debra McMannis, Director of Early Education and Support Division, CDE
Carolyn Chu, Legislative Analyst's Office
Jessica Holmes, Department of Finance

Background. The Child Care and Development Block Grant (CCDBG) is the primary source of federal funding used in California to support subsidized child care programs, direct service, and alternative payment contract types, including CalWORKs Stage 3 and General Child Care. On November 19, 2014, the President reauthorized the CCDBG, which includes new requirements, such as annualizing licensing inspections; providing health and safety inspections for non-family license-exempt providers, allowing extended income eligibility; providing funding for child care quality activities; and, restructuring professional development for child care providers and staff. Some of the provisions of the reauthorized Block Grant include annual monitoring inspections of both licensed and license-exempt providers, implementing 12-month eligibility for children in subsidized child care, increasing the Regional Market Rate to the reimbursement ceilings identified in the most recent Market Rate Study, increasing opportunities for professional development, adding topics to health and safety trainings, and creating a disaster preparedness plan. Most, but not all of the provisions became effective when the reauthorization was signed.

Although the state may have several years to implement these changes, some policies and practices must be in place by March 2016. The Office of Child Care (OCC) is formally extending the submission of the 2016-18 CCDF State Plan until March 1, 2016 – an extension from the original due date of June 30, 2015. Pursuant to the reauthorization of CCDBG, the state must also document its level of compliance, and plans for compliance, with new federal requirements. There is question whether the federal block grant funds will be sufficient to meet new requirements and to maintain current service levels.

State Plan. Each state must complete a triennial CCDF State Plan which describes the extent to which requirements are met, or the process through which states plan to meet the requirements. Traditionally, the State Plan is due to the Federal Government by June 30 every other year. Given the unique circumstances of this reauthorization year, the federal government has granted all states a nine-month extension to March 1, 2016. A first draft of the 2016-18 State Plan will be posted on the California Department of Education's (CDE) Web site in late 2015 when the preprint or template form becomes available from the Office of Child Care. In order to gather stakeholder and public input on the 2016-18 CCDF State Plan, a public hearing was held on January 9, 2015. A stakeholder input process was initiated in February 2015 to obtain feedback from the field of child care providers, contractors and advocates as to how they would like the implementation to take shape, and what structures exist to support implementation in an efficient and cost-effective manner. Topical input sessions related to the major areas of implantation (annual licensing inspections, professional development, etc.) were hosted at the California Department of Education to solicit information and feedback.

Examples of policy changes. Numerous policy changes included in the reauthorization pose significant potential policy shifts and budgetary action, including:

- **Regional Market Rate (RMR) Survey.** All states must conduct a statistically valid and reliable survey of the market rates for child care services every two years that reflects variations in the

cost of child care services by geographic area, type of provider, and age of child. States must demonstrate how they will set payment rates for child care services in accordance with the results of the market rate survey. Assembly Trailer Bill 1476 (Chapter 663 of the Statutes of 2014), beginning January 1, 2015, requires the California Department of Education to implement ceilings at the 85th percentile of the 2009 Regional Market Rate Survey, reduced by 10.11 percent. If a calculated ceiling is less than the ceiling provided before January 1, 2015, then the ceiling from the 2005 Regional Market Survey will be used. The licensed-exempt child care provider ceilings will be 60 percent of the Family Child Care Home ceilings. Guidance from the Office of Child Care (OCC), dated March 25, 2015, suggests that states must use the most current market rate survey to set rates.

- Annual Monitoring Inspections. In California, the Department of Social Services Community Care Licensing (DSS CCL) issues licenses for child care facilities. Many providers in California supported by CCDF are license-exempt, such as relatives of a child/children, or an arrangement providing care for children of only one family in addition to the operator's own children.

The CCDBG reauthorization requires that licensed providers and facilities paid for with CCDF funds must receive at least one pre-licensure inspection for compliance with health, safety, and fire standards, as well as annual unannounced inspections of each child care provider and facility in the state for compliance with all child care licensing standards. License-exempt providers and facilities must have at least one annual inspection (Section 658E(c)(2)(K)(i)). Currently, DSS CCL must visit a facility at least once every five years – a frequency that does not meet the new federal requirement. Additionally, according to CDE, there is not a state agency charged with monitoring license-exempt providers.

- 12-Month Eligibility. The reauthorization of CCDBG includes a new provision, Protection for Working Parents, in which a minimum period of 12-month eligibility will be available for each child that receives assistance. States must also establish a process for initial determination and redetermination of eligibility to take into account irregular fluctuations in earnings; not unduly disrupt parents' employment in order to comply with state requirements for redetermination; and develop policies and procedures to allow for continued assistance for children of parents who are working or attending a job training or education program and whose family income exceeds the state's income limit to initially qualify for assistance if the family income does not exceed 85 percent of the State median income.

Existing state law¹² allows for 12-month eligibility for child care services. Section 18102 of the Title 5 Regulations requires contractors to inform families of the family's responsibility to notify the contractor within five calendar days of any changes in family income, family size, or the need for services. There is some question as to whether California's current eligibility provisions will meet the new federal requirement. Federal guidance provides:

Under the law, states may not terminate CCDF assistance during the 12-month period if a family has an increase in income that exceeds the State's income eligibility threshold, but not the federal threshold of 85 percent of SMI.

¹² California Education Code Section 8263(b)(1)(C)

In addition, the state may not terminate assistance prior to the end of the 12 month period if a family experiences a temporary job loss or temporary change in participation in a training or education activity. In addition to temporary job loss, other examples of temporary changes include, but are not limited to: absence from employment due to extended medical leave or changes in seasonal work schedule, or if a parent enrolled in training or educational program is temporarily not attending class between semesters.

Staff Comment and Recommendation. In light of significant federal changes, the Legislature may wish to consider how families' access to child care and early education may be impacted, and how the state will respond in next year's State Plan. The item is included for discussion purposes, and no action is needed at this time.

Questions

1. To CDE: Please provide a background on the Child Care and Development Block Grant, including recent changes and revised timelines.
2. To CDE: Is it the department's interpretation that the state must update quality measures in advance of the state plan being in effect by next June 2016?

5. Oversight: State Preschool

Panelists. Monique Ramos, Director of Government Affairs, CDE
Debra McMannis, Director of Early Education and Support Division, CDE

Background. AB 2759 (Jones), Chapter 308, Statutes of 2008, consolidated funding for State Preschool, Pre-kindergarten and Family Literacy, and General Child Care center-based programs to create the California State Preschool Program (CSPP). CSPP provides both child care and early education, and serves eligible three- and four-year old children, with priority given to four-year olds who meet one of the following criteria:

- The family is on aid,
- The family is income eligible (family income may not exceed 70 percent of the state median income, as adjusted for family size),
- The family is homeless, or
- The child is a recipient of protective services or has been identified as being abused, neglected, or exploited, or at risk of being abused, neglected, or exploited.

CSPP may also serve families that have incomes up to 15 percent above the eligibility threshold. Parents do not have to be working to enroll their child in part-day preschool. State Preschool can be offered at a child care center, family child care network home, school district, or county office of education. Around 324 local education agencies (LEAs) serve approximately two-thirds of all children enrolled in State Preschool.

According to 2014 data from CDE, families participate in CSPP for different reasons, such as vocational or college training or employment.

Reasons for Extended Care			
REASON FOR CHILD CARE	Care		
	Full Day	Part Day	Total
CPS	402	83	485
Incapacity of Parent	666	6	672
Employment	31,525	174	31,699
Vocational or College Training/Education	2,859	30	2,889
Both Employment and Training/Education	2,070	24	2,094
Seeking Employment	1,622	25	1,647
Homeless or Seeking Housing	82	14	96
None (Child Attends State Preschool)	0	92,608	92,608
Total	39,226	92,964	132,190

Around 51 percent (67,515 families) of all 132,190 families in CSPP have identified a primary language other than English. Specifically, 17,593 families of 39,226 families (44.9 percent) in full-day CSPP, and

40,398 families of 92,964 families (43.5 percent) in part-day CSPP, identified Spanish as their primary language. Vietnamese (1,650 families), Armenian (1,598 families), and Cantonese (1,467 families) were the next highest languages indicated.

Administration. CSPP, which is administered by Local Educational Agencies (LEAs), colleges, community-action agencies, and private nonprofits, provides both part-day and full-day services with developmentally appropriate curriculum. The Department of Education (CDE) administers CSPP through direct state contracts with local providers. Often, program slots are bundled with other programs to allow for extended or full-day care.

Funding. According to CDE, state preschool programs with no child care costs are around \$21.22 per child per day, approximately \$3,820 per pupil for a 180-day program. For full-day state preschool programs with child care, the average cost is \$34.48 per child per day, or \$8,595 per pupil for 250 days. AB 2759 (Jones), Chapter 308, Statutes of 2008, authorizes contractors to blend state part-day preschool funds and General Child Care programs to provide three- and four-year-olds with State Preschool and wrap-around child care needed to help support working parents.

Capacity. According to CDE, the amounts requested for expansion funding exceeded the allocation, and finds it reasonable to expect that much of the field of contractors and providers are prepared to accommodate additional funding. The department is waiting until it receives more contractor fiscal reports from the third quarter, due April 20, to determine whether part-day funds, restoration, and expansion funding will be fully expended in the current year.

Preschool Expansion Grant. California submitted an application in October 2014 to the United States Department of Education for \$140 million (approximately \$35 million per year for four years) to support development of high-quality, inclusive state preschool programs. In December 2014, California was notified that their application was not accepted. If awarded, the funding would have supported California to provide over 3,700 new and improved preschool spaces for children.

Staff Comment and Recommendation. This item is informational, and no action is required.

Questions

1. To CDE: Please provide an overview of the CSPP program and information about the department's efforts to secure the federal Preschool Expansion Grant.

6. Early Head Start Partnership Grant

Panelists. Monique Ramos, Director of Government Affairs, California Department of Education
Debra McMannis, Director of Early Education and Support Division, CDE

Background. California's Early Head Start-Child Care Partnership (EHS-CCP) grant funds Early Education and Support Division to provide intensive on-site training and technical assistance and grant oversight/monitoring to ensure high-quality early learning development outcomes for infants and toddlers. Specifically, the grant:

- Expands the number of high-quality slots for 260 at-risk infants and toddlers in 11 rural northern California counties.¹³
- Provides financial support to implement the comprehensive services required to reach goals outlined in California's Early Learning Plan.
- Includes Partnering Agencies that did not participate in the Race to the Top-Early Learning Challenge grant (RTT-ELC).
- Bridges the current resource gap needed to reach the high level of quality as defined in the RTT-ELC Quality Rating and Improvement System, California's locally implemented Early Childhood Rating Matrix.

Through the Early Head Start Partnership Grant, services are available for low-income children birth to 36 months in center-based settings, and children up to 48 months in family child care settings

Staff Comment and Recommendation. This item is informational, and no action is required.

Questions

1. Please provide an overview of the grant.

¹³ Butte, Colusa, Del Norte, Glenn, Humboldt, Lake, Mendocino, Plumas, Sutter, Trinity, and Yuba counties.

7. Proposals for Investment

The subcommittees received the following budget requests for consideration.

7A. Legislative Women's Caucus

Panelist: Senator Hannah Beth Jackson, District 19

Budget request. The Legislative Women's Caucus requests \$600 million (\$300 million for slots and \$300 million for rates) to improve access and quality of child care and early learning.

7B. Quality Early Education Funding

Panelist: Erin Gabel, Deputy Director, External & Government Affairs, First 5 California

Budget request. Advance Project, Bay Area Council, Children Now, Early Edge California, First 5 Association of California, First 5 California, First 5 LA, and Los Angeles Area Chamber of Commerce request the following:

- Expand to include 10,500 preschool slots, starting June 2015, and enact budget bill language with legislative intent to fund the remaining 10,500 slots.
- Expand to include 10,500 infant and toddler slots.
- Increase the Standard Reimbursement Rate; increase the infant multiplier from 1.7 to 2.3, and increase the toddler multiplier from 1.4 to 1.8.
- Increase and extend the QRIS block grant to infant and toddler providers.
- Create an Early Care and Education professional development community college workgroup to support colleges in strengthening the quality and alignment of their Child Care and Development programs.
- Fund California Child Care and Development Block Grant compliance activities through General Fund, not as part of the Child Care and Development Fund quality dollars.

7C. San Francisco Child Care Pilot Project

Panelist: Graham Dobson, Administrative Analyst, Office of Early Care and Education, City and County of San Francisco

Budget request. Repeal sunset of San Francisco Child Care Pilot.

7D. Trailer Bill: License-Exempt Care Rates
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Panelist: California Child Care Alliance of Los Angeles

Budget request.

- Adopt trailer bill language to require CDE and DSS to ensure that the part-time hourly rate for license exempt care and all other rates for license exempt care align with the statutory requirements.
- Increase the percentage from 60 percent of the Licensed Family Child Care rate.

7E. Proposition 98 Funds for Technology Grants for Child Care and Development Contractors
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Panelist: California Child Care Alliance of Los Angeles

Budget request. \$20 million Proposition 98 to fund one-time information systems and technology updates for all Early Education and Support Division contractors.

7F. Trailer Bill: Increase Alternative Payment Contract Administration Rates

Panelist: Northern Directors Group

Budget request. Increase the alternative payment agencies' contract administration rate with the following trailer bill language:

Education Code 8223. The reimbursement for alternative payment programs shall include the cost of child care paid to child care providers plus an amount not to exceed 19.5 percent of the total contract amount for administration and direct support services. Up to 10 percent may be used for administration and up to 15 percent for direct support services ~~the administrative and support services costs of the alternative payment program. The total cost for administration and support services shall not exceed an amount equal to 17.5 percent of the total contract amount.~~ The administrative costs shall not exceed the costs allowable for administration under federal requirements.

7G. State Median Income

Panelist: Parent Voices

Budget request. Update the state median income based on the most recent data.

7H. Trailer Bill: Child Care Law Center

Panelist: Anna Levine, California Child Care Law Center

Budget request. Amend Senate Bill 69, 6100-194-0001, Provision 8:

Notwithstanding any other provision of law, the funds in Schedule (6) are reserved exclusively for ~~continuing~~ child care for the following: (a) former CalWORKs families who ~~are working,~~ have left cash aid, and ~~have exhausted their two-year eligibility for transitional services in either Stage 1 or Stage 2 pursuant to subdivision (c) of Section 8351 or Section 8353 of the Education Code, respectively, but~~ still meet eligibility requirements for receipt of subsidized child care services, and (b) families who received lump-sum diversion payments or diversion services under Section 11266.5 of the Welfare and Institutions Code and ~~have spent two years in Stage 2 off of cash aid, but still~~ meet eligibility requirements for receipt of subsidized child care services.

Staff Comment and Recommendation. **Hold open** all above proposals for further review and consideration.

SUBCOMMITTEE NO. 1

Agenda

Senator Marty Block, Chair
Senator Benjamin Allen
Senator John M. W. Moorlach



Thursday, April 23, 2015
9:30 a.m. or upon adjournment of session
State Capitol - Room 3191

Consultant: Anita Lee

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

6440	University of California
6610	California State University

Issue 1: SB 1210 Dream Loan (Informational Only)**Presenter**

- Senator Ricardo Lara, 33rd Senate District

Panel:

- Christian Osmena, Department of Finance
- Paul Golaszewski, Legislative Analyst's Office
- Kieran Flaherty, University of California
- Ryan Storm, California State University

California Dream Loan Program. SB 1210 (Lara), Chapter 754, Statutes of 2014, established the California Dream Loan Program (CDLP) which extends loans to students who meet requirements established by AB 540 (Firebaugh), Chapter 814, Statutes of 2001, and have financial need. The bill authorizes any campus of the UC and CSU to participate, and requires participating campus to annually contribute discretionary funds in their CDLP revolving fund that is at least equal to all of campus' CDLP fund. The purpose of this fund is to award loans and revolving loan repayments. The participating campus will administer the CDLP and will receive administrative cost allowance that cannot exceed five percent of the campus' total CDLP funds awarded. Specifically, the campus will award loan funds to students, provide entrance and exit counseling, service loans, collect loan repayment, among others.

Additionally, SB 1210 prohibits the loan amount from exceeding the students financial need, caps the loan amount at \$4,000 in a single academic year and \$20,000 from one institution, and requires the interest rates for loans as well as the eligibility for forbearance or deferment to be the same as those set by the William D. Ford Federal Direct Loan Program.

Under CDLP, the California Student Aid Commission is authorized to access any information to certify that students meet requirements specified under the bill, such as the student applied for financial aid through the Dream Act, or is enrolled in a program eligible for participation in the Cal Grant.

SB 1210 included intent language to provide funding to campuses based on the on the number of eligible students attending the campus who applied for financial aid under the Dream Act.

6610	California State University
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Issue 2: CSU Graduation Rates and Degree Completion (Oversight)
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Coming out of the recession, California's universities face numerous critical issues that impact the state's ability to meet educational and workforce demands. In particular, the Public Policy Institute of California (PPIC) released a report in 2009, *Closing the Gap*

Meeting California's Need for College, which found that, in 2025, 41 percent of jobs in California will require at least a bachelor's degree. However, if current trends persist, only 35 percent of working-age California adults will have a bachelor's degree by 2025. This will lead to a shortfall of one million bachelor's degrees. Without more students entering and completing a college degree, California will not meet workforce demands in the future.

Panel:

- Christian Osmena, Department of Finance
- Jason Constantouros, Legislative Analyst's Office
- Ken O'Donnell, Senior Director of Student Engagement and Academic Initiatives & Partnerships, California State University
- Geoff Chase, Dean Undergraduate Studies, San Diego State University
- Jenny Bach, Student at Sacramento State University

Background. Four of every five college students in California are enrolled in one of the state's three public higher education systems. In terms of graduation rates, 18 percent of all first-time freshmen at the CSU receive a bachelor's degree within four years. Just over half receive a bachelor's degree within six years. Even after 10 years, only 58 percent of the students who had entered the CSU system as full-time freshman in 2002 had graduated. Many of those who do earn a bachelor's degree take longer than four years to do so—and as research indicates, the longer one is enrolled in school, the odds that they will graduate is reduced significantly.

Taking extra time and credits to earn a degree is costly and makes college less affordable. The longer students are enrolled in college, the more they will pay for tuition, fees, books, and other education-related expenses. Students also forgo potential wages they could have been earning because they are in school and not in the workforce. And, for students who work, they miss out on the higher earning potential that a college credential provides.

Contributing Factors. Due to a lack of CSU specific data, it is difficult to ascertain the explanations of direct causal links to extended time and credits to degree for CSU students. PPIC is currently researching this topic. While there are a variety of research on causes of low graduation rates overall, the Campaign for College Opportunity is one of the few organizations that has recently released a report in July 2014, *The Real Cost of College: Time and Credits to Degree at the California State University*, specific to the CSU and notes that many factors contribute to students taking increased time and credits to complete their degrees. These findings include:

- **Reduced Capacity and Course Supply.** State funding to the CSU system was cut by almost one-third, from a high of \$2.97 billion in 2007-08 to a low of \$2.0 billion in 2011-12. However, CSU largely backfilled this decrease in state funding with increases in tuition from \$2,172 in 2007-08 to \$5,472 in 2011-12. The CSU reduced the selection of course offerings for continuing students, and as a result, students were unable to register for courses that were full, took fewer credits than they need, took a break from enrolling for a semester, or enrolled in available alternatives that were not a good fit for their intended degrees but help to maintain aid eligibility.
- **Enrollment Intensity and Financial Aid.** Unfortunately, many students are not aware that they must take and successfully complete 15 credits each semester to graduate in four years. While 12-14 units meets the requirements for full-time status for federal reporting and financial aid, low-income students may try to keep costs down associated with books, transportation or time away from work, and take 12 units instead of 15 units, putting them on a five-year track to graduation. While this may result in more manageable costs each semester, in the long-run, an additional year or more of tuition will cost more overtime.
- **Need for Employment.** Attending a CSU is more expensive today because fees and tuition have grown substantially and middle- and low-income students are shouldering a greater burden of this cost than they did in the past. As a result, more students may need to work—and work more hours—in order to pay for school. Research has demonstrated that working is a significant contributor to delayed time to degree. Time working is time spent away from class and studying.
- **Student Supports.** Students may need assistance with determining a clear degree plan, such as knowing the number of required credits to complete each semester and along with other supports that allow them to successfully complete their degrees. The median student-counselor ratio among the CSU campuses is 2,691 to 1—at California State University Los Angeles the ratio is 7,900 to 1—significantly above the recommended ratio of 1,500 to 1. Limited counseling can lead to a lack of understanding of degree requirements and can lead them to take extraneous courses.

In response to growing concerns regarding performance outcomes of the UC and CSU, the 2013-14 budget required UC and CSU to annually report, by March 15th of each year on a number of performance outcomes. Specifically:

- Number/Proportion of Transfers.
- Number/Proportion of Low-Income Students.
- 4-year Graduation Rates for both UC and CSU and 6-year Graduation Rates for CSU (disaggregated by freshman entrants, transfers, graduate students, and low-income status).
- Degree Completions (disaggregated by freshman entrants, transfers, graduate students, and low-income status).
- First-Years On Track to Degree (i.e., what percent of first years earned a specified number of units).
- Spending Per Degree (Core Funds).
- Units Per Degree.
- Number of Science, Technology, Engineering and Mathematics (STEM) Degrees.

Additionally, the state recently adopted broad goals for higher education. Specifically, SB 195 (Liu), Chapter 367, Statutes of 2013, establishes three goals for higher education: 1) improve student access and success, such as increasing college participation and graduation, 2) aligning degrees and credentials with the state's economic, workforce and civic needs, and 3) ensure the effective and efficient use of resources to improve outcomes and maintain affordability.

Moreover, provisional language in the 2014-15 budget act required the UC and CSU to adopt three-year sustainability plans by November 30, 2014. The two segments were required to report on targets for each of the performance measures mentioned above, as well as resident and nonresident enrollment projections based on revenue projects from the Department of Finance.

Below is a LAO chart that shows statutory performance measures used for budgeting purposes, along with the segments' corresponding performance targets.

Metric	University of California		California State University	
	Current Performance ²	Target ³	Current Performance ²	Target ³
CCC Transfers Enrolled. Number and as a percent of undergraduate population.	33,715 (19%)	33,358 (18%)	137,797 (36%)	142,226 (36%)
Low-Income Students Enrolled. Number and as a percent of total student population.	76,634 (42%)	60,667 (32%)	170,491 (44%)	167,755 (42%) (2016-17)
Graduation rates. Various graduation rates:	2010 cohort	2014 cohort	2010 cohort	2013 cohort
(1) 4-year rate--freshman entrants.	62%	66%	18%	19%
(2) 4-year rate--low-income freshman entrants.	56%	60%	11%	11%
(3) 4-year rate--non-low-income freshman entrants. (CSU only).			22%	24%
			2008 cohort	2011 cohort
(4) 6-year rate--freshman entrants (CSU only).			53%	55%
(5) 6-year rate--low-income freshman entrants (CSU only).			46%	48%
(6) 6-year rate--non-low-income freshman entrants. (CSU only).			57%	60%
	2012 cohort	2016 cohort	2012 cohort	2015 cohort
(7) 2-year rate--CCC transfers.	54%	58%	27%	29%
(8) 2-year rate--low-income CCC transfers.	50%	54%	25%	27%
(9) 2-year rate--non-low-income freshman entrants. (CSU only).			29%	31%
			2011 cohort	2014 cohort
(10) 3-year rate--CCC transfers (CSU only).			63%	68%
(11) 3-year rate--low-income CCC transfers (CSU only).			62%	67%
(11) 3-year rate--non-low-income			64%	69%

CCC transfers (CSU only).				
Degree completions. Number of degrees awarded annually for:				
(1) Freshman entrants.	31,866	36,200	34,254	41,966
(2) CCC Transfers.	14,651	15,400	43,741	44,673
(3) Graduate students.	17,300	20,000	18,574	19,308
(4) Low-income students.	21,469	22,700	40,318	41,302
(5) All students.	XXX	XXX	103,637	112,457
First-year students on track to graduate on time. Percentage of first-year undergraduates earning enough credits to graduate within four years.	51%	51%	48% ⁴	54% ⁴
Funding per degree. Core funding for divided by number of degrees for:				
(1) All programs.	\$98,300 (2012-13)	\$112,900	\$36,300 (2012-13)	\$41,100
(2) Undergraduate programs only.	In process	In process	Not reported	\$50,700
Units per degree. Average course units earned at graduation for:	Quarter Units		Semester Units	
(1) Freshman entrants.	187	187	139	139
(2) Transfers.	100	100	141	140
Degree completions in STEM fields. Number of STEM degrees awarded annually to:				
(1) Undergraduate students.	16,327	18,000	17,020	21,574
(2) Graduate students.	8,700	10,000	3,817	4,105
(3) Low-income students.	7,027	7,400	7,128	7,828

1 Universities' performance targets are based on administration's revenue assumptions for 2015-16 through 2017-18, that is, 4 percent General Fund augmentations and no tuition increases each year.

2 Fall 2014 for enrollment and annual 2013-14 for completions and units, unless otherwise specified.

3 Fall 2017 for enrollment and annual 2017-18 for completions and units, unless otherwise specified.

4 CSU excludes students not enrolled at the beginning of the second year. Including these students reduces performance by about 7 percentage points.

STEM=science, technology, engineering, and math.

As shown above, only 11percent of low income students in the freshman entering class of 2010 graduated in four years, compared with 22 percent of non low-income students. While data for the six year graduation rates of the 2010 entering class is not available, staff points to the freshman entering class of 2008, which shows that 46 percent for low-income students graduate in 6 years compared to 57 percent for non-low income students.

Overall, CSU's four year graduation rate has slightly increased from 15.7 percent for the 2007 cohort to about 18 percent for the 2010 cohort. Additionally about 53 percent of the 2007 cohort graduated within six years.

The gap between the graduation rates for low-income and non low-income transfer students is less pronounced than that for first-time freshman. Specifically, for 2012 transfer class, 25 percent of low income students graduated in 2 years compared to 29 percent of non-low income students. Additionally, the three year graduation rate for the 2011 cohort was about 62 percent of low income transfer students graduated in three years, compared to about 64 percent of non-low income students.

Overall, the trends for CSU transfer graduation rates have shown gradual improvement since the Fall of 2006. For example, the 2 year graduation rate increased from 24 percent to 27 percent and 3 year graduation rate rose from 55 percent to 63 percent when compared to the Fall 2009 and Fall 2010 transfer cohorts respectively.

For 2013-14, CSU reports that the total amount of undergraduate degrees CSU awarded was 85,191 (44,629 of which were low-income students and about 44,000 of which were transfer students).

Initiatives to Improve Performance

CSU has multiple initiatives underway to improve performance, including a Graduation Initiative, which has set improved graduation targets for each campus, and the Student Success Initiative, which aims to increase degree completion rates and reduce units per degree and achievement gaps.

Graduation Initiative. In 2009, the CSU launched the system wide Graduation Initiative to increase graduation rates for all students, which is in its 6th and final year. The goal of the initiative was to raise CSU’s six-year graduation rates for freshman by eight percentage points by 2015 from 46 percent to 54 percent. The second goal of the initiative was to cut the difference in graduation rates between Under-Represented Minorities (URMs) and other students in half. Below are the goals of the Graduation Initiative.

CSU Graduation Rates	Baseline	2015	Increase
Overall	46%	54%	8%
URM	41%	51%	10%
Non-URM	48%	55%	7%

While the data will not be finalized until after the upcoming spring 2015 commencement, CSU believes that it is on target to meet its first goal of increasing overall CSU graduation rates, but not on track to meet its second goal of closing the gaps.

All 23 campuses helped set the system goals, as well as individual campus goals, which were to raise the six-year graduation rates to the top quartile of national averages among their peer groups, which are a group of similar universities in the United States.

CSU recently launched its new initiative, Graduation Initiative 2025. The new goals are to:

- Increase six-year graduation rate for first time freshman to 60 percent
- Increase four-year graduation rate for first time freshman to 24 percent
- Increase the four-year graduation rate for transfer students to 76 percent
- Increase the two-year graduation rate for transfer students to 35 percent
- Close the achievement gap for underrepresented students to seven percent
- Close the achievement gap for low-income students to five percent

Student Success Initiatives

The Student Success Initiatives include a variety of efforts and strategies to close achievement gaps, facilitate student success and degree completions, and increase graduation rates. These strategies include, the CSU Enrollment Bottleneck Solutions Initiative, which was launched in 2013, and is designed to accelerate student progress to degree and decrease bottlenecks that negatively impact students. The other student success strategies and efforts are described in the CSU's budget plan.

Reducing Overall Units to Degree/Time to Degree

CSU implemented curricular reform between Spring 2009 and Fall 2014, and has shrunk the percentage of baccalaureate degrees in excess of 120 required units from 29 percent to 5 percent system wide. Efforts to support student success and timely degree completion have included eAdvising and early warning and predictive analytics where students receive better and faster feedback about their performance in critical courses.

CSU Budget Plan

The CSU's budget plan proposes \$97 million in additional state funding, above the Governor's four percent base budget adjustment of \$119 million. Specifically, the CSU's adopted budget includes:

- Mandatory Cost Increases: \$23.1 million for (e.g. health benefits, retirement and new space).
- Compensation Pool Increase: \$65.5 million for a two percent increase, subject to collective bargaining, for all employee groups effective July 1, 2015.
- Student Success and Completion Initiatives: \$38.0 million for a variety of strategies to close achievement gaps and degree completion. This would fund:
 - Tenure-track faculty hiring: \$11 million.
 - Enhanced advising: \$4 million to higher professional staff advisors system wide, and \$3 million to leverage e-advising technologies.
 - Augment bottlenecks solution initiatives: \$1.5 million to expand the initiative to \$11.5 million. The additional funding would support more online concurrent enrollment.
 - Student preparation: \$5 million augmentation to help incoming freshman attain college readiness before students arrive on campus.
 - Student retention practices: \$9 million for practices such as service learning projects, undergraduate research, first year learning communities, and peer mentoring.
 - Data Dashboard: \$4.5 million for the Data Dashboard, which will provide all campuses with data they need to make decisions related to time to degree and retention.
- Enrollment Growth: \$103.2 million for three percent increase in enrollment or approximately 10,400 FTES. This would accommodate for growth in number of students serviced, and could also accommodate existing demand by current students for additional courses.

- Information Technology Infrastructure: \$14.0 million to replace the remaining obsolete switching and routing hardware, obsolete wireless access points and controllers, and obsolete network security devices at all campuses.

Governor's 2015-16 Budget

The Governor's budget overview recognizes some of these issues by pointing out the low completion rates of the CSU. In particular, the Governor's budget proposes the continuation of the innovation awards. As heard in the March 12 subcommittee hearing, the budget would provide \$25 million for innovation awards to CSU campuses that improve policies, practices and/or systems to ensure that more students graduate with bachelor's degrees within four years of beginning higher education.

This is similar to the program that was launched in 2014-15 for all three segments; in 2015-16 the Governor's budget proposes to limit the innovation award to CSU campuses or other segments' campuses that partner with CSU. A committee, chaired by the Department of Finance, would select winners through an application process.

While the committee has selected applicants for awards, the committee has not approved how they can use their funds. Expanding this area before giving existing efforts time to show results would be premature. The subcommittee may wish to examine program results in the current year before investing more resources.

Legislative Analyst's Office Comments.

LAO notes that CSU's four-year graduation rate is significantly lower than the average for large public master's universities, whereas its six-year graduation rate is comparable to the average. Barely over half of entering full-time freshmen complete a CSU degree within six years, and most of the other half never complete their degrees.

In reviewing the segments performance targets set in the sustainability plans, LAO stated that overall, the segments targets were somewhat lackluster. For example, CSU set a goal of raising its current six-year graduation rate for low-income students from 46 percent to 48 percent by 2017-18.

LAO recommends the Legislature direct each of the segments to compare its performance against external benchmarks—in addition to comparing against its own targets—in its annual performance report. Comparisons should reflect the performance of public institutions serving similar students in other states. If the state identifies targets in the future for the segments, the Legislature could direct the segments to use these targets for comparisons.

LAO also recommends the Legislature amend statute to require the segments to include an analysis of current performance and strategies for improving it, in their annual performance reports. The analyses could help the Legislature track how each segment is approaching its key performance issues. For example, CSU's analysis could explain why it believes its four-year graduation rates are significantly below those of other large public master's universities, or why students take fewer units in their first year, but more units overall than required to graduate. A better understanding of the reasons for poor performance would help the state better target resources toward improving outcomes.

Staff Comments. A college education is an important tool for social and economic mobility. An individual between 25 and 64 years of age who completes at least a Bachelor of Arts degree can anticipate earning an additional \$1,300,000 in wages and salary. Census data also shows that the wages of college graduates are more than 50 percent higher than wages of workers with only a high school education. Even when the cost of attending college is factored in, graduates earn hundreds of thousands of dollars more than high school graduates over the course of their lives. Additionally, employment remains far better for college graduates than for less educated workers. PPIC reports that in 2014, unemployment rates for college graduates was 4.5 percent, compared to 11.3 percent of those with a just a high school diploma.

In response to growing concerns regarding the future of higher education, in December 2014, the Senate Democratic Caucus announced a comprehensive plan for higher education in California. The stated purpose of the plan is to establish higher education policies that promote affordability, access and completion for California students. Specifically, the plan will:

- Establish the Graduation Incentive Grant for CSU students who complete 30 units a year. If a student completes 30 units a year, he or she will graduate in four years.
 - Reduce the need for CSU students to work, thus allowing students to take more units per semester
- Provide \$25 million each to UC and CSU to increase course offering so students are able to take the courses they need to graduate on time.
- Provide \$50 million each to UC and CSU to increase student support services, such as academic advising, tutoring, etc.

As the state continues to reinvest in higher education, the Legislature may wish to consider how to effectively and efficiently use these investments to address current and long-term education and economic needs of the state, including increasing graduation rates and reducing time to degree. This is particularly critical in light of the PPIC's projections.

The subcommittee may wish to ask:

1. What are some practices and policies that have proven to be successful in helping low-income students, transfer students, or the student body as a whole? What have been the most effective strategies?
2. The performance report states that the cumulative six year graduation rate for the entering class of 2008 is 55 percent, what happened to the other 45 percent of students?
3. Why is the CSU not on track to meet its 2009 Graduation Initiative goal for underrepresented minorities?

6600	Hastings College of Law
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Hastings College of the Law (Hastings) was founded in 1878 by Serranus Clinton Hastings, the first Chief Justice of the State of California. On March 26, 1878, the Legislature provided for affiliation with the University of California. Hastings is the oldest law school, and one of the largest public law schools, in the western United States. Policy for the college is established by the Board of Directors and is carried out by the chancellor and dean and other officers of the college. The board has 11 directors: one is an heir or representative of S.C. Hastings and the other 10 are appointed by the Governor and approved by a majority of the Senate. Directors serve for 12-year terms. Hastings is a charter member of the Association of American Law Schools and is fully accredited by the American Bar Association. The Juris Doctor degree is granted by The Regents of the University of California and is signed by the President of the University of California and the Chancellor and Dean of Hastings College of the Law.

The mission of Hastings is to provide an academic program of the highest quality, based upon scholarship, teaching, and research, to a diverse student body and to ensure that its graduates have a comprehensive understanding and appreciation of the law and are well-trained for the multiplicity of roles they will play in a society and profession that are subject to continually changing demands and needs.

The following table displays the budgeted expenditures and positions for Hastings as proposed in the Governor's budget. Of the amounts displayed in the table, \$8.3 million in 2013-14, \$9.6 million in 2014-15, and \$10.6 million in 2015-16 are supported by the General Fund.

Governor's Budget – Hastings' Budgeted Expenditures and Positions			
	2013-14	2014-15	2015-16
Personal Services	\$32.5	\$43	\$35
Operating Expenses and Equipment	\$37	\$38	\$35
Special Items of Expense (Financial Aid)	\$13	\$12	\$12
Total Expenditures	\$70	\$72	\$70
Positions	251.1	254.2	254.2

Dollars in Millions

Issue 3: Hastings Budget Augmentation
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Description: The Governor’s budget proposes increasing General Fund support for Hastings College of Law by \$1 million as part of the multi-year funding plan.

Panel:

- Christian Osmena, Department of Finance
- Paul Golaszewski, Legislative Analyst’s Office
- David Seward, Hastings College of Law

Background. In 2009-10, enrollment at Hastings reached a high point at 1,336 FTE students. Since then, enrollment has declined to an estimated 970 FTE students for 2015-16—a drop of 38 percent. Hastings indicates the decline was a strategic move intended to address decreased workforce demand for attorneys. Hastings is not budgeted on a per-student basis, and as a result the law school’s state budget appropriation has not been adjusted to reflect the decrease in enrollment. Notably, even though enrollment has decreased by 38 percent since 2009-10, state funding has increased 29 percent over the same time. Hastings indicates it has used the increased funding per student to cover increased retirement costs and lower its student to faculty ratio from 20:1 to 14:1, which is more comparable to other law schools.

Governor’s Budget

The Governor’s budget proposes \$10.6 million in General Fund support for Hastings, a 10 percent increase over the current year. As a part of the Governor’s multi-year funding plan, the Governor has provided General Fund increases to Hastings over the last two years. In the 2014-15 budget, the Legislature approved \$1.3 million for Hastings to support the Administration’s four- year investment plan. The Governor also expects “this funding will mitigate the need for Hastings to increase student tuition and fees and can be used by the law school to meet its most pressing needs.”

Hastings has a smaller budget compared to the University of California and California State University, which is why the General Fund increase has been a higher percentage for Hastings, when compared to UC and CSU.

Funding (amounts in millions)	2013-14	2014-15	2015-16	% change (2014-15 to 2015-16)
General Fund	\$8.4	\$9.6	\$10.6	10%
Lottery	\$1.5	\$1.7	\$1.7	0%
University Funds	\$61.5	\$62.8	\$59.9	-5%
Total	\$70	\$72.6	\$70.7	-3%

Legislative Analyst's Office (LAO) Comments

The LAO recommends rejecting unallocated base increases for Hastings, and instead provide a cost-of-living adjustment (COLA) to their base. LAO estimates that applying a 2.2 percent COLA to the base state appropriation for Hastings would cost \$212,000.

Additionally, LAO recommends adopting enrollment targets for the law school and setting the targets at current-year levels. Additionally, LAO recommends the Legislature require Hastings to submit a report by September 30, 2015, with a proposed methodology for funding enrollment growth (and adjusting for enrollment declines) moving forward.

Staff Comments. Hastings faces some of the same cost pressures as the UC, including rising retirement and health care costs, however Hastings receives no funding from the UC, and is a separate line item. While Hastings contracts with UC for payroll, investment and reprographic services, Hastings pays on a fee-for-service basis. In addition, decreased student enrollment has lowered revenue from tuition, making General Fund more critical to maintaining operations. (Total tuition and fees for students in 2015-16 will be \$44,186).

Staff Recommendation: Hold open.

Issue 4: Hastings Capital Outlay Proposal

Description. The Governor's budget proposes to develop a new 57,000 square foot academic facility, costing \$36.8 million in lease-revenue bonds, at 333 Golden Gate Avenue in San Francisco. The facility would replace Hastings' primary academic building, which was constructed in 1953 and has several outdated system.

Panel:

- Sally Lukenbill, Department of Finance
- Paul Golaszewski, Legislative Analyst's Office
- David Seward, Hastings College of Law

Background. Hastings operates a single campus composed of four buildings in downtown San Francisco, and owns a vacant lot on Golden Gate Avenue. The academic facility on 198 McAllister is a 76,000 square foot, four-story building that serves as the primary classroom building, including 18 classrooms with a total capacity of 877 seats. The building also houses 80 offices.

Additionally, adjacent to this building is a 61,000 square foot annex which was built in 1960.

Hastings officials note that many of the academic building's features are outdated. Specifically, Hastings notes:

- The heating, ventilation, and air conditioning (HVAC) system has an estimated life of 7-10 years of useful life left, according to a 2011 report;
- The hot water system has five to seven years left;
- The roof and electrical system is outdated; and
- Elevators are too small to accommodate a wheelchair, making them non-compliant with the Americans with Disabilities Act.

Governor's 2015-16 Budget. The Governor's proposed budget requests state funds to construct a new academic building, while allowing for the continued use of the existing building, to avoid the need for temporary off-site academic wing space. This proposal will replace aging classrooms and upgrade other auxiliary student spaces.

Specifically, the Governor's proposed budget requests \$36.8 million in lease-revenue bonds to construct a new, 57,000 square foot building on a vacant lot owned by Hastings, as well as remodeling the annex. Hastings has conducted preliminary pre-design studies and cost analysis, and prepared a cost estimate, which the Department of Finance has reviewed.

The proposal breaks down the costs as follows:

- \$853,000 for preliminary plans;
- \$2.8 million for working drawings; and
- \$33.2 million for construction.

Beginning in 2018-19, the project will result in debt service payments of approximately \$2.7 million General Fund annually. Upon completion of the new building, Hastings has indicated that it may develop new student housing to replace or supplement the existing academic building.

Hastings considered three other alternatives before determining this proposal was the most cost-effective. Among these proposals, Hastings considered tearing down the current building and rebuilding on the same site; partially demolishing the building and rebuilding; or fully modernizing the existing building and annex. Hastings found that these alternatives were not cost-effective, largely due to the very high temporary relocation costs that would be required during the construction. Hastings states that moving students and staff to temporary locations would cost between \$15 to \$20 million.

Staff Comments. While the new building will have less square footage than the one it is replacing, Hastings has recently reduced its enrollment and plans to maintain current enrollment levels into the future.

Typically, the state uses traditional capital outlay process for Hastings where they submit capital outlay proposals to the state as part of the regular state budget process. The Governor and the Legislature review the projects as part of the annual budget process and decide which projects to fund. The state typically funds projects included in the final state budget with either general obligation or lease-revenue bonds. The state then pays the associated debt service on behalf of the segment. State funding for debt service is kept separate from state funding for the segments' support budgets.

Staff notes that it is somewhat unusual for the Administration to include three different phases of a capital outlay project in one request to the Legislature. The Legislature typically approves preliminary planning, working drawings, and construction and equipment phases separately, which allows for more public input and scrutiny of projects as they advance. The Administration notes that existing lease-revenue bond proceeds are available for this project; however, to utilize bond funding for the entire project, it is necessary to approve all three phases at once.

To ensure appropriate legislative oversight of the project, the subcommittee may wish to require that the administration provide the Joint Legislative Budget Committee with an update on the project and a 30-day review period before beginning the construction phase.

Staff Recommendation: Hold open.

6980 California Student Aid Commission

Since its creation by the Legislature in 1955, the California Student Aid Commission (CSAC) has continued to operate as the principal state agency responsible for administering financial aid programs for students attending public and private universities, colleges, and vocational schools in California. The mission of CSAC is to make education beyond high school financially accessible to all Californians by administering state authorized financial aid programs.

CSAC is composed of 15 members: 11 members are appointed by the Governor and confirmed by the Senate, two members are appointed by the Senate Rules Committee and two members are appointed by the Speaker of the Assembly. Members serve four-year terms except the two student members, who are appointed by the Governor, and serve two-year terms.

Issue 5: Student Financial Aid Programs

Panel:

- Matthew Saha, Department of Finance
- Paul Golaszewski, Legislative Analyst’s Office
- Diana Fuentes-Michel, Director of the California Student Aid Commission

Cal Grant Program. The Cal Grant program is the primary financial aid program run directly by the state. Modified in 2000, to become an entitlement award, Cal Grants are guaranteed to students who graduated from high school in 2000-01, or beyond, and meet financial, academic, and general program eligibility requirements. Administered by CSAC, the following table displays the Cal Grant entitlement awards.

Cal Grant Entitlement Awards	
Cal Grant A	Provides tuition fee funding for the equivalent of four full-time years at qualifying postsecondary institutions to eligible lower and middle income high school graduates (income ceiling of \$87,400 for a family of four) who have at least a 3.0 grade point average (GPA) and apply within one year of graduation.
Cal Grant B	Provides funds to eligible low-income high school graduates (income ceiling of \$45,900 for a family of four) who have at least a 2.0 GPA and apply within one year of graduation. The award provides up to \$1,648 for book and living expenses for the first year and each year following for up to four years (or equivalent of four full-time years), this is also known as the Cal Grant B Access Award. After the first year, the award also provides tuition and fee funding at qualifying postsecondary institutions.
Community College Transfer	Provides a Cal Grant A or B to eligible high school graduates who have a community college GPA of at least 2.4 on a four-point scale and transfer to a qualifying baccalaureate degree granting college or university.

The maximum award for new Cal Grant A and B recipients in 2015-16 is equal to the mandatory systemwide tuition at the University of California (UC) and the California State University (CSU): \$8,056 at private, non-profit institutions, and private, for-profit institutions that are accredited by the Western Association of Schools and Colleges (WASC) as of July 1, 2012, and \$4,000 at private, for profit institutions that are not WASC accredited as of July 1, 2012. Renewal award recipients at private, for-profit and non-profit institutions will continue to receive an award amount of \$4,000 to \$9,223, depending on when they received their first award.

In addition to the entitlement awards, the Cal Grant program includes a limited number of competitive awards and awards for occupational or technical training. These awards are displayed in the following table.

Non-Entitlement Cal Grant Awards	
Competitive Awards	There are 22,500 Cal Grant A and B competitive awards available to applicants who meet financial, academic, and general program eligibility requirements. Half of these awards (11,250) are offered to those applicants who did not receive an entitlement award and meet the March 2 deadline. The remaining 11,250 awards are offered to students who are enrolled at a California Community College and meet the September 2 deadline.
Cal Grant C	The Cal Grant C Program provides funding for financially eligible lower income students preparing for occupational or technical training. The authorized number of new awards is 7,761. For new and renewal recipients, the current tuition and fee award is up to \$2,462 and the allowance for training-related costs is \$547.

The LAO points out that Cal Grant spending nearly doubled from 2007–08 to 2011–12, mostly in response to tuition increases at UC and CSU. Since 2011–12, tuition has remained flat and growth in Cal Grant costs has been driven mainly by participation increases. In 2014–15, for example, the number of new Cal Grant recipients increased 12 percent over the prior year. Implementation of the California Dream Act accounts for about one–eighth of the growth.

The following chart, from the LAO’s analysis of the Governor’s proposed 2014-15 higher education budget, displays three-year expenditures for Cal Grants by segment, program and award type. As the chart shows, the General Fund is the primary source of funding for the Cal Grant program, accounting for \$1.7 billion of the \$2 billion proposed for 2015-16.

Figure 35
Cal Grant Spending
(Dollars in Millions)

	2013-14 Actual	2014-15 Revised	2015-16 Proposed	Change From 2014-15	
				Amount	Percent
Total Spending	\$1,677	\$1,905	\$2,034	\$129	7%
By Segment:					
University of California	\$781	\$852	\$900	\$47	6%
California State University	519	621	688	68	11
Private nonprofit institutions	237	255	258	3	1
California Community Colleges	102	132	144	12	9
Private for-profit institutions	38	44	43	-1	-3
By Program:					
High School Entitlement	\$1,334	\$1,516	\$1,641	\$125	8%
CCC Transfer Entitlement	237	242	223	-19	-8
Competitive	100	133	149	16	12
Cal Grant C	6	13	20	7	55
By Award Type:					
Cal Grant A	\$968	\$1,080	\$1,143	\$63	6%
Cal Grant B	703	811	870	59	7
Cal Grant C	6	13	20	7	55
By Award Component:					
Cal Grant A, B, and C Tuition	\$1,442	\$1,603	\$1,706	\$102	6%
Cal Grant B Access (Stipend)	232	296	322	26	9
Cal Grant C Book and Supply	3	5	6	1	26
By New or Renewal:					
New	\$567	\$587	\$603	\$17	3%
Renewal	1,110	1,318	1,430	113	9
By Funding Source:					
General Fund	\$1,037	\$1,527	\$1,747	\$220	15%
Federal TANF	542	377	286	-91	-24
Student Loan Operating Fund	98	—	—	—	N/A

TANF = Temporary Assistance for Needy Families.

The Cal Grant maximum award for students attending private nonprofit colleges and universities is scheduled to decrease by 11 percent in the budget year. The 2012 budget act put in place reductions to the Cal Grant award amounts for independent non-profit and accredited for-profit institutions. The Governor's 2015-16 budget proposes to continue this reduction. More than 32,000 California students use Cal Grants to help them attend these schools, allowing access to college for low-income students during a period in which the CSU system is turning away eligible students. The chart below indicates the reduced amount of the Cal Grant for these schools.

Cal Grant Maximum Award for WASC Accredited Private Colleges and Universities						
	2011-12	2012-13	2013-14	2014-15	2015-16	Cumulative Change
Cal Grant Amount Per Student	\$9,708	\$9,223	\$9,084	\$9,084	\$8,056	-17%

A trailer bill associated with the 2011 budget act put into place state requirements for an institution's participation in the Cal Grant program. Currently, all participating institutions where more than 40 percent of students borrow federal loans must have a cohort default rate of no more than 15.5 percent and a graduation rate of at least 20 percent.

Other Awards. In addition to Cal Grants, CSAC administers various other financial aid programs, including:

- **The Assumption Program of Loans for Education (APLE).** Allows the state to issue agreements for loan assumptions annually to students and district interns who are pursuing careers in teaching and credentialed teachers teaching at schools ranked in the lowest 20 percentile of the Academic Performance Index (API). Through APLE, a participant who teaches a total of four years can receive up to \$11,000 toward outstanding student loans. Beginning in 2012-13, no new APLE warrants have been issued; only renewals will continue to be funded. There are similar programs for graduate and nursing studies, which also only currently fund renewal awards.
- **The Child Development Teacher and Supervisor Grant Program.** Provides grants to recipients who intend to teach or supervise in the field of child care and development in a licensed children's center. Recipients attending a California community college may receive up to \$1,000 annually and recipients attending a four-year college may receive up to \$2,000 annually for a total of \$6,000. This program is funded from federal funds through an agreement with the State Department of Education.
- **The California Chafee Grant Program.** Provides grants of up to \$5,000 to eligible foster youth who are enrolled in college or vocational school at least half-time. New and renewal awards are assigned based on available funding. This program is funded from federal funds and the General Fund through an agreement with the State Department of Social Services.
- **The California National Guard Education Assistance Award Program.** Provides funding for active members of the California National Guard, the State Military Reserve, or the Naval Militia who seek a certificate, degree, or diploma. Recipients attending the UC or CSU may receive up to the amount of a Cal Grant A award. Recipients attending a community college may receive up to the amount of a Cal Grant B award. Recipients attending a private institution may receive up to the amount of a Cal Grant A award for a student attending the University of California. An award used for graduate studies may not exceed the maximum amount of a Cal Grant A award plus \$500 for books and supplies. This program is funded from the General Fund through an agreement with the California Military Department.
- **The Law Enforcement Personnel Dependents Scholarship Program.** Provides college grants equivalent to Cal Grant amounts to dependents of: California law enforcement officers, officers and employees of the Department of Corrections and Rehabilitation, and firefighters killed or permanently disabled in the line of duty. This program is funded from the General Fund.

- The John R. Justice Program.** Provides loan repayments to eligible recipients currently employed as California prosecutors or public defenders who commit to continued employment in that capacity for at least three years. Recipients may receive up to \$5,000 of loan repayment; disbursed annually to their lending institutions. This program is federally funded through an agreement with the Office of Emergency Services.
- The Middle Class Scholarship Program.** Provides a scholarship to UC and CSU students with family incomes of up to \$150,000. The scholarship amount is limited to no more than 40 percent of the UC or CSU mandatory system-wide tuition and fees. The individual award amount is determined after any other publicly-funded financial aid is received. The program will be phased in over four years, with full implementation in 2017-18. The program is funded from the General Fund. The Governor’s 2015-16 budget includes \$141,000 and two positions to support the program, \$500,000 for outreach, and \$152 million to support the second year of the program.

CSAC provided the following information regard Middle Class Scholarship participation at its April 16 commission hearing.

Segment	Applicants ²	Awards	% Awarded of Applicants	Offered Award Amount	Amount Disbursed	% Disbursed of Offered Amount
UC	125,364	17,234	14%	\$18,466,645	\$10,865,560	59%
CSU	289,466	68,241	24%	\$40,378,647	\$26,864,474	67%
TOTAL	414,830	85,475	21%	\$58,845,292	\$37,730,034	64%

Overall, the average Middle Class Scholarship award is \$895 (the average UC and CSU student award is \$1,206 and \$584, respectively). Additionally, CSAC provided a breakdown of Middle Class Scholarship awardee asset levels.

Assets	UC	CSU	TOTAL
Not Reported	1,036	10,568	11,604
\$67,600	9,793	48,646	58,439
\$67,601-\$100,000	757	1,625	2,382
\$100,001-\$150,000	920	1,768	2,688
\$150,001-\$200,000	667	1,072	1,739
\$200,001-\$250,000	496	898	1,394
\$250,001-\$500,000	1,669	2,053	3,722
\$500,001-\$1,000,000	1,265	1,150	2,415
\$1,000,001-\$1,500,000	350	245	595
\$1,500,001-\$2,000,000	124	95	219
Over \$2,000,000	157	121	278
TOTAL	17,234	68,241	85,475

An asset includes real estate interests, such as second homes and rental properties, checking/savings accounts, stocks, bonds, mutual funds and money market accounts, trust funds and 529 college saving plans.

Other Issues to Consider

California Dream Act. The Dream Act was implemented in 2013-14, and allows undocumented and nonresident documented students who meet AB 540 requirements to apply for and receive private scholarships funded through public universities, state-administered financial aid, university grants, community college fee waivers, and Cal Grants. The Dream Act application is similar to the process of filing a Free Application for Federal Student Aid (FAFSA) and grade point average (GPA). Applicants who meet the Cal Grant eligibility requirements (as mentioned above) are offered a Cal Grant award.

Dream Act Award Offers by Segment

	Awards
Community College	3,473
UC	1,149
CSU	2,159
Private Non-Profit	153
Private For Profit	22
Total	6,956

Dream Act Award Offers by Program

	Awards
High School Entitlement	5,977
Transfer Entitlement	784
Cal Grant C	195
Total	6,956

College Access Tax Credit Fund. Senate Bill 798 (De León), Chapter 367, Statutes of 2014, created the College Access Tax Credit Fund, where individuals receive tax credits for charitable contributions to the College Access Tax Credit Fund. Individuals will receive tax credits in the amount of 60 percent of their contributions for 2014, 55 percent for 2015, and 50 percent for 2016, for the purpose of expanding Cal Grant B. The amount of the credit is capped at \$500 million per year (2014 through 2016), with unused amounts to carry forward. SB 174 (de León), Chapter 363, Statutes of 2014 provides for the use of the funds for the

purpose of increasing the Cal Grant B access award. Cal Grant B access award will be able increase from \$1,473 to up to \$5,000 per year. Additionally, all General Fund revenue losses and administrative costs are reimbursed through the donated funds deposited in the College Access Tax Credit.

The California Educational Facilities Authority (CEFA), which operates under the State Treasurer's Office, is charged of administering fund. Specifically, CEFA must certify the contributions, establish procedures for taxpayers to contribute to the fund, obtain certification for the credit, and provide a copy of credit certificates to the Franchise Tax Board. CSAC will then determine the amount of the supplemental awards to be granted and administrative costs incurred.

Staff Comments. Between 2003-4 and 2010-11, tuition grew at the UC from \$4,984 annually to \$12,192, an increase of 145 percent. Similarly, during the same period, tuition at CSU grew from \$2,046 to \$5,970, an increase of 191 percent. In addition to tuition, students face considerable other costs, ranging from books to housing. The average cost of attendance this year for UC is \$33,000, while at CSU it is about \$23,000 for students not living at home.

Rising tuition and other costs have forced more California students to borrow in order to pay for college: California's class of 2012 graduated with an average student debt level of \$20,269, according to data published in 2014 by The Institute for College Access and Success. Students' ability to pay for college is an important factor in whether they go to college and stay once they are there.

California will spend more than \$1.6 billion General Fund on financial aid programs and administration in the current year. Most state financial aid spending is through the Cal Grant program, which is providing support for an estimated 331,000 California students this year. In fact, according the Institute for College Access and Success, the Cal Grant program is the largest state grant program nationally in terms of dollars awarded, fifth in the number of students served, and sixteenth in dollars provided per full-time equivalent student.

Cal Grants for Private Non-Profit Schools

Given the role that accredited private nonprofit colleges and universities play in California's postsecondary education system, and the need to maximize degree and certificate output, it is important to understand how the reductions in the maximum Cal Grant award impact access and affordability at these institutions. There is pending legislation that seeks to address this issue. Specifically, Senate Bill 15 (Block, de León) would increase the maximum tuition award amount for Cal Grant A and B for students at private nonprofit postsecondary educational institutions to \$9,084 for the 2015-16 award year, and each award year after.

Competitive Cal Grants

Every year the state turns away hundreds of thousands of eligible applicants because there aren't enough competitive Cal Grant awards. While everyone who qualifies for an entitlement grant receives one, existing law limits the number of competitive Cal Grant awards to 22,500 annually. Over recent years, the growing imbalance between available competitive grants and eligible applicants has led to increasingly slimmer odds of receiving a grant. In the most recent award cycle, for 2014-15, TICAs notes that the number of eligible applicants exceeded

the number of available competitive grants, for every competitive award available, there are 17 eligible applicants.

There is currently pending legislation that seeks to address this issue. Specifically, SB 15 would increase the total number of Competitive Cal Grant A and B awards granted annually to 30,000. Additionally, AB 200 (Alejo) would increase the total number of Competitive Cal Grant A and B awards to 45,000 for 2016-17, 80,000 for 2017–18, and 100,000 for 2018-19, annually thereafter.

Cal Grant B Access Award. The Cal Grant B access award is a crucial resource for low-income community college students because it provides financial aid to cover the cost-of-living expenses, transportation, textbooks and other related costs. However, the purchasing power of this grant has diminished over time because it is not adjusted for inflation. When the Cal Grant B access award was established in 1969, the maximum award was \$960 per year. The access award is currently set at \$1,648. However, if adjusted for inflation in today's dollars, the maximum award would be \$5,900. As noted earlier in the agenda, there is significant research that shows that students who work more hours take longer to graduate.

As noted above, the College Access Tax Credit seeks to raise the amount of the award to help offset cost of living expense. However, due to late implementation of the bill, the public may not have been aware of the program or its benefits. The program was only operative for two months in 2014, and as a result, the program is off to a slow start and has only been able to award \$3.6 million of the available \$500 million credits. Additionally, the bill had technical errors regarding the appropriation for administrating the program and for CSAC to award the Cal Grants.

Middle Class Scholarship

Until recently, federal and state financial aid programs have focused on increasing access and affordability for low-income students. The Middle Class Scholarship, as mentioned above, was created to help aid students with family incomes up to \$150,000. While the Middle Class Scholarship has an income ceiling, it does not have an asset ceiling. According to the chart above, at least 15,432 students have reported assets in excess of the Cal Grant asset ceilings, which is \$67,600 in 2014-15. This represents about 18 percent of total offers. Most notably, about 1,000 students have reported assets over \$1 million. Additionally, 11,600 students did not report their assets, therefore it is unclear if there are more students with high assets. Recently, the CSAC issued a letter suggesting the Legislature to reconsider this feature of the program.

Moreover, many financial aid programs, including Cal Grants, provide support for a limited number of years (typically four years of full–time enrollment or the equivalent). LAO points out that such limits provide a strong incentive for students to complete their studies expeditiously. For the new Middle Class Scholarship Program, however, the number of years a student may qualify for awards is unlimited.

Lastly, staff notes that the minimum GPA requirement to qualify for the Middle Class Scholarship is 2.0, whereas other awards require higher GPAs, for example the CCC Transfer and Cal Grant A require at least a 2.4 and 3.0, respectively. While the Cal Grant B has a minimum GPA requirement of 2.0, this grant is only for eligible low-income high school graduates.

Staff Recommendation: Adopt placeholder trailer bill language for technical clean-up of the College Access Tax Credit. Place holder language will align administrative funding with program timing, which will result in no General Fund costs, address certain tax issues, and to extend the program by one year due to late implementation.

Issue 6: Grant Delivery System Modernization

Description. The California Student Aid Commission (CSAC) is requesting \$840,000 in General Funds for four information technology positions and three consultants to modernize its legacy Grant Delivery System (GDS) and integrate the processing of all CSAC financial aid programs into a new system.

Panel:

- Matthew Saha, Department of Finance
- Paul Golaszewski, Legislative Analyst's Office
- Diana Fuentes-Michel, Director of the California Student Aid Commission

Background. CSAC administers and oversees numerous financial aid programs, as mentioned previously, including the entitlement and competitive Cal Grant awards. Each of these awards has different eligibility requirements.

CSAC annually receives 150,000 to 200,000 calls per year from students who are requesting assistance with their award/grant. A vast majority of these calls/emails required CSAC staff to manually intervene and update or change information. On average, this takes staff 30-40 minutes to complete. Under the new system, students would be able to complete these tasks themselves. Additionally, CSAC process an estimated seven million student grant applications and nearly \$2 billion in various financial aid. CSAC officials note that due to outdated technology, each program is maintained separately, requiring students, campus administrators and CSAC staff to log into different systems separately.

CSAC's current IT system is based upon business rules and processes that were established in the 1980s and 1990s. The GDS's core system is approximately 30 years old. Since this time, the Cal Grant program has gone through numerous revisions. CSAC states that the GDS has many limitations, including security, integration, performance, flexibility and costs. As a result, many changes made through a manual process, which increases workload, and is prone to errors. Moreover, the security components of GDS are outdated and are more likely to be exploited by hackers, which can expose confidential data, such as a student's social security number or date of birth.

CSAC states that the capacity of the existing system is being over-taxed, and will be exacerbated further with the increased workload associated with the inclusion of the new programs, such as the Middle Class Scholarship.

The Governor's 2015-16 Budget. The Governor's budget provides \$840,000 General Fund to CSAC for four new information technology positions and three limited term consultants to begin the process of creating a new financial aid delivery system. The consultants will cost \$511,000 in the budget year, which will include a project manager, independent verification and validation (IV&V), and independent project oversight (IPO). Provisional language in the budget requires CSAC to work with the department, and CSAC has agreed to follow the department's procedures as it develops this project.

The four new information technology positions will include three staff programmer analysts and one systems software specialist II. The staff programmer analysts will support major functions of the GDS that are currently spread among existing staff. Often only one staff member has expertise on the applications with no one to back them up. CSAC states that if an ITSD person leaves CSAC or chooses to retire, it will put this modernization project at risk. Similarly, the new system software specialist will provide support for the current GDS, while the current staff works with the vendor to develop the new system. CSAC states that these positions need to be ongoing to continue the operations and maintenance of the current GDS system, and once the project is completed these staff will transition to support the new GDS system.

Preliminary estimates provided by CSAC indicate that the project could take up to five years with cost as much as \$28 million, with \$17 million in new costs and \$9 million in redirected funds. The consultants are limited-term, but the four new positions will remain.

This request is to begin the planning process. Planning will entail:

- Developing requirements for the new system;
- Preparing a Request for Proposal (RFP) based on system requirements;
- Based on responses to the RFP, selecting a vendor;
- Developing a contract with the selected vendor.

Once these steps are taken, CSAC and the Department of Finance will ask the Legislature for approval of the appropriate funds and implement the project.

Legislative Analyst's Office (LAO) Comments.

The LAO notes that the state typically does not determine the permanent staffing requirements to support a new IT system until the project is complete. CSAC is in the very early planning stages of the new system and the technical requirements of the new system have not yet been specified, therefore determining the permanent staffing requirements to support the new system is not possible at this time.

LAO recommends converting the four permanent positions to limited-term. LAO states that this approach ensures that the workload that has been justified to date (planning a new IT system) matches the time frame of the work to be performed (limited-term). LAO notes that if CSAC requires additional permanent staff to support the new system once the new system is complete, it could submit a budget request for additional staff at that time.

Staff Comments. The need for an updated financial aid distribution system is clear. The new system should help reduce the amount of paper forms, allow students to access their Cal Grant information via their mobile device and through a single seamless portal, as well as update security and privacy technology to align with state and federal policies. This will allow students to log into the system and view various financial programs and accounts simultaneously as well as reduce staff workload.

The State Auditor recently released a report regarding the California Department of Technology's (CalTech) and found that CalTech faces challenges in pursuing effective project oversight. Among other challenges, the State Auditor found is that CalTech did not formally set expectations for its oversight authorities with state agencies that are implementing IT projects. However, CSAC's GDS modernization is one of a few projects that will be going through CalTech's new State Technology Approval Reform (STAR) Project process. The STAR Project transforms approval process into separate stages to help improve the planning process, identify opportunities for reducing risk and preventing project cost-overruns, and provide CalTech more oversight over projects.

Since CSAC is still in the planning stages, the subcommittee may wish to consider whether or not the IT positions need to be ongoing once the project is finalized.

Staff Recommendation: Hold Open.

Issue 7: Senate Bill 1028 Implementation

Description. The Governor's budget requests \$95,000 General Fund and position authority for one Associate Governmental Program Analyst (AGPA), and associated operating expenses to fulfill the new responsibilities created in SB 1028 (Jackson), Chapter 692, Statutes of 2014.

Panel:

- Matthew Saha, Department of Finance
- Paul Golaszewski, Legislative Analyst's Office
- Diana Fuentes-Michel, Director of the California Student Aid

Background. The Cal Grant C Program provides funding for financially eligible lower income students preparing for occupational or technical training. The annual authorized number of new awards is 7,761. For new and renewal recipients, the current tuition and fee award is up to \$2,462 and the allowance for training-related costs is \$547. Funding is available for up to two years or the length of the program, whichever is shorter.

Awards are based on supplemental information provided by applicants, and is scored based on educational history, work experience, and occupational goals. Priority is given to students pursuing occupational or technical training in areas that meet two of the following three criteria: high employment need, high employment growth, and high wage. Examples of priority occupations include automotive service technicians and mechanics, carpenters, computer specialists, computer support specialists, registered nurses, and preschool teachers.

SB 1028 (Jackson), Chapter 692, Statutes of 2014, makes changes to the program by requiring CSAC to also consider family income and household size, whether the applicant is a single parent or child of a single parent, and give greater weight to someone who has been unemployed for more than 26 weeks. The law also requires CSAC to update the priority areas of training by January 1, 2016, and requires CSAC to consult with the Employment Development Department (EDD), the Economic and Workforce Development Division of the California Community Colleges Chancellor's Office (CCC EWD), and the California Workforce Investment Board (WIB) to publicize the existence of the Cal Grant C award program and to make students receiving awards aware of job search and placement services available through EDD and local workforce investment boards.

The Governor's proposed budget proposes \$95,000 General Fund for CSAC to create a new associate governmental programs analyst position to fulfill the new responsibilities created by SB 1028. CSAC notes the position will help develop a new scoring matrix for the Cal Grant C award, prepare outreach and informational materials, work with workforce development agencies and update the priority occupation lists.

Staff Comments. Staff has no concerns with this proposal. When this legislation was approved by the Appropriations committees in both houses, it was understood that implementation would require a new position for CSAC.

Staff Recommendation. Approve the funding and position to implement SB 1028.

Issue 8: Funding Financial Aid Outreach and Loan Assumption Programs

Description. The Governor's proposal to use \$15 million General Fund to support the California Student Opportunity and Access Program (Cal-SOAP), Cash for College program and Assumption Program of Loans for Education (APLE.) These programs have recently been support by federal funding, but that funding is expiring.

Panel:

- Matthew Saha, Department of Finance
- Paul Golaszewski, Legislative Analyst's Office
- Diana Fuentes-Michel, Director of the California Student Aid

Background. Cal-SOAP was established in 1978 to increase post-secondary education opportunities for students who are from low-income families, first-generation college students, or students who come from schools or regions with low college-going rates. Projects are operated through consortia that involve at least one secondary school district, at least one four-year college or university, at least one community college, and at least one nonprofit educational, counseling or community agency or accredited private vocational or technical school. All projects are required to increase the availability of information on post-secondary schooling and raise the achievement levels of students to increase the number of high school graduates eligible to pursue post-secondary opportunities. Projects include tutoring programs and outreach efforts. CSAC currently contracts with 14 consortia to conduct projects in specific regions of the state.

Cal-SOAP has received \$7.2 million annually through the federal College Access Challenge Grant in recent years, though the program has been funded by the state in the past. CalSOAP also receives \$500,000 to help promote the Middle Class Scholarship program.

The Cash for College program operates free workshops in schools across the state designed to help high school students and their families fill out the FAFSA, which is the form required for most federal and state financial aid programs. The program has received \$586,000 in federal funds.

APLE was created in 1983 and allowed students who used federal student loans and worked in specified areas, such as teachers in low-performing schools or nurses in state prisons, to access state funds to repay the loans. Most of the program focused on teachers, and provided up to \$11,000 in loan forgiveness for someone who taught for four consecutive years in a qualifying school.

New APLE warrants were suspended through a gubernatorial veto in the 2012-13 budget. No new students have entered the program since then, as the existing statue is subject to an annual appropriation in the budget and the administration has proposed no new funding. At the time of the veto, nearly 11,000 people participated in the program, almost all of them being teachers, at a cost of about \$35 million General Fund. Students with existing agreements with the state have been allowed to continue in the program. About 5,600 people are projected to participate in the program in 2015-16, at a cost of about \$19 million. Federal funds had been used to cover about \$7.2 million of these costs.

The Governor's 2015-16 Budget. The federal College Access Challenge Grant is set to expire. The Governor's budget proposes \$15 million General Fund to backfill this lost federal funding to support the Cal-SOAP, Cash for College, and APLE programs, as the chart below indicates. The proposal would maintain current funding levels for each program.

Traditionally, Cal-SOAP has been funded from non-Proposition 98 General Fund. In 2011-12, however, the state was awarded a federal College Access Challenge Grant that it has been using to fund the program since that time. The federal grant is set to expire at the end of the current federal fiscal year (September 30, 2015).

Program	2014-15 Federal Funds	2015-16 Proposed General Fund Backfill
APLE	\$7.2 million	\$7.2 million
Cal-SOAP	\$7.2 million	\$7.2 million
Cash for College	\$328,000	\$328,000
Total	\$15 million	\$15 million

Legislative Analyst's Office Comments.

According to a recent draft Cal-SOAP study, 85 percent of graduating seniors served by Cal-SOAP consortia attended college, which compares favorably to the statewide college-going rate of 62 percent. About 60 percent of Cal-SOAP students completed the FAFSA, which is 5 or 10 percent higher than statewide FAFSA completion rates. In 2013-14, the consortia report providing direct services to 25,000 students.

LAO notes several shortcomings with evaluation methodology and findings. For example, the evaluation relies on self-reported survey data from Cal-SOAP participants in their senior year regarding their plans to attend college. This almost certainly overstates the number of participants who actually go on to enroll in college. Similarly, the evaluation does not address why some consortia have better outcomes than other consortia.

A final problem is with the comparison of graduation rates. The study asserts that Cal-SOAP participants perform as well as other students at UC and CSU. Yet, UC reports that 54 percent of low-income freshmen (defined by Pell Grant status) who entered in fall 2008 graduated in four years, compared to only 39 percent of Cal-SOAP participants attending UC.

The Legislative Analyst's Office suggests the Legislature require a more thorough Cal-SOAP evaluation going forward, and at a minimum, this data should include measures for Cal-SOAP participants of persistence through high school, actual college enrollment, and college graduation. LAO recommends the Legislature to seek a similar evaluation of the Cash for College program, and report back by January 1, 2016 on program outcomes. This will help the Legislature determine whether to continue funding the program in 2016–17.

Additionally, LAO recommends supporting Cal-SOAP with Proposition 98 General Fund. The state currently counts school districts' spending on college preparation toward the Proposition 98 minimum guarantee. Moving forward, the Legislature could consider whether overlap

exists between the services provided by Cal-SOAP, the supplemental and concentration funding provided to schools for low-income students through the Local Control Funding Formula, and the services provided by schools in the college and career ready component of their Local Control Accountability Plans.

Staff Comments. Each of these programs meets a critical need in the state. Both the Cal-SOAP and Cash for College programs provide support, outreach and information to students to help boost college-going levels. Cal-SOAP is present in more than 300 elementary, middle and high schools and involves 9 of the 10 general campuses of the University of California and 18 of the 23 campuses of the California State University. Consortia efforts reached almost 200,000 students and families during the most recent reporting period. Members of the consortia are required to match state or federal funds dollar-for-dollar, allowing the funds to leverage other public or private funds.

Cal-SOAP funding has fluctuated, current program is limited. Funding for Cal-SOAP has fluctuated in recent years, ranging from \$8.6 million in 2002-03 to \$6.3 million in 2007-08. The Governor's proposal of \$7.2 million would maintain recent funding levels.

Staff notes that the Student Aid Commission submitted a budget request to the administration in the fall to increase the budget by \$3.25 million to improve current services and add consortia in areas of the state that are not currently covered. The expansion would provide services in the city of Los Angeles, the Inland Empire and parts of Northern California, including El Dorado and Placer counties.

APLE. While the APLE program remains in law, they are subject to annual budget language describing how many new loan assumption agreements will be funded in the coming year. Since the veto in the 2012-13 budget, the annual budget process has not included authorization for any new loan agreements.

This is despite mounting evidence of a teacher shortage. With about a third of the teaching force nearing retirement, the Center for the Future of Teaching and Learning estimates that California will need an additional 100,000 teachers over the next decade. Senate Bill 62 (Pavley) seeks to address this shortage by making certain program changes to expand the pool of credential candidates who could qualify for the program.

The Subcommittee may wish to ask:

- What type of activities do Cal-SOAP consortia typically sponsor? What specific type of activities have shown to be most effective?
- Where are the 14 Cal-SOAP consortia located, how were the locations chosen and how are they developed?
- Why do some consortia have better outcomes than other consortia?
- Why hasn't the Administration proposed funding for the APLE program or authorized any new loan agreements?

Staff Recommendation: Hold Open

SUBCOMMITTEE NO. 1

Agenda

Senator Marty Block, Chair
Senator Benjamin Allen
Senator John M. W. Moorlach



Thursday, April 23, 2015
9:30 a.m. or upon adjournment of session
State Capitol - Room 3191

Consultant: Anita Lee

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6440	University of California
6610	California State University

Issue 1: SB 1210 Dream Loan (Informational Only)

California Dream Loan Program. SB 1210 (Lara), Chapter 754, Statutes of 2014, established the California Dream Loan Program (CDLP) which extends loans to students who meet requirements established by AB 540 (Firebaugh), Chapter 814, Statutes of 2001, and have financial need. The bill authorizes any campus of the UC and CSU to participate, and requires participating campus to annually contribute discretionary funds in their CDLP revolving fund that is at least equal to all of campus' CDLP fund. The purpose of this fund is to award loans and revolving loan repayments. The participating campus will administer the CDLP and will receive administrative cost allowance that cannot exceed five percent of the campus' total CDLP funds awarded. Specifically, the campus will award loan funds to students, provide entrance and exit counseling, service loans, collect loan repayment, among others.

6610	California State University
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Issue 2: CSU Graduation Rates and Degree Completion (Oversight)

Background. Four of every five college students in California are enrolled in one of the state's three public higher education systems. In terms of graduation rates, 18 percent of all first-time freshmen at the CSU receive a bachelor's degree within four years. Just over half receive a bachelor's degree within six years. Even after 10 years, only 58 percent of the students who had entered the CSU system as full-time freshman in 2002 had graduated. Many of those who do earn a bachelor's degree take longer than four years to do so—and as research indicates, the longer one is enrolled in school, the odds that they will graduate is reduced significantly.

Taking extra time and credits to earn a degree is costly and makes college less affordable. The longer students are enrolled in college, the more they will pay for tuition, fees, books, and other education-related expenses. Students also forgo potential wages they could have been earning because they are in school and not in the workforce. And, for students who work, they miss out on the higher earning potential that a college credential provides.

6600	Hastings College of Law
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Issue 3: Hastings Budget Augmentation
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Governor's Budget

The Governor's budget proposes \$10.6 million in General Fund support for Hastings, a \$1 million increase over the last year. As a part of the Governor's multi-year funding plan, the Governor has provided General Fund increases to Hastings over the last two years. In the 2014-15 budget, the Legislature approved \$1.3 million for Hastings to support the Administration's four-year investment plan. The Governor also expects "this funding will mitigate the need for Hastings to increase student tuition and fees and can be used by the law school to meet its most pressing needs."

Staff Recommendation: Hold open.

Issue 4: Hastings Capital Outlay Proposal
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Governor's 2015-16 Budget. The Governor's proposed budget requests \$36.8 million in lease-revenue bonds to construct a new, 57,000 square foot academic building on a vacant lot owned by Hastings, as well as remodeling the annex. Hastings has conducted preliminary pre-design studies and cost analysis, and prepared a cost estimate, which the Department of Finance has reviewed. Beginning in 2018-19, the project will result in debt service payments of approximately \$2.7 million General Fund annually.

Staff Recommendation: Hold open.

6980	California Student Aid Commission
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Issue 5: Student Financial Aid Programs
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College Access Tax Credit Fund. Senate Bill 798 (De León), Chapter 367, Statutes of 2014, created the College Access Tax Credit Fund, where individuals receive tax credits for charitable contributions to the College Access Tax Credit Fund. Individuals will receive tax credits in the amount of 60 percent of their contributions for 2014, 55 percent for 2015, and 50 percent for 2016, for the purpose of expanding Cal Grant B. The amount of the credit is capped at \$500 million per year (2014 through 2016), with unused amounts to carry forward. SB 174 (de León), Chapter 363, Statutes of 2014 provides for the use of the funds for the purpose of increasing the Cal Grant B access award. Cal Grant B access award will be able increase from \$1,473 to up to \$5,000 per year. Additionally, all General Fund revenue losses and administrative costs are reimbursed through the donated funds deposited in the College Access Tax Credit.

The California Educational Facilities Authority (CEFA), which operates under the State Treasurer's Office, is charged of administering fund. Specifically, CEFA must certify the contributions, establish procedures for taxpayers to contribute to the fund, obtain certification

for the credit, and provide a copy of credit certificates to the Franchise Tax Board. CSAC will then determine the amount of the supplemental awards to be granted and administrative costs incurred.

Staff Recommendation: Adopt placeholder trailer bill language for technical clean-up of the College Access Tax Credit. Place holder language will align administrative funding with program timing, which will result in no General Fund costs, address certain tax issues, and to extend the program by one year due to late implementation. (Approved 3-0)

Issue 6: Grant Delivery System Modernization

The Governor's 2015-16 Budget. The Governor's budget provides \$840,000 General Fund to CSAC for four new information technology positions and three limited term consultants to begin the process of creating a new financial aid delivery system. The consultants will cost \$511,000 in the budget year, which will include a project manager, independent verification and validation (IV&V), and independent project oversight (IPO). Provisional language in the budget requires CSAC to work with the department, and CSAC has agreed to follow the department's procedures as it develops this project.

Staff Recommendation: Hold Open.

Issue 7: Senate Bill 1028 Implementation

Description. The Governor's budget requests \$95,000 General Fund and position authority for one Associate Governmental Program Analyst (AGPA), and associated operating expenses to fulfill the new responsibilities created in SB 1028 (Jackson), Chapter 692, Statutes of 2014. When this legislation was approved by the Appropriations committees in both houses, it was understood that implementation would require a new position for CSAC.

Staff Recommendation. Approve the funding and position to implement SB 1028. (Approved 3-0)

Issue 8: Funding Financial Aid Outreach and Loan Assumption Programs

The Governor's 2015-16 Budget. The federal College Access Challenge Grant is set to expire. The Governor's budget proposes \$15 million General Fund to backfill this lost federal funding to support the Cal-SOAP, Cash for College, and APLE programs, as the chart below indicates. The proposal would maintain current funding levels for each program.

Staff Recommendation: Hold Open

SUBCOMMITTEE NO. 1

Agenda

Senator Marty Block, Chair
Senator Benjamin Allen
Senator John M. W. Moorlach



Thursday, April 30, 2015
9:30 a.m. or upon adjournment of session
Room 3191, State Capitol

Consultant: Anita Lee

Discussion Items

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

ITEMS PROPOSED FOR DISCUSSION

6120 CALIFORNIA STATE LIBRARY

Overview

The California State Library is the state's information hub, preserving California's cultural heritage and connecting people, libraries, and government to the resources and tools they need to succeed and to build a strong California. Founded in 1850, the California State Library is the oldest and most continuous cultural agency in the State of California.

Decades before there was a university system or a public library system, there was the California State Library. The California State Library has responsibility to:

- Collect, preserve, and connect Californians to our history and culture.
- Support a transparent government by collecting, preserving, and ensuring access to California state government publications, federal government information, and patent and trademark resources.
- Ensure access to books and information for Californians who are visually impaired or have a disability and are unable to read standard print.
- Support the capacity of policy leaders to make informed decisions by providing specialized research to the Governor's Office and the Cabinet, the Legislature, and constitutional officers.
- Provide services that enable state government employees to have the information resources and training they need to be effective, efficient, and successful.
- Lead and promote innovative library services by providing and managing state and federal funding programs to ensure all Californians have access, via their libraries, to the information and educational resources they need to be successful.
- Develop and support programs that help Californians (from birth through adulthood) acquire the literacy skills they need to thrive in the 21st Century.

The following table displays the budgeted expenditures and positions for the State Library as proposed in the Governor's budget. Of the amounts displayed in the table, \$23 million in 2013-14, \$27.9 million in 2014-15, and \$23 million in 2015-16 are supported by the General Fund. The remainder of funding comes from federal funds and various special funds.

Dollars in Millions

Governor's Budget – State Library Budgeted Expenditures and Positions			
	2013-14	2014-15	2015-16
Personal Services	\$11	\$12.2	12.5
Operating Expenses and Equipment	\$12.2	\$11.2	\$10
Local Assistance	\$16	\$22	\$18.7
Total Expenditures	\$39.2	\$45.4	\$41.2
Positions	129.8	137.8	140.3

Issue 1 Budget Change Proposal and April Finance Letter

Description. The Governor's budget requests 2.5 positions for the State Library using redirected funds, April finance letter request for a \$321,000 General Fund increase to cover increased rent and technology costs.

Panel

- Matthew Saha, Department of Finance
- Jason Constantouros, Legislative Analyst's Office
- Gerry Maginnity, Deputy State Librarian, California State Librarian

Background. The State Library currently contracts with the Department of General Services to perform the library's accounting and some budget functions. For the 2013-14 fiscal year, DGS charged the library \$242,000 for these services, including contracts, payments, payroll, accounting, and reports.

Additionally, the library pays rent to DGS for the Library and Courts Building and the Library Annex. The rent is used by DGS to pay off lease-revenue bonds issued for the renovation of the building. The Governor's budget proposed \$2.5 million in payments in 2015-16.

The library also pays the California Department of Technology (CalTech) for services related to information technology. The Governor's budget proposes \$482,000 in payments for 2015-16.

The Governor's 2015-16 Budget and April Finance Letter.

The Governor's budget proposes to redirect the \$242,000 previously used to pay the Department of General Services (DGS) for accounting and budget services to instead fund 2.5 positions at the state library to take over these functions. The library proposes to end the contract with DGS on June 30, 2015. A budget change proposal notes that the implementation of the Financial Information System for California (FI\$Cal), which will go live for the library on July 1, 2015, necessitates that the library assume its own accounting and budget services to fully realize the efficiencies of the new system.

An April finance letter notes that the library has been notified by DGS and CalTech that rent and technology services costs are higher than budgeted. The letter proposes an additional \$278,000 General Fund in rent costs and \$43,000 General Fund in technology costs.

Staff Comments.

Staff has no concerns with the proposal and the April finance letter.

Staff Recommendation: Approve budget change proposal and April finance letter.

6870 BOARD OF GOVERNORS OF THE CALIFORNIA COMMUNITY COLLEGES**Overview**

The California Community Colleges (CCCs) is the largest system of community college education in the United States, serving approximately 2.3 million students annually. California's two-year institutions provide programs of study and courses, in both credit and noncredit categories, that address its three primary areas of mission: education for university transfer, career technical education, and basic skills. The community colleges also offer a wide range of programs and courses to support economic development, specialized populations, and leadership development.

As outlined in the Master Plan for Higher Education in 1960, the community colleges were designated to have an open admission policy and bear the most extensive responsibility for lower-division, undergraduate instruction. The community college mission was further revised with the passage of Assembly Bill 1725 (Vasconcellos), Chapter 973, Statutes of 1988, which called for comprehensive reforms in every aspect of community college education and organization. Other legislation established a support framework, including the Matriculation Program, the Disabled Students Programs & Services (DSPS), and the Equal Opportunity Programs & Services (EOPS), to provide categorical funding and special services to help meet the needs of the diverse range of students in the CCCs.

The Board of Governors of the CCCs was established in 1967 to provide statewide leadership to California's community colleges. The board has 17 members appointed by the Governor, subject to Senate confirmation. Twelve members are appointed to six-year terms and two student members, two faculty members, and one classified member are appointed to two-year terms. The objectives of the board are:

- To provide direction, coordination, planning, and leadership to California's community colleges.
- To promote quality education in community colleges.
- To improve district and campus programs through informational and technical services on a statewide basis, while recognizing the community-oriented aspect of California's network of 112 community colleges.
- To seek adequate financial support while ensuring the most prudent use of public funds.

The following table displays the budgeted expenditures and positions for the CCCs as proposed in the Governor's budget. Of the amounts displayed in the table, \$4.2 billion in 2013-14, \$4.5 billion in 2014-15, and \$5 billion in 2015-16 are supported by Proposition 98 General Fund. In addition, \$9.4 million in 2013-14, \$11.7 million in 2014-15, and \$11.2 million in 2015-16 are supported by the non-Proposition 98 General Fund. The remainder of funding comes from local property tax revenue, tuition and fee revenue and various special and federal fund sources.

Dollars in Millions

Governor's Budget - CCCs Budgeted Expenditures and Positions			
	2013-14	2014-15	2015-16
Personal Services	\$15.8	\$18	\$18
Operating Expenses and Equipment	\$3.7	\$6	\$5.6
Local Assistance	\$7,139	\$7,602	\$8,157
Total Expenditures	\$7,158.5	\$7,626	\$8,180.6
Positions	142.6	162.7	162.7

Issue 2 Community College Enrollment Growth Funding

Description. The Governor's budget proposes an additional \$107 million in Proposition 98 resources to support two percent enrollment growth in 2015-16.

Panel

- Keith Nezaam, Department of Finance
- Judy Heiman, Legislative Analyst's Office
- Dan Troy, California Community Colleges Chancellor's Office

Background

During the Great Recession, state funding for community colleges dramatically decreased and colleges were forced to reduce class offerings, and as a result, community college enrollment dropped significantly. According to the Chancellor's Office, colleges served about 500,000 fewer students in 2012-13 than they did in 2008-09. These cutbacks were devastating to enrolled and prospective students, who could not get into colleges or who found it difficult to get the classes they need to complete a certificate or degree program.

The 2014-15 budget act provided for a 2.75 percent enrollment growth (\$140 million Proposition 98 General Fund); for an increase of approximately 60,000 students, or 30,000 Full Time Equivalent Students (FTES). The budget also provided statutory direction to the Chancellor's Office to implement a new growth formula before the 2015-16 year. The formula shall direct funding to better meet local communities' needs for access to community colleges, and shall take into account local education attainment levels, unemployment and poverty rates. The Chancellor's Office reports that it has developed a new enrollment growth formula that addresses the educational needs of an area as called for in the 2014 Budget Act.

Based on preliminary data for the fall of 2014, systemwide enrollment growth is not on track to meet this enrollment growth target. College officials note that systemwide enrollment growth is about 1.9 percent; although some colleges growth is higher and one-third are not growing. The data indicates a wide range of growth among districts, with some districts reporting reduced enrollment and some districts showing double-digit growth.

Although systemwide growth is below the 2.75 percent target in the current year, some colleges still have unfunded enrollment. After covering the expected 1.9 percent enrollment growth, current-year funding will be sufficient to convert about half of unfunded enrollment into funded enrollment.

Governor's 2015-16 Budget. The Governor's budget proposes \$107 million in Proposition 98 General Fund to fund two percent enrollment growth for community colleges, which would add about 50,000 students, or 23,000 FTES, to the community college system. The proposal also folds the traditional enrollment growth schedule in the budget bill into the main apportionment schedule, and makes a change in enrollment restoration funding that reduces community college funding by \$47 million.

Legislative Analyst's Office Recommendations

The LAO states that the recent trend in enrollment suggests that colleges will likely be able to achieve growth of two percent. It also notes that projecting enrollment demand is difficult and that more information about current-year enrollment will be available in May. That information could help the Legislature determine the proper amount of enrollment growth funding to provide.

The LAO also recommends the Legislature restore the enrollment growth schedule in the budget bill to ensure transparency and accountability, and notes that the proposal to change enrollment restoration needs more consideration. The Administration has agreed to consider this further and may have an alternative proposal in May.

Staff Comments. Access to higher education is a priority of the Senate. Staff agrees with the LAO's recommendation that updated data in May should give the Legislature better information on the appropriate 2015-16 enrollment growth amount.

Staff also concurs with the LAO's concerns regarding how enrollment growth is displayed in the budget bill. Enrollment growth is an important issue that should be easily tracked; however, the Administration's proposal would make such tracking more difficult.

The subcommittee may wish to ask:

- Why does the Administration support specific enrollment funding at the community colleges, but not at the University of California or California State University? Are eligible transfer students able to be admitted into UC or CSU?

Staff Recommendation. Hold open until May to better determine the appropriate amount of enrollment funding.

Issue 3 Base Allocation Increase

Description. The Governor’s budget proposes to provide community colleges with \$125 million Proposition 98 General Fund to increase base allocation funding. This proposal will provide increased funding to each college, as well as discretion on how to spend the additional funds.

Panel

- Keith Nezaam, Department of Finance
- Judy Heiman, Legislative Analyst’s Office
- Dan Troy, California Community Colleges Chancellor’s Office

Background

Community colleges receive most of their state funding through apportionments, which provides funding for basic college needs and largely based on the number of students served. Colleges also receive a portion of their funding through categorical programs for specific purposes.

Governor’s 2015-16 Budget

The Governor’s budget provides \$2.3 billion in Proposition 98 General Fund for apportionments to colleges. They also receive \$4.6 billion from Local Property Tax for apportionments as a part of their Proposition 98 funding. Included in the Governor’s Proposition 98 General Fund proposal is a \$125 million increase, which the Governor’s budget summary states is “in recognition of the increased operating costs in the areas of facilities, retirement benefits, professional development, converting part-time faculty to full-time, and other general expenses.” Budget bill language does not specifically direct this increase to those issues, which provides colleges with wide discretion as to how they use the increase funds.

Legislative Analyst’s Office Analysis

The LAO notes that in addition to the \$125 million unallocated CCC base increase, the Governor’s budget includes \$170 million in Proposition 98 General Fund that is intended for community colleges but is currently not allocated. The Administration has stated that it will provide a proposal for the \$170 million at the May Revision.

The LAO notes that the Legislature has a considerable amount of funding available to dedicate to its priorities. The Legislature could consider increases for ongoing or one-time purposes. (One-time initiatives would help minimize the risk of cutting ongoing programs in a future fiscal year, should the economy weaken.) Regardless of whether the initiatives are ongoing or one-time, LAO recommends the Legislature use the Proposition 98 funds to help meet overarching state education goals, such as streamlining transfer pathways or funding CCC deferred maintenance.

Staff Comments

The Chancellor's Office notes that foregone Cost-of-Living-Adjustment (COLA) during the recession likely cost the community college system \$900 million. Upcoming retirement costs, split between the CalSTRS and CalPERS system, will add \$400 million annually to college costs. Thus, the Chancellor's Office argues that this proposal for an undesignated funding increase can help colleges handle retirement costs and other mandatory costs, such as utilities, health care, and information technology needs.

Staff acknowledges various local needs for increased funding, particularly for retirement and health care costs. Staff also notes that the Governor's budget proposes a 1.58 percent COLA. However, the Governor's budget leaves unaddressed many legislative priorities, including increasing funding for categorical programs that support students and increasing the number of full-time faculty.

As the LAO recommends, the subcommittee may wish to designate some or all of this funding for specific purposes, both to address legislative priorities and to provide more transparency on how state funds are spent.

Staff Recommendation: Hold open until May Revise to determine the total amount of funding available to the community colleges.

Issue 4: Student Success and Equity Programs

Description. The Governor's budget proposes to provide an additional \$100 million Proposition 98 General Fund for the Student Success and Support Program (SSSP) and an additional \$100 million Proposition 98 General Fund for Student Equity Plans.

Panel

- Keith Nezaam, Department of Finance
- Judy Heiman, Legislative Analyst's Office
- Dan Troy, California Community Colleges Chancellor's Office

Background.

Student Success Task Force. Through the mid- and late- 2000s, a number of studies highlighted the relatively low success rates of CCC students. In January 2011, the CCC's Board of Governors (BOG) embarked on a 12-month strategic planning process to improve student success. Pursuant to Senate Bill 1143 (Liu), Chapter 409, Statutes of 2010, the BOG created the Student Success Task Force. The 20-member task force was composed of a diverse group of community college leaders, faculty, students, researchers, staff, and external stakeholders. The task force worked for seven months to identify best practices for promoting student success and to develop statewide strategies to take these approaches to scale while ensuring that educational opportunity for historically underrepresented students would not just be maintained, but bolstered. The task force issued 22 recommendations, listed below.

1. Increase Student Readiness for College

- Collaborate with K-12 to jointly develop common standards for college and career readiness.

2. Strengthen Support for Entering Students

- Develop and implement common centralized diagnostic assessments.
- Require students to participate in diagnostic assessment, orientation and the development of an educational plan.
- Develop and use technology applications to better guide students in educational processes.
- Require students showing a lack of college readiness to participate in support resources.
- Require students to declare a program of study early in their academic careers.

3. Incentivize Successful Student Behaviors

- Adopt system-wide enrollment priorities reflecting the core mission of community colleges.
- Require students receiving Board of Governors Fee Waivers to meet various conditions and requirements.
- Provide students the opportunity to consider attending full-time.
- Require students to begin addressing basic skills deficiencies in their first year.

4. Align Course Offerings to Meet Student Needs

- Give highest priority for courses advancing student academic progress.

5. Improve the Education of Basic Skills Students

- Support the development of alternative basic skills curriculum.
- Develop a comprehensive strategy for addressing basic skills education in California.

6. Revitalize and Re-envision Professional Development

- Create a continuum of mandatory professional development opportunities.
- Direct professional development resources toward improving basic skills instruction and support services.

7. Enable Efficient Statewide Leadership and Increase Coordination Among Colleges

- Develop and support a strong community college system office.
- Set local student success goals consistent with statewide goals.
- Implement a student success scorecard.
- Develop and support a longitudinal student record system.

8. Align Resources With Student Success Recommendations

- Encourage categorical program streamlining and cooperation.
- Invest in the new Student Support Initiative.
- Encourage innovation and flexibility in the delivery of basic skills instruction.

9. A Review of Outcomes-Based Funding

SB 1456 (Lowenthal), Chapter 624, Statutes of 2013, also known as the Seymour-Campbell Student Success Act of 2012, contained four key statutory changes necessary for implementation of some of the recommendations of the task force: (1) required the BOG to establish policies around mandatory assessment, orientation and education planning for students; (2) permitted the BOG to set time or unit limits for students to declare a major or other specific educational goals; (3) authorized the BOG to establish minimum academic standards for financially needy students who receive enrollment fee waivers; and (4) established the SSSP.

Student Success and Support Program. The SSSP was previously known as Matriculation before SB 1456 refocused the program and changed its name. SSSP provides students with orientation, assessment, counseling and education planning services. Colleges are required to provide matching funds for state dollars. Matching requirements are determined by the Board of Governors. The chart on the following page indicates state funding levels for SSSP over the last few years. The 2014-15 budget included a \$100 million increase for community college student success efforts.

Student Equity Plans. Budget trailer bill language, SB 860 (Committee on Budget), Chapter 34, Statutes of 2014, codified the regulatory requirement that each CCC district maintain a Student Equity Plan. In 1996, the Board of Governors adopted a policy to require colleges to adopt a student equity plan to help ensure that historically underrepresented students have equal opportunity for access, success and transfer at colleges. Colleges are required to develop plans to examine specific student populations, determine if they are achieving access, success and transfer rates at the same level as other students, and develop strategies for improving these results, as needed.

These plans must include the following:

- Goals for access to, and completion of, basic skills, career technical education and workforce training, and transfer courses for the overall student population and for each population group and a determination of what activities are most likely to effectively meet those goals.
- Measures for addressing disparities, including: a means of coordinating with, at a minimum, specific student equity-related categorical programs or campus-based programs.
 - o Student Success for Basic Skills Students
 - o Student Financial Aid Administration
 - o Disabled Students
 - o Special Services for CalWORKs Recipients
 - o Extended Opportunity Programs and Services and Special Services (EOPS)
 - o Fund for Student Success
 - o Student Success and Support Program
 - o Programs for foster youth
 - o Programs for veterans

In order to implement activities and goals outlined in student equity plans, the Chancellor's Office distributes funds based, in part, on a formula that considers a district's poverty and unemployment rates and the number of low-income students. In addition, as a condition of receipt of the funds, the districts are required to include in their student equity plan how they will coordinate existing student support services in a manner that better serves their high-need student populations. The Budget Act of 2014 was the first time colleges received state funding (\$70 million in Proposition 98 General Fund) for the equity plans. The chart on below indicates state funding levels for equity plans over the last few years.

	2012-13	2013-14	2014-15	2015-16 Proposed	% Change from 2012-13 to 2015-16
SSSP	\$49 million	\$99 million	\$202 million	\$302 million	516%
Student Equity Plan	N/A	N/A	\$70 million	\$170 million	142% change from 2014-15 to 2015-16
Total	\$49 million Proposition 98 General Fund	\$99.2 million Proposition 98 General Fund	\$272 million Proposition 98 General Fund	\$472 million Proposition 98 General Fund	863%

Institutional Effectiveness Partnership Initiative. The 2014 Budget Act provided \$2.5 million Proposition 98 General Fund for technical assistance to colleges in the areas of academic affairs, student services, workforce development and finance. Under the initiative, the Chancellor's Office can contract with teams of community college experts to consult with colleges in need of help in those areas. The budget act provided \$1.1 million General Fund to add nine permanent positions at the Chancellor's Office in support of this initiative. Statutory language requires the development of performance measures for districts and colleges in areas of academic affairs, student services, workforce development, and finance.

The Board of Governors adopted systemwide targets at its July 2014 meeting. The chart below, prepared by the LAO, indicates performance metrics, recent performance and some goals that have been set.

Figure 9
CCC Systemwide Performance Measures and Targets

Metric	Recent Performance ^a	Target
Completion Rate. Completion defined as: (1) earning an associate degree or credit certificate, (2) transferring to a four-year institution, or (3) completing 60 UC/CSU transferable units with a GPA of at least 2.0 within 6 years of entry.	41% for underprepared 70% for prepared 48% overall	Increase rate by 1 percent (of rate) annually.
Remedial Progress Rate. Success in college-level English or math class for students who took remedial English, remedial math, or English as a second language.	31% in math 44% in English	To be determined.
CTE Completion Rate. CTE students who completed a degree, certificate, or 60 transferable units, or transferred.	54%	To be determined.
Associate Degrees for Transfer. Number of these degrees completed annually.	5,365	Increase number by 5 percent annually for 5 years.
Equity Rate. Index showing whether a subgroup's completion rate is low compared with overall completion rate. An index of less than 1.0 indicates underperformance.	0.78 African American 0.78 American Indian 0.81 Hispanic 0.89 Pacific Islander 1.09 White 1.29 Asian	Increase annually until all indices are 0.80 or above.
Education Plan Rate. Share of students who have an education plan.	To be determined.	To be determined.
FTE Years Per Completion. A measure of efficiency showing amount of instruction, on average, required for each completion. (A student completing 60 units, the standard length of an associate degree or preparation for transfer, would generate two FTE years.)	5.21 for underprepared 2.84 for prepared 4.33 overall	Decrease measure (increase efficiency).
Participation Rate. Number of students ages 18-24 attending a community college per 1,000 California residents in the same age group.	261	Increase participation rate each year.
Participation Among Subgroups. Index comparing a subgroup's share of enrollment with its share of the state population. An index of less than 1.0 indicates underrepresentation.	0.87 White 1.01 Hispanic 1.01 African American 1.22 Asian	Maintain index above 0.80 for all subgroups.

^a 2012-13 for annual data and 2007-08 cohort for cohort data unless otherwise specified.
 CTE = career technical education and FTE = full-time equivalent.

The Governor’s 2015-16 Budget

The Governor’s budget proposes \$200 million Proposition 98 General Fund to improve and expand student success programs and to strengthen efforts to assist underrepresented students. This includes: 1) \$100 million for SSSP to increase orientation, assessment, placement, counseling, and other education planning services for all matriculated students, and, 2) \$100 million to close gaps in access and achievement in underrepresented student groups, as identified in local student equity plans. This funding is intended to allow colleges to better coordinate delivery of existing categorical programs, and would bring total funding for SSSP and equity plans to \$472 million. The budget allows the Chancellor’s Office to use up to \$14 million of this amount for e-transcript, e-planning, and common assessment tools and up to \$2.5 million for the Institutional Effectiveness Partnership Initiative. There are no new policy changes related to the funding proposals.

Legislative Analyst's Office Recommendations

The LAO recommends the Legislature approve the \$200 million augmentation for these programs, but not limit it to the student support services offered through SSSP. Instead, LAO recommends consolidating seven student support categorical programs into a new Students Support block grant.

Under the LAO's proposal, funding would be allocated on a per-student basis, with some allowance for districts with high percentages of financial aid recipients or students with other indicators of need. The Legislature could also consider a district's performance, such as meeting goals for improving overall outcomes and reducing disparities in achievement, as a factor in allocation of student support funds.

Staff Comments

Prioritizing Investments in Student Success Services. While there is substantial merit in investing in the SSSP it is important to note that other categorical programs that target underrepresented or disadvantaged students experienced significant funding reductions during the recent economic downturn. While the CCCs have done a significant amount through the Student Success Taskforce to refocus existing resources on better serving their student population, including students with disabilities and economically-disadvantaged students, there are additional supports, beyond those identified in the SSSP, that are important to the overall success of these students.

What is the right amount of funding for SSSP? The Governor's proposal would bring total state spending for SSSP and equity plans to about \$472 million, a massive increase from just a few years ago. The Chancellor's Office reports that colleges have used funding to hire counselors and other student support staff and invested in technology to help students with orientation, assessment and planning.

As a part of the student success effort, the Board of Governors passed regulations requiring students to complete education plans, which identify a specific educational goal, such as earning an associate's degree or completing a certificate program. Beginning this fall, districts may place a hold on registration for students who have not completed an education plan after completing 15 units or before the end of their third semester, whichever comes first.

The LAO notes that the system is having difficulty spending the rapidly increased funding, and states that this may be due to the lead time necessary to hire counselors and other student support personnel. Community colleges have been unable to fully expend these funds in the years they were appropriated. A six-month extension approved by the Chancellor's Office, along with some reallocation to districts who could use the funds more quickly, permitted colleges to spend most of the 2013-14 funds. The Chancellor's Office plans to approve a similar extension for 2014-15 funds.

Student Equity Plans. While the Board of Governors established Student Equity Plans through 1996 regulations, they were not funded or required in statute until last year's budget act. Under SB 860, Colleges were required to submit a student equity plan on or before January 1, 2015. The Chancellor's Office has received the plans and have posted the executive summaries of each college's plan on the Chancellor's website.

SB 860 gave broad discretion to the colleges in terms of accountability and execution of the plans. For example, it is unclear how the funds are being used and whether or not they coordinate with SSSP and existing categorical programs. Some stakeholders have indicated that some districts believe they cannot use student equity funding to support existing categorical programs. However, this is not the case, as statute clearly states that equity planning should consider existing categorical programs as it determines measures to address inequity.

The subcommittee will continue monitoring this process to determine if it is working to narrow access and achievement gaps; more specific direction may be required.

Other categorical programs that support student success remain underfunded. There are many well-established categorical programs and campus-based programs that address specific student populations by helping students stay in school, complete programs and become employed. The table below shows some categorical programs that were cut by as much as 40 percent during the recession. These programs provide support to specific student populations or specific services that can help increase completion rates. For example, a 2012 study of EOPS students found that they had higher retention and completion rates compared to non-EOPS students of similar backgrounds. Despite proven success, many programs received significant funding cuts in recent years that have not been restored.

While the Administration's budget proposes a 1.58 percent COLA for community college apportionment funding, and a significant increase to the SSSP categorical, it provides no increase to other programs. The subcommittee may wish to consider whether increased funding to some or all of these programs could also help improve student success.

Program	Description	2007-08 Funding	2015-16 Proposed Funding	% Change
Fund for Student Success	Provides counseling and mentoring to low-income or underrepresented students seeking to transfer to a four-year college. Supports MESA and PUENTE programs.	\$6.2 Million	\$3.8 Million	-39%
Extended Opportunity Programs and Services	Provides counseling, tutoring and textbook purchase assistance for low-income students	\$106.8 Million	\$88.6 Million	-17%
CalWORKs	Provides support services for CalWORKs recipients attending college, including child care, work study programs and counseling	\$43.6 Million	\$34.5 Million	-21%
Part-Time Faculty Office Hours	Pays part-time faculty to hold office hours to meet with students. Part-time faculty comprise about 44% of community college faculty	\$7.2 Million	\$3.5 Million	-51%
Campus Child Care Support	Funds child care centers at 25 districts	\$6.8 Million	\$3.4 Million	-50%
Basic Skills	Provides counseling and tutoring for students needing remedial classes; also provides professional development for basic skills faculty	\$33.1 Million	\$20 Million	-40%
Student Financial Aid Administration	Seeks to increase student awareness of financial aid and assists students in applying for financial aid	\$51.6 Million	\$69.4 Million	35%

Other ideas for improving student outcomes. In addition to existing categorical programs, the subcommittee may wish to consider investing in other research-backed strategies that improve student outcomes.

- **Full-Time Faculty.** There is significant research indicating that increasing the number of full-time faculty at colleges leads to better results. The Legislature has long recognized that full-time faculty are critical to student outcomes, as they are easier for students to meet with and are more likely to be engaged in campus and educational improvement efforts. Since 1998, state law has established a state goal that 75 percent of credit hours at community colleges be taught by full-time faculty. Despite this goal, currently only about 56 percent of credit hours are taught by full-time faculty. In its fall budget proposal, the Board of Governors proposed that \$70 million be spent to increase full-time faculty throughout the system, whereas the Governor's budget does not provide designated funding increase for this purpose.

- Support for Foster Youth. SB 1023 (Liu), Chapter 771, Statutes of 2014, authorizes the Chancellor's Office to enter into agreements with up to 10 community college districts to improve outcomes for foster youth by creating a specific support program within the Extended Opportunity Programs and Services program. Programs similar to these have been shown to increase the retention rate of foster youth in college by as much as 300 percent. Although the Governor signed this legislation last year, he did not provide any funding for the program in his budget proposal. Costs are estimated to be between \$4 and \$7 million.

The subcommittee may wish to ask:

- Why does the Administration support increased funding for SSSP and equity plans, but not for other categorical programs that support student success?
- Why did the Administration not provide categorical programs with a COLA?
- Has the state provided enough guidance for colleges on implementing Student Equity Plans?
- What are the most common types of actions colleges are undertaking to achieve student equity?
- Is \$300 million the appropriate funding level for the SSSP? Is \$170 million the appropriate funding level for student equity plans? Will the Legislature see future proposals for large increases again?

Staff Recommendation. Hold open until the May Revision in order to determine Proposition 98 funding levels.

Issue 5: Community College Capital Outlay Proposals

Governor's Proposal. The Governor's budget and a spring finance letter propose funding for the seven community college capital outlay projects.

Panelists

- Koreen Hansen, Department of Finance
- Judy Heiman, Legislative Analyst's Office
- Dan Troy, California Community Colleges Chancellor's Office

Background

Each year, community college districts submit applications to the Chancellor's Office and Board of Governors to access capital outlay funding from voter-approved statewide general obligation bonds. While voters have not approved any new general obligations bonds for community colleges since 2006, some funding is still available from previously approved bonds. According to the Administration, after the proposed projects are taken into account, about \$13 million is left in the 2006 California Community College Capital Outlay Bond, and the 1998 Higher Education Capital Outlay Bond Fund is nearly exhausted. The board has developed the following funding priorities:

- Health and safety projects, which are ranked according to the number of people threatened or affected by the condition of a facility or site;
- Instructional space growth projects, which are ranked based on a site's need for space, projected enrollment growth, the extent to which local funds directly mitigate state costs of the project;
- Instruction space modernize projects, which are ranked based on the age and condition of a facility and the extent to which local funds mitigate state costs;
- Complete campus, which are projects such as child care centers, performing arts centers, or other facilities that enhance the campus.

Governor's 2015-16 Budget. The Governor proposes \$100 million from general obligation bonds to support the construction phase of seven community college projects. The Governor's proposed capital outlay projects uses funding from the 1998 Higher Education Capital Outlay Bond Fund and the 2006 California Community College Capital Outlay Bond Fund. The state authorized earlier phases of the projects in 2014-15. The table below describes the project, project phase, and amount requested from each fund source.

CCC Governor's Budget Capital Outlay Proposals				
College	Project	Phase	Amount	Fund Source
College of the Redwoods	Utility Infrastructure Replacement/Seismic Strengthening	Construction	\$33.1 million	2006 California Community College Capital Outlay Bond Fund
Rio Hondo College	L Tower Seismic and Code Upgrades	Construction	\$20.1 million	2006 California Community College Capital Outlay Bond Fund
Santa Barbara City College	Campus Center Seismic and Code Upgrades	Construction	\$18.8 million	2006 California Community College Capital Outlay Bond Fund
El Camino College, Compton Center	Instructional Building 1 Replacement	Construction	\$13.4 million	2006 California Community College Capital Outlay Bond Fund
Mt. San Jacinto College	Fire Alarm System	Construction	\$4 million	1998 Higher Education Capital Outlay Bond Fund
Los Rios Community College District, Davis Center	Davis Center Phase 2	Construction	\$8.4 million	2006 California Community College Capital Outlay Bond Fund
Citrus College	Hayden Hall #12 Renovation	Construction	\$1.7 million	1998 Higher Education Capital Outlay Bond Fund

Additionally, the Administration released an April finance letter which requests to re-appropriate funds for El Camino Compton College Center's working drawings from the current year to the budget year. The preliminary plans were delayed due to legal concerns with the original procurement document for an architect. Additionally, the letter also requests to extend the construction liquidation period for the Los Angeles Mission College Media Center for two additional years through June 2017. The construction phase was delayed due to problems with the original contractor.

Legislative Analyst's Office Analysis and Comments. The LAO notes that early phases of these projects have previously been approved by the Legislature, and proposed construct costs appear to be in line with previous estimates. The LAO has no concerns.

Staff Comments. These projects were included in the Administration's Five-Year Infrastructure Plan released earlier this year, and have been approved by the Board of Governor's based on the board's funding priorities. Additionally, preliminary planning and working drawings phases of these projects all have been previously approved by the Legislature. Staff has no concerns with these proposals.

Staff Recommendation. Approve \$100 million from general obligation bonds to support the construction phase of seven community college projects, and April finance letter to re-appropriate funds for El Camino Compton College Center and extend the construction liquidation period for Los Angeles Mission College Media Center.

SUBCOMMITTEE NO. 1

Agenda

Senator Marty Block, Chair
Senator Benjamin Allen
Senator John M.W. Moorlach



Thursday, May 7, 2015
9:30 a.m. or Upon Adjournment of Session
Room 3191, State Capitol

Consultant: Elisa Wynne

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Public Comment

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

6110 DEPARTMENT OF EDUCATION**Item 1: Special Education Taskforce Report (Information Only)****Description:**

The California Statewide Special Education Taskforce was convened by special education stakeholders in 2013 to review the practice and funding of special education in the state and make recommendations for improvement. This item reviews the resulting report and recommendations.

Panel:

- Rachel Ehlers, Legislative Analyst's Office
- Gina Plate, Chair of the State's Advisory Commission on Special Education

Background:

"Special education" describes the specialized services that schools provide for students with disabilities (SWDs). State special education funds total about \$4 billion annually and were not included in the Local Control Funding Formula (LCFF) per pupil grants. Federal law requires schools to provide "specially defined instruction, and related services, at no cost to parents, to meet the unique needs of a child with a disability." The law requires schools to provide SWDs with these special supports from age 3 until age 22, or until they graduate from high school, whichever happens first. These services are in addition to what a nondisabled student receives.

About 699,500 SWDs receive special education services in California, comprising about 10 percent of the state's public school enrollment. Specific learning disabilities—including dyslexia—are the most common diagnoses requiring special education services (affecting about four percent of all K–12 students), followed by speech and language impairments. While the overall prevalence of students with autism and chronic health problems is still relatively rare (each affecting one percent or less of all public school students), the number of students diagnosed with these disabilities has increased notably over the past decade.

Federal law only requires schools to provide special education services to students with diagnosed disabilities that interfere with their educational attainment. To determine a student's need and eligibility for special education, schools must conduct a formal evaluation process. If schools determine that general education programs cannot adequately meet the needs of a student with disabilities, they develop and individualized education programs (IEPs) to define the additional services the school will provide. Each student's IEP differs based on his or her particular disability and needs. Specialized academic instruction is the most common service that schools provide. This category includes any kind of specific practice that adapts the content, methodology, or delivery of instruction to help SWDs access the general curriculum. Other commonly provided services include speech and language assistance and various types of therapies for physical and psychological needs that may be impeding a SWD's educational attainment. Although federal law encourages schools to educate SWDs in mainstream settings, most (about three-quarters) of special education services are delivered in settings other than regular classrooms.

Special Education Local Plan Areas:

Special education funding and some services are administered regionally by 127 Special Education Local Plan Areas (SELPA) rather than by the approximately 1,000 school districts in the state. Most SELPAs are collaborative consortia of nearby districts, county offices of education (COEs), and charter schools, although some large districts have formed their own independent SELPAs, and three SELPAs consist of only charter schools.

California relies primarily on a “census-based” funding methodology that allocates special education funds to SELPAs based on the total number of students attending, regardless of students’ disability status. This funding model implicitly assumes that SWDs—and associated special education costs—are relatively equally distributed among the general student population and across the state. The amount of per-pupil funding each SELPA receives varies based on historical factors. After receiving its allocation, each SELPA develops a local plan for how to allocate funds to the school districts and charter schools in its region based on how it has chosen to organize special education services for SWDs.

Some performance indicators suggest SWDs generally are performing well, whereas other indicators are less encouraging. For example, performance on standardized tests (including those specifically designed for SWDs) has improved over the past several years, but a majority of SWDs still fail to meet state and federal achievement expectations. As SWDs near the end of their time receiving special education services, data show that about 60 percent of SWDs graduate on time with a high school diploma and about two-thirds of SWDs are engaged productively after high school (with about half enrolled in an institute of higher education and 15 percent competitively employed within one year after high school).

Task Force Report:

The California Statewide Special Education Taskforce was made up of a variety of stakeholders including state and local-level special education experts, educators, and researchers. The full report, subcommittee reports, and additional information is available at: <http://www.smcoe.org/about-smcoe/statewide-special-education-task-force/>

The recommendations from the report focus on changes in a wide variety of educational areas:

- Early Learning
- Evidence-based School and Classroom Practices
- Educator Preparation and Professional Learning
- Assessment
- Accountability
- Family and Student Engagement
- Special Education Financing

And include the following:

- State-level commitment to aligning policies, practices, and systems of support across initiatives.
- Clearly and thoroughly articulated and disseminated statewide standards of practice based on the following:
 - Universal design for learning.
 - A tiered school and classroom system designed to coordinate and provide support to all students and that is primarily located in general education. This system incorporates a response to intervention approach and addresses both academics and social-emotional learning and positive behavioral support and practices.
- A system for training current teachers and school administrators on evidence-based practices, including transition strategies, culturally responsive teaching, technology, and youth and family involvement.

Suggested Questions:

- 1) Which recommendations does the task force leadership think are the highest priorities?
- 2) Given the potential for additional one-time Proposition 98 resources, are there one-time needs for improving special education services?

Staff Recommendation: Information Only

Item 2: State Special Schools**Description:**

Although most students with disabilities receive special education services from their school district or county office of education, the state also operates three residential schools for deaf and blind students:

- The California Schools for the Deaf (CSDs) in Riverside and Fremont together serve about six percent of the state's deaf and hard-of-hearing students (approximately 800 students), between the ages of three and 22 years. These schools provide intensive, specialized services to students, with or without additional disabilities, whose primary educational needs are related to a hearing loss. Services provided at the CSDs include: instruction in American Sign Language (ASL), written English, and spoken English when appropriate; audiological services; assessment and intervention services; school-based counseling services; social work services; adapted physical education; occupational therapy; and family sign language classes.
- The California School for the Blind in Fremont serves about two percent of the state's visually impaired students (approximately 70 students), between the ages of five and 22. The school provides intensive, disability-specific educational services to students who have primary learning needs related to their visual impairment and serves as a statewide resource to provide expertise to LEAs.

The state special schools in Fremont and Riverside offer both day and residential programs. Student attendance is determined by parents and individual education program (IEP) teams. The state special schools are funded through a direct appropriation from the state. Additionally, the state operates three diagnostic centers (located in Fremont, Fresno, and Los Angeles) that identify students' disabilities and offer trainings to families and school districts, and these are included when the term "state special schools" is used in this agenda. According to the LAO, the state special schools have had a support budget of about \$95 million annually (generally about half from Proposition 98 funds and half from non-Proposition 98 General Fund).

The Governor's budget includes two facilities-related proposals for state special schools, as discussed in the issues below:

Issue 1: Deferred Maintenance**Panel:**

- Rachel Ehlers, Legislative Analyst's Office
- Monique Ramos, Department of Education
- Lisa Mierczynski, Department of Finance

Background:

The state special schools are administered by the Department of Education, which is responsible for determining how much to set aside for maintenance projects from the operating funding provided for the schools. Historically, maintenance projects have been underfunded and a deferred maintenance backlog has grown. In 2002, the Department of Education took action to begin reducing this backlog and since then has budgeted around \$2.4 million annually, with larger appropriations in recent years (\$4.7 million in 2012-13 and \$2.8 million in 2013-14). According to the CDE, in 2014-15, the state special schools used \$1.8 million for deferred maintenance. The existing list of deferred maintenance projects at the schools totals around \$26 million and includes a variety of needs such as roof replacement, painting, carpet replacement, fencing repair, etc.

Governor's Budget Proposal:

The Governor proposes to provide \$3 million in one-time non-Proposition 98 General Fund to address deferred maintenance for the state special schools. This is part of the Governor's recently released 2015 Five – Year Infrastructure Plan which prioritizes specific maintenance projects for existing state facilities, and proposes \$125 million in General Fund for projects. The funds are proposed to be appropriated through Control Section 6.10, and the Department of Finance would review and approve the lists of projects to be funded. The Department of Education has identified a list of 16 state special schools projects that would be submitted for the funds, with priority for critical deficiencies that could be completed within two years.

Legislative Analyst's Office Analysis and Recommendations:

The LAO agrees that the state should continue to address deferred maintenance projects to protect the states investment in infrastructure and agrees that this is a good use of available one-time funding. Also they note that it is fiscally responsible to make these investments now because of the potential for revenue downturns in future years. The state special schools have a number of important deferred maintenance projects.

The LAO recommends that the Legislature adopt the proposal to address the identified projects at the state special schools, however, the LAO recommends that the Legislature use Proposition 98 one-time funds rather than non-Proposition 98 General Fund. The LAO believes Proposition 98 General Fund is an appropriate funding source given the use of Proposition 98 funds for maintenance at schools districts and community colleges in the past. The LAO also notes the large share of revenues that will go to Proposition 98 in 2014-15 and 2015-16.

Finally, the LAO recommends that the Legislature adopt language that requires that funds provided under this item, whether Proposition 98 or other state General Fund, be in addition to a specified level of ongoing funding dedicated to state special schools for maintenance in the existing budget to ensure that these additional funds have an impact on reducing the maintenance backlog. The LAO estimates this current ongoing level of support to be \$1.8 million.

Suggested Questions:

For the Department of Education:

- 1) What amount of funding is being dedicated for deferred maintenance projects for the state special schools on an annual basis?
- 2) Do the state special schools have a long-term plan for eliminating the deferred maintenance backlog?

Staff Recommendation: Hold item open pending the May Revision.

Issue 2: Capital Outlay – California School for the Deaf in Fremont**Panel:**

- Rachel Ehlers, Legislative Analyst's Office
- Monique Ramos, Department of Education
- Carlos Ochoa, Department of Finance
- Koreen Hansen, Department of Finance

Background:

According to the LAO, the California School for the Deaf in Fremont enrolls 433 students, of whom 135 are in the elementary program (including infant/preschool services through 5th grade), 92 are in middle school (grades 6 through 8), and 206 are in high school. Overall, about half of the students attend as day students while half live at the school during the week. The Fremont campus includes three activity centers for students. The activity center for middle school students may not be used for students after September 30, 2015, as it is in a 40-year old modular building that is not Field Act compliant. According to the CDE, the cost to remove the current building and make the site safe for children would be approximately \$230,000.

Governor's Budget Proposal:

The Governor proposes to provide \$1.749 million in non-Proposition 98 General Fund to construct a new building for the middle school activity center at the California School for the Deaf in Fremont. The project would replace the old modular 1,920 square foot building with a new 2,160 square foot permanent building and would include new walkways, fencing, patio area, accessible parking, manhole and storm drain inlets, and renovated landscaping. The interior of the building would contain a large game room, video viewing area, concession snack bar, bathrooms, storage, refrigerator and freezers, and data equipment cabinet.

Legislative Analyst's Office Analysis and Recommendations:

The LAO notes that this request is one of many capital outlay projects that have been identified by the state, many of which represent responses to serious health and safety needs that they believe are of a higher priority. The LAO also notes that this project is not vital to the core instructional program for students at the California School for the Deaf in Fremont. The LAO also notes that although revenues are increasing, most, if not all, of the increase will go to Proposition 98, leaving very little General Fund available for other priorities, such as Medi-Cal services and child care, among others. Finally, the LAO notes that although rejecting this project at this time would create some challenges for the school in scheduling of activities for students, the school does have the ability to use other existing spaces to accommodate student social events.

The LAO recommends that the Legislature reject this request at this time, given the limited availability of non-Proposition 98 General Fund and pressing General Fund needs.

Staff Comments:

Due to the limited amount of General Fund resources, the Legislature should review this request in the context of health and safety capital outlay projects as well as other funding priorities. Staff recommends that if this item is not funded, the Department of Education provide legislative staff with an update next spring on the impact to the State Special School at Fremont.

Suggested Questions:

For the Department of Education:

- 1) If this proposal is not funded, what is the impact on the core instructional activities of the State Special School at Fremont?
- 2) Are there lower cost alternatives?

Staff Recommendation: Hold item open pending the May Revision.

Item 3: School Climate Strategies (Information Only)**Description:**

This item will include a discussion of school climate, state policies to support improving school climate and local strategies, such as school-wide positive behavior systems and supports.

Panel:

- Carolyn Chu, Legislative Analyst's Office
- Mike Lombardo, Placer County Office of Education

State Policies and Programs:

School climate has always been part of the local discussion for what contributes to a supportive learning environment for students. Recently, under the Local Control Funding Formula (LCFF), school climate has been recognized by the state as one of eight state priorities that Local Educational Agencies (LEAs) must create subgroup and school site goals for in the Local Control and Accountability Plans (LCAP). Statute specifies that school climate, for purposes of the LCAP, is measured by: pupil suspension rates, pupil expulsion rates, and other local measures, including surveys of pupils, parents, and teachers on the sense of safety and school connectedness.

Prior to the passage of the LCFF, state funding was provided to LEAs for a variety of school safety initiatives that encompassed school safety planning, violence prevention, conflict resolution, although this funding was flexed and LEAs could use it for any purpose under the policy of categorical flexibility enacted in 2008-09.

The Department of Education has developed and made available model policies and plans on the prevention of bullying and on conflict resolution. These resources are available for LEAs to adapt to local needs and the Department of Education recommends that LEAs also include examples of positive behavior practiced in the school community, training for teachers and staff on violence or bullying intervention strategies, and conflict resolution or peer mediation training for students.

The Department of Education received a four year (ended September 2014) Safe and Supportive Schools grant from the U.S. Department of Education intended to support statewide measurement of conditions for learning, as well as targeted programmatic interventions to improve those conditions. Topics included school safety and bullying, substance abuse, positive relationships, other learning support, and student engagement and targeted the high school grade levels.

Local Strategies:

In combination with and in addition to state-level support for school climate, LEAs continue to address school climate at their school sites through a variety of strategies. Strategies that have been shown to reduce suspensions and expulsions include:

School-wide Positive Behavior Interventions and Supports. This is a system that provides a comprehensive and collaborative prevention and intervention three-tiered framework for schools to improve academic and behavioral outcomes for all pupils. It involves explicit teaching of appropriate behaviors, a consistent positive rewards system, and a process for providing more intensive mental health and other interventions for students who require more support.

Restorative Justice. This includes practices such as Peacemaking Circles and Restorative Conferences which are designed to help students take responsibility for their actions, interact and manage relationships, and repair the harm they may have caused.

Trauma Informed Practices. These are strategies and professional development for school staff to increase understanding of the impact that trauma has on student behavior and to develop a multi-level school-based prevention and intervention program for students with the highest trauma needs.

Social Emotional Learning. This is a strategy for all students that helps students acquire and effectively apply the knowledge, attitudes, and skills necessary to recognize and manage emotions; develop caring and concern for others; make responsible decisions; establish positive relationships; and handle challenging situations capably.

Suggested Questions:

- 1) For the LAO: What are some ways LEAs have addressed school climate in their LCAPs?
- 2) For practitioner: What successes or challenges have you seen when implementing local strategies to improve school climate?
- 3) For practitioner: How are programs like positive behavior intervention or other bully-prevention, conflict resolution integrated into school and district culture?

Staff Recommendation: Information only.

Item 4: Statewide Assessments Update (Information Only)**Description:**

California's statewide student assessment system is in the process of being updated to reflect the state's adoption of new statewide content standards. Legislation passed over the past few years has eliminated several assessments that were aligned to prior academic content standards, and provided for a transition to assessments that are aligned to the Common Core State Standards (CCSS) in English language arts and mathematics, English language development standards and Next Generation Science Standards. This item reviews existing assessments and those under development, and associated costs.

Panel:

- Edgar Cabral, Legislative Analyst's Office
- Monique Ramos, Department of Education
- Keric Ashley, Department of Education

Background:**California Assessment of Student Performance and Progress (CAASPP)**

AB 484 (Bonilla), Chapter 489, Statutes of 2013 authorized a new statewide assessment system for California's schools, the California Assessment of Student Performance and Progress (CAASPP). Specifically, CAASP covers the following assessments:

- English Language Arts (ELA) and Mathematics: Summative Assessments for grades 3 through 8, inclusive and grade 11.
- Science: Grade level assessments at least once in each of the following: 3-5, 6-9 and 10-12 (currently administered in grades 5, 8, and 10).
- California Alternate Performance Assessment for the above ELA, mathematics, and science assessments.
- Early Assessment Program in grade 11.
- Primary Language Assessments.

Of these assessments, in 2014-15, only Smarter Balanced Summative Assessments in ELA and Mathematics are aligned to the state's most recently adopted standards. In the other subject areas, new assessments are under development and until they are operational, local educational agencies will be continuing to use existing assessments, aligned to previous standards. The existing primary language assessment is not a required assessment and LEAs may continue to administer this assessment at their own expense.

Once fully implemented, this new suite of statewide assessments will align with new state academic content standards, but also require computer-based, and in some cases computer-adaptive, assessments to replace many assessments that were previously paper and pencil exams.

1) English Language Arts and Math Assessments

The State Board of Education (SBE) adopted common core state standards in language arts and mathematics on August 2, 2010. To address the need for standards-aligned statewide assessments, the state joined the Smarter Balanced Assessment Consortium (SBAC) in June 2011 to develop ELA and mathematics assessments aligned to the common core standards. In the spring of 2014, the new English language arts and mathematics exams were field tested by approximately 95 percent of students in grades 3 through 8. Starting March 10, 2015, the testing window opened on the first statewide administration of the new summative assessments in English language arts/literacy and mathematics. These new assessments are computer-based and include computer-adaptive multiple choice questions, as well as performance tasks. Of the approximately 3.2 million students in grades 3 through 8 and eleven being assessed in the Spring of 2015, it is estimated that only 1,800 will be assessed using a paper and pencil version (26 schools that lack adequate bandwidth to provide the online assessment).

According to the Department of Education, as of April 24th (34 testing days):

- Local educational agencies where testing has begun: 1,106
- Number of students that started a summative assessment: 1,633,196
- Summative assessments completed
 - English language arts/literacy test: 573,299
 - Mathematics test: 366,794

The spring 2015 administration of Smarter Balanced ELA and mathematics will result in individual scores that specify a student's proficiency level. These will be first provided to individual students, schools, and local educational agencies and then available to the public in late 2015. Students in grade 11 may choose to release the results of their ELA and mathematics exams to California Community Colleges and California State Universities to provide an early indicator of a student's readiness for college-level coursework in English and mathematics under the Early Assessment Program. Students can use these results to inform the coursework they undertake in grade 12 as they prepare for post-secondary education and placement at the California Community Colleges and California State Universities.

2) Science Assessments

The Next Generation Science Standards (NGSS) for grades kindergarten through 12 were adopted by the State Board of Education in September of 2013. Under federal law, students must be assessed in science at least once in each of the following grade spans: 3-5, 6-9, and 10-12. Until an NGSS-aligned assessment is operational, LEAs are required to continue to administer science assessments aligned with the state's old standards in grades 5, 8, and 10. Funds were provided in 2014-15 (\$4 million) towards the development of an NGSS-aligned assessment, however CDE anticipates the actual work of developing an assessment will not begin until spring of 2016, with an operational assessment likely in 2018-19, due to the complexity of translating the new standards into test items.

3) Assessments for Students with Disabilities

California includes students with disabilities in statewide assessments, as required by federal law. The current Smarter Balanced ELA and mathematics assessments include options for assessing students with disabilities using accessibility supports and accommodations and this takes the place of the previously used California Modified Assessment (CMA). The CMA was

used to assess students with disabilities who have an individualized education plan that requires modifications.

Federal regulations also require the inclusion of students who cannot participate in the general statewide assessment system. Currently, the California Alternate Performance Assessment (CAPA) in science is used to meet the assessment needs of this population of students until the alternate CA NGSS assessment is available. In July 2015, the SBE eliminated CAPA testing in ELA and mathematics and directed the CDE to explore other options for spring 2015 and beyond. A new version of the California Alternate Assessment for ELA and mathematics is under development and, according to CDE, field testing of the examination will be completed in June 2015, with an operational assessment anticipated to be in place by spring 2016.

4) Primary Language Assessment

California has also historically provided for a primary language assessment for English learner students to demonstrate mastery of reading/language arts standards. Currently, the state allows LEAs the option of continuing to administer the existing Standards-based Test in Spanish (STS) until a successor assessment is operational. LEAs may also administer the STS to students enrolled in dual-immersion programs at their own expense. Funds were provided in 2014-15 (\$2 million) to begin development of a primary language assessment(s). According to CDE, thus far, required stakeholder meetings have occurred and a statutorily-required report to the SBE is anticipated to be released in July 2015. CDE anticipates that pilot testing on a Spanish primary language assessment could occur in 2016-17; field testing in 2017-18, and a fully operational exam may be available in 2018-19.

Assessment of Language Development

The state currently administers an annual assessment to determine the progress of English learners in developing English language proficiency. The current assessment for this purpose is the California English Language Development Test (CELDT). Legislation passed in 2013 [SB 201 (Lui) Ch. 478, Statutes of 2013] authorized the development of a new English Language Proficiency Assessment. This new assessment will differ from the current annual assessment in that it will include an assessment for initial identification of English Learners and an annual assessment to gauge a student's progress towards English proficiency. The new assessment will also be aligned to the CCSS, including the new English language development standards. Work on this new assessment began in 2012-13 under the existing CELDT contract by identifying CELDT test questions that are aligned to the new standards and can be used in a new assessment. (One of the major cost drivers of any assessment is developing an adequate item bank of test questions.) Funds were provided through contract savings in 2013-14, and \$6.7 million in Proposition 98 General Fund was provided in the 2014-15 Budget Act for development of the new English Language Proficiency Assessment for California (ELPAC).

CDE is in the process of contracting for the development of the ELPAC assessment, and will provide an update after the May Revision on progress and the need for additional or re-appropriation of funding. Although, the ELPAC went out to bid as a pencil and paper-based assessment, the request for proposals specified that the contractor must be able to transition to a computer-based assessment in the future. According to the CDE, an operational ELPAC will be available in 2017-18. Until the ELPAC is in place, the state will continue to administer the existing CELDT to meet federal Title III of the Elementary and Secondary Education Act reporting requirements.

California High School Exit Exam (CAHSEE)

Current law requires students, as a condition of graduating from high school, to successfully complete specified coursework, any locally-imposed graduation requirements, and pass the CAHSEE. The CAHSEE assesses students in ELA and mathematics. Students first take this test in grade ten. If they do not pass the test in grade ten, they have more chances to take the test. In grade eleven, they can take the test two times. In grade twelve, they have up to five times to take the test. The CAHSEE is not aligned to the new common core standards in ELA and mathematics.

The current CAHSEE contract expires in October of 2015 and CDE is working with the Department of General Services on options for extending the current contract or initiating a new contract.

Pending legislation (SB 172, Liu) would suspend the administration of the CAHSEE, and the requirement that students pass this exam as a condition of graduation from high school during the 2016-17 through 2018-19 school years, or when the CAHSEE is no longer available. The bill would also require reporting on the potential replacement of the CAHSEE.

Other Assessments

The CDE also maintains a variety of other assessment contracts, such as the California High School Proficiency Exam, the Physical Fitness Test and other outreach and technical reporting contracts.

Assessment Funding

Statewide assessments have historically been split-funded between federal Title VI funds and Proposition 98 General Fund. The 2014-15 budget included funding appropriate to begin transitioning to a new assessment system, including the first administration of the new Smarter Balanced ELA and mathematics assessments in grades 3 through 8 and 11. In addition, funding was provided for development of new science and primary language assessments.

The CAASPP administration and assessment contract has been awarded to the Educational Testing Service (ETS) for activities through 2018. CDE has been in negotiations with ETS and the final contract is currently before the State Board of Education for final approval. The ETS contract covers administration of the assessments, including technology, scoring, reporting, and development of new assessments. CDE is also a member of the Smarter Balanced Assessment Consortium (SBAC), which owns the item bank (exam questions) and tools, such as formative assessments and the digital library. The state pays \$9.55 million annually to the SBAC, which currently has contracted with the University of California, Los Angeles to cover the cost of consortium-managed services, such as access to the summative and interim assessments, access to the digital library, continued test development, and validity studies. The SBAC provided some tools (interim assessments) later in the year than originally planned and used additional data from the California field test in their standards setting work. As a result, the SBAC is providing a credit, or approximately \$1.5 million, to California. The amount of the credit will be finalized in May following the approval of the SBAC budget in April. The CDE will provide confirmation and a proposal to use these funds at the May Revision. CDE's estimated costs for statewide assessments in 2015-16 are summarized below:

Proposed 2015-16 Statewide Student Assessment Costs			
Assessment Activity	Prop 98 Projected Costs	Federal Fund Projected Costs	TOTAL Projected Costs
Other Assessment-Related Contracts	\$ 1,483,416	\$ 600,000	\$ 2,083,416
English Language Development Assessment			
Administration of CELDT		\$ 7,443,000	\$ 7,443,000
Development of ELPAC	\$ 8,500,000		\$ 8,500,000
High School Exit Examination	\$ 5,894,000	\$ 5,172,000	\$ 11,066,000
High School Exit Examination Evaluation	\$310,130	\$ 39,870	\$350,000
California Assessment of Student Performance and Progress			
CAASPP 2014-15 administration (current contract ends December 2015)	\$ 7,622,101		\$ 7,622,101
CAASPP 2015-16, 2016-17, 2017-18 administrations (July 2015 through December 2018)	\$ 68,943,899	\$ 7,075,000	\$ 76,018,899
SBAC Consortium	\$ 9,550,000		\$ 9,550,000
Independent Evaluation	\$ 700,000		\$ 700,000
Assessment Apportionments	\$ 23,723,200		\$ 23,723,200
High School Proficiency Exam	\$ 1,244,000		\$ 1,244,000
Reimbursements for High School Proficiency Exam	\$ (1,244,000)		\$ (1,244,000)
Totals	\$ 126,726,746	\$ 20,329,870	\$ 147,056,616

Source: Department of Education

Staff Comments:

The state is in the middle of a monumental transition to a new testing system that will not only align to new statewide content standards, but has also ushered LEAs into a new era of increased use of technology in the classroom. The state is also able to work with many other states and private or public partners in developing innovative ways to assess students and share assessment content and costs. These assessment changes are not without significant costs as displayed in this item. The Legislature should review the costs of administering these new assessments on annual basis, as well as ensure that the state is on track to develop new assessments in a timely and cost-effective manner. Staff will work with CDE and DOF to confirm final assessment costs after the May Revision.

Suggested Questions:

- 1) How much funding is included within the proposed 2015-16 CAASPP contract for development of the new science and primary language assessments? Does the CDE have an estimate for the total costs of developing these assessments and the ongoing costs to administer?
- 2) CDE has reported a savings of \$1.5 million out of \$4 million provided for the development of science assessments in 2014-15, and \$1.9 million out of \$2 million provided for the development of primary language assessments. Which activities was the test contractor unable to complete and has this delayed development of these assessments?

- 3) Under the state's contract with SBAC, California chose to purchase and offer a variety of tools for our LEAs such as formative assessments, diagnostic assessments, and a digital library. Are all of these tools available and are teachers and LEAs currently using them?
- 4) This coming winter, scores for the new summative ELA and mathematics assessments will be released for the first time. What is the state's plan for helping LEAs, teachers, students, parents, and policy makers understand this first round of results?
- 5) When does the CDE anticipate the ELPAC to be a computer-based assessment? Are there barriers to making this a computer-based assessment?

Staff Recommendation: Information Only. The budgeted amounts for statewide assessments will be updated at the May Revision, based on final cost estimates.

Item 5: Technology Infrastructure**Description:**

California's schools have a greater need to provide Internet access to their students that ever before with the advent of statewide online testing. The Governor's 2015-16 budget provides a total of \$108.8 million in funding to address school sites that have no or limited internet connectivity.

Panel:

- Natasha Collins, Legislative Analyst's Office
- Cindy Kazanis, Department of Education
- Monique Ramos, Department of Education
- Amber Alexander, Department of Finance

Background:

Most schools connect to their school district office or county office of education which then connects to a high-speed internet backbone (a series of fiber-optic cables that run across large distances) operated by the Corporation for Education Network Initiatives in California (CENIC). The K-12 High Speed Network (HSN) grant pays for Internet connections from the district or county office of education to the CENIC backbone. CENIC is a non-profit organization that provides Internet services to educational agencies in California.

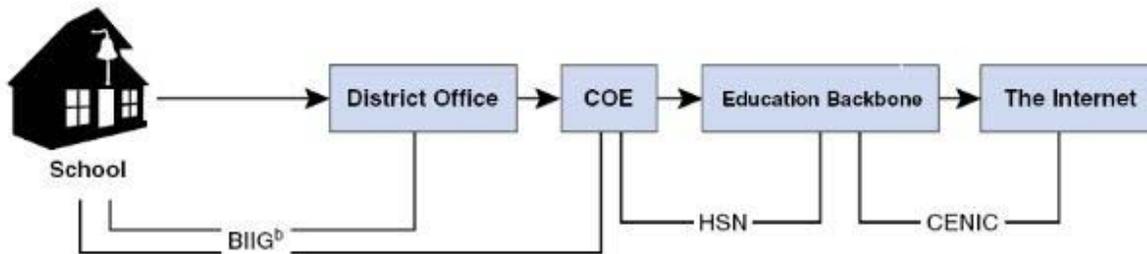
The HSN was established in 2004-05, when the state provided funding for a HSN grant, which was awarded to the Imperial County Office of Education. The HSN assists schools with connecting to the Internet through CENIC. According to the LAO, the HSN received about \$8 million annually in Proposition 98 General Fund and also receives about \$6 million per year in subsidies for Internet services purchased from commercial providers. The HSN also has a projected reserve of \$14.3 million in 2014-15, built up over time as the cost of Internet services has decreased.

According to the HSN, the ability of school access to the Internet varies across the state for a variety of reasons; available infrastructure is often the biggest barrier – both remote, rural areas and low-income, urban areas face issues related to lack of infrastructure. Other barriers include limited technical capacity in school staff, limited dedicated state funds in recent years, and geographic diversity. While the HSN has been working to increase Internet access across the state for the past decade, recent state policies have made this access a greater priority than ever before.

The new statewide assessment system, currently under development, not only aligns with new state academic content standards, but also requires computer-based, and in some cases computer-adaptive, assessments to replace many assessments that were previously paper and pencil exams. LEAs have faced challenges in upgrading their technology needs, not just hardware and software needs, but also Internet connectivity and load capacity (how many students can take the assessment at one time). In the spring of 2014, the new English language arts and mathematics exams were field tested by approximately 95 percent of students in grades 3 through 8, and currently LEAs are administering the first operational version of the assessment. Of the approximately 3.2 million students in grades 3 through 8 and eleven being assessed in the Spring of 2015, it is estimated that only 1,800 will be assessed using a paper and pencil version (26 schools that lack adequate bandwidth to provide the online assessment).

Recognizing the critical need for many schools to upgrade their Internet access in the face of new assessment requirements, the 2014-15 budget provided \$26.7 million for the Broadband Infrastructure Improvement Grants (BIIG) program. These funds were for improvement of network connectivity infrastructure for schools, specifically infrastructure known as the “last mile” connection. The last mile is typically the connection from the school to the school district office or county office of education.

BIIG Intended to Help Some Schools Access the Internet^a



^a Distances not to scale. Distance from school to district office and from district office to backbone or other sites vary significantly across state.

^b Schools use BIIG for their last-mile connections—connecting them either to their district office or COE, depending on existing infrastructure.

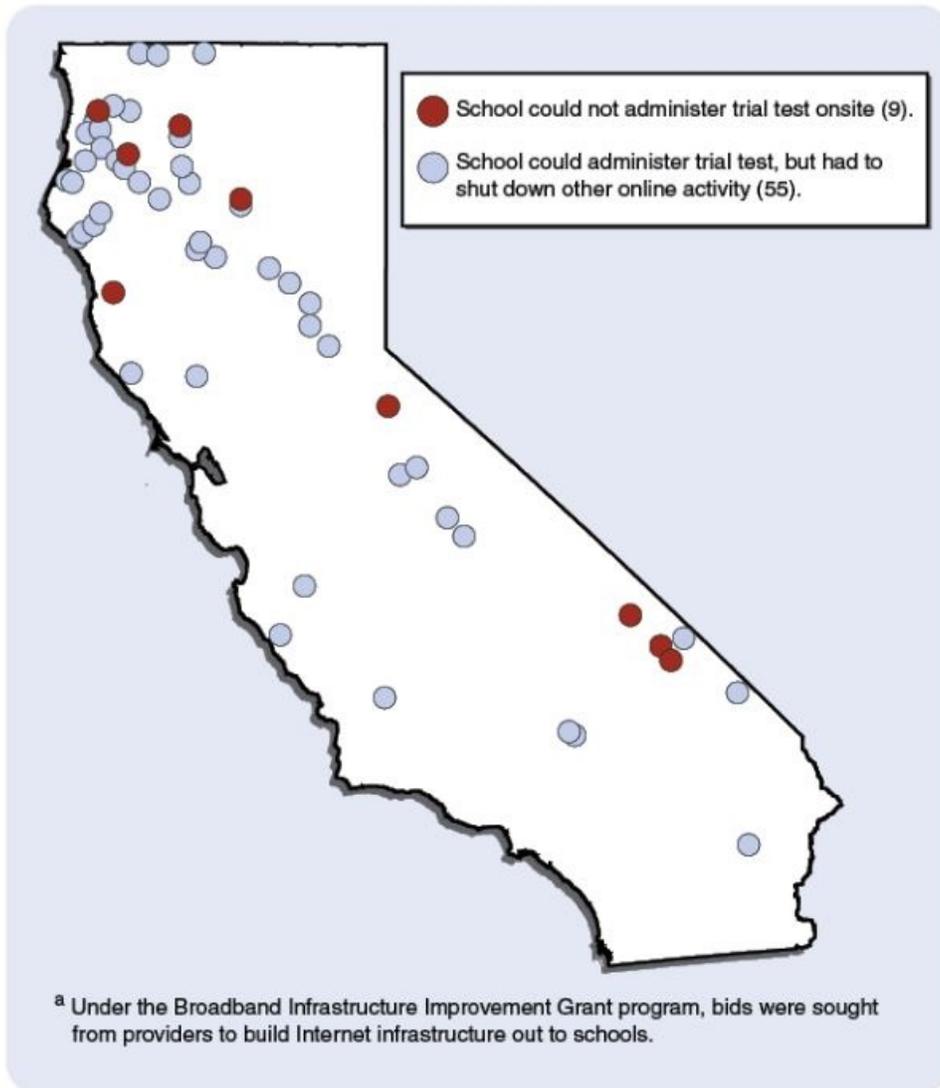
BIIG = Broadband Infrastructure Improvement Grants; COE = county office of education; HSN = High Speed Network; and CENIC = Corporation for Education Network Initiatives in California.

Source: Legislative Analyst’s Office

According to a HSN report, “*Connecting California’s Children 2015: Assessing and Improving Network Connectivity Infrastructure in California’s K-12 Public Schools*”, BIIG funds are being provided to upgrade connectivity to 227 sites. These grantees were determined through a multi-step process. First priority was given to schools that were unable to administer the CAASP field test in 2014 due to last mile connectivity, with second priority for those schools that had to limit other Internet use in order to conduct the tests. After site needs were validated and reviewed, 291 sites were eligible for BIIG funds.. Sites that ultimately are receiving BIIG funds do not get funds that go directly to schools, instead funds are managed by the HSN and pay for one-time costs to upgrade circuits, construction, installation, and equipment. Also, ongoing monthly costs are covered through June 30, 2016. Sites receiving BIIG grants will have dramatically improved network speeds, access to statewide research and education network, access to higher connectivity at lower costs, and most will have scalable connections to ensure room for future growth, as well as ensuring the sites can provide the new online assessments.

Of the 291 eligible sites, 64 sites initially did not receive a solution, and after continued work by the HSN, this number is now down to 47. Of these nine schools cannot test onsite and 38 must shut down other operations in order to provide the online assessment. According to the HSN report, there are a variety of reasons these sites may not have received bids, including a too-short timeframe to prepare a bid for the complex solutions some sites may need, geographical isolation of sites, or lack of business opportunities for vendors. At this time, CDE and the HSN have indicated that the remaining 47 sites would receive solutions within the current year BIIG grant. These solutions would be limited to satellite and microwave, which have limitations for reliability and scalability, however have a shelf life of 7-10 years.

64 Schools With No Infrastructure Bids^a



Source: Legislative Analyst's Office

BIIG funding is one of many sources of that LEAs can use to meet their technology needs. The state has provided a variety of funds sources that LEAs may use for technology, including: LCFF funding, a one-time allocation of \$1.25 billion of Proposition 98 funding in the 2013-14 year for implementation of state standards, \$401 million in mandates backlog funding in the 2014-15 budget that may be used for any purpose, although legislation included intent language that it be used for implementing common core standards. Additionally, LEAs are eligible for state and federal Internet subsidies that can pay for up to 95 percent of monthly service costs.

The HSN released “*Connecting California’s Children 2015, Supplemental Report: Findings and Observations*” in April of 2015. Language in last year’s budget required the HSN to provide information on network connectivity in California’s K-12 system. The report makes the following observations:

- Technical support of network infrastructure varies across the state.
- Some of California’s K-12 public schools continue to lack access to last and middle mile infrastructure.
- Some school sites cannot fully utilize last mile connections because their internal infrastructure is inadequate.
- State and national reports call for expanded broadband capacity to meet 21st Century goals for teaching, learning, and assessments.
- Data collection on connectivity in K-12 schools is inconsistent, and impacts local planning.

The report also details strategies to help meet each of the observations.

Governor’s Proposal:

The Governor proposes to provide \$100 million in one-time Proposition 98 funding to support Internet connectivity and infrastructure for schools. This funding would go out through the same BIIG program from the current year and would use the same eligibility and priority ranking criteria as last year to address the remaining sites, likely to provide fiber optic Internet infrastructure to remaining sites.

The Governor also proposes to use \$8.8 million from the HSN’s reserve funds for to provide BIIG grants in 2015-16. This would reduce the HSN reserve from \$14.3 to \$5.5 million (38 percent of the annual budget). The Governor proposes that the remaining reserve is needed to cover uncertainties in the timing of federal Internet subsidies and for anticipated replacement of equipment in 2018-19.

Legislative Analyst’s Office Analysis and Recommendations:

The LAO notes that of the remaining sites from the 2014-15 BIIG effort, the nine schools that cannot administer the online assessment enroll less than 60 test-taking students and the 38 schools that must shut down other activities to administer the assessment enroll less than 2,000 test-taking students. Therefore the cost per student to upgrade these sites is significant; the LAO cites data from CDE that one BIIG-eligible site received only one bid for \$10 million to serve just five test taking students (the bid was not accepted). The LAO also notes that there still are other options available to these sites which would be far less costly, including satellite and microwave Internet connections which would allow students to take the test online, testing a small number of students at a time, busing students to a library or other site with Internet access, or using paper and pencil assessments (available through 2016-17).

In addition, the LAO notes that the state has little information about HSN expenditures. The annual audit required of the program is currently included within a larger Imperial County Office of Education audit and, as such, does not break out detail on operations and expenditures.

As a result of its analysis, the LAO recommends that the Legislature:

- Not fund sites with extraordinary costs, but considering setting a maximum per-pupil amount if reasonable based on HSN information.
- Require the HSN audit to be separate from the Imperial County Office of Education audit to provide more transparency, including requiring a list of expenditures, revenues, and reserves.
- Not provide the HSN with a new Proposition 98 General Fund budget appropriation in 2015-16, and instead require the HSN to use \$8.3 million in reserve funds for 2015-16 operations. This would free up \$8.3 million in Proposition 98 funds for other uses.
- Re-evaluate the need for an appropriate reserve level for HSN in 2016-17 with the additional audit information.

Staff Comments:

LEAs have noted significant technology needs, not just to support the new online statewide assessments for their students, but also to allow schools to take advantage of new ways to educate students and ensure they are ready to participate in an economy that is increasingly tied to technology. However, the Legislature may want to consider at what point investments in infrastructure, such as building out fiber connectivity to remote areas, is cost-effective, particularly when the trade-off is additional funds for other educational needs.

The role and workload of the HSN is also undergoing a transformation. As access to technology is further embedded into education, and particularly with this big assessment change, the HSN will likely be handling increased and different workload to ensure these changes are made and managed. A review of their current work would help to inform future adjustments to their ongoing business model. Staff notes that both the LAO and Department of Finance are in agreement about reducing the HSN reserve, however it is unclear that the funds are needed in a new BIIG program. The Legislature may want to consider taking steps to ensure that the HSN budget and workload can be appropriately sized in the next year, including adding additional audit provisions.

Suggested Questions:

- 1) What guidelines do DOF, CDE, or LAO think are appropriate for the expenditure of additional funds?
- 2) Would there be any potential benefit to waiting until short-term solutions (wireless or satellite) are nearing the end of their lifespan before investing in other solutions, such as fiber?
- 3) One of the problems noted in the HSN studies is the lack of data on connectivity needs of schools. Does CDE or the HSN have a plan to address this?
- 4) Are there viable cost-sharing models with local government or business, that the HSN and the remaining schools can tap into?

Staff Recommendation: Hold open pending the May Revision updated Proposition 98 funding.

Item 6: Department April Letters

Description:

The Department of Finance (DOF) proposes the following technical adjustments to various K-12 state operations (support) and local assistance items in the 2015-16 budget. These revisions are proposed by a DOF April 1 finance Letter. These issues are considered technical adjustments, mostly to update federal budget appropriation levels so they match the latest estimates and utilize funds consistent with current programs and policies.

Panel:

Department of Finance
 Department of Education
 Legislative Analyst's Office

VOTE ONLY: Issues 1-12**Federal Funds – State Operations (Support) and Local Assistance**

1. **Item 6100-001-0890, Support, State Department of Education (SDE). Add One-Time Federal Trust Fund for Child Nutrition Program Training and Oversight (Issue 360)**—It is requested that this item be increased by \$2,091,000 Federal Trust Fund to reflect the availability of one-time funding to support training, technical assistance, and oversight of school food authorities in response to changes in the federal Healthy, Hunger-Free Kids Act of 2010 (act).

In an effort to improve federal child nutrition programs, the act contained many new requirements, including changes to meal patterns and nutritional standards and increased oversight of program sponsors. The act also provides administrative funds specifically for state agencies to provide technical assistance to school food authorities on changes to the meal and nutrition requirements.

It is further requested that provisional language be added, as follows, to conform to this action:

- X. Of the funds appropriated in this item, \$2,091,000 is provided on a one-time basis to support statewide training, technical assistance, and oversight of school food authorities regarding changes to meal and nutritional standards contained in the federal Healthy, Hunger-Free Kids Act of 2010.
2. **Item 6100-001-0890, Support, State Department of Education (SDE). Amendment to California Longitudinal Pupil Achievement Data System Provisional Language (Issue 623)**—It is requested that Provision 16 of this item be amended to remove outdated provisional language as follows. This technical change would have no effect on the total amount budgeted in the item.

“16. Of the funds appropriated in this item, \$6,636,000 is for the California Longitudinal Pupil Achievement Data System (CALPADS), which is to meet the requirements of the federal No Child Left Behind Act of 2001 (20 U.S.C. Sec. 6301 et seq.) and Chapter 1002 of the Statutes of 2002. These funds are payable from the Federal Trust Fund to the State Department of Education (SDE). Of this amount, \$5,641,000 is federal Title VI funds and \$995,000 is federal

Title II funds. These funds are provided for the following purposes: \$3,254,000 for systems housing and maintenance provided by the Office of Technology Services (OTECH); \$908,000 for costs associated with necessary system activities; \$790,000 for SDE staff, and \$710,000 for various other costs, including hardware and software costs, indirect charges, Department of General Services charges, and operating expenses and equipment. ~~As a condition of receiving these funds, SDE shall ensure the following work has been completed prior to making final vendor payments: a Systems Operations Manual, as specified in the most current contract, has been delivered to SDE and all needed documentation and knowledge transfer of the system has occurred; all known software defects have been corrected; the system is able to receive and transfer data reliably between the state and local educational agencies within timeframes specified in the most current contract; system audits assessing data quality, validity, and reliability are operational for all data elements in the system; and SDE is able to operate and maintain CALPADS over time.~~ As a further condition of receiving these funds, the SDE shall not add additional data elements to CALPADS, require local educational agencies to use the data collected through the CALPADS for any purpose, or otherwise expand or enhance the system beyond the data elements and functionalities that are identified in the most current approved Feasibility Study and Special Project Reports and the CALPADS Data Guide v4.4. In addition, \$974,000 is for SDE data management staff responsible for fulfilling certain federal requirements not directly associated with CALPADS.”

3. **Item 6100-113-0890, Local Assistance, Student Assessment Program (Issue 624)**—It is requested that Schedule (5) of this item be decreased by \$738,000 federal Title VI funds to align to the federal grant award. Federal funds for state assessments are provided for costs associated with the development and administration of the California Assessment of Student Performance and Progress, the English Language Development Test, and the California High School Exit Exam.
4. **Item 6100-119-0890, Local Assistance, Neglected and Delinquent Children Program (Issue 177)**—It is requested that this item be increased by \$209,000 federal Title I funds to align to the federal grant award. This program provides supplemental instruction, including math and literacy activities, to children and youth in state institutions for juveniles and in adult correctional institutions to ensure that these youth make successful transitions to school or employment.
5. **Item 6100-125-0890, Local Assistance, Migrant Education Program and English Language Acquisition Program (Issues 178 and 179)**—It is requested that Schedule (1) of this item be increased by \$10,074,000 federal Title I, Part C funds to reflect the availability of \$10,073,000 in one-time carryover funds and a \$1,000 increase to the federal grant award. This program provides educational support services to meet the needs of highly mobile children.

It is further requested that provisional language be added as follows to conform to this action:

X. Of the funds appropriated in Schedule (1), \$10,073,000 is provided in one-time federal Title I, Part C carryover funds to support the existing program.

It is also requested that Schedule (3) of this item be decreased by \$2,722,000 federal Title III funds to reflect the availability of \$1,188,000 in one-time carryover funds and a \$3,910,000 reduction to the federal grant award. This program provides services to help students attain English proficiency and meet grade level academic standards.

It is further requested that provisional language be added as follows to conform to this action:

X. Of the funds appropriated in Schedule (3), \$1,188,000 is provided in one-time federal Title III carryover funds to support the existing program.

6. **Item 6100-134-0890, Local Assistance, School Improvement Grant Program and Basic Elementary and Secondary Education Act Program (Issues 626 and 625)**—It is requested that Schedule (3) of this item be increased by \$2,301,000 federal Title I funds to reflect the availability of \$2,835,000 in one-time carryover funds and a \$534,000 reduction to the federal grant award. The SDE awards school improvement grants to local educational agencies (LEAs) with the persistently lowest-achieving Title I schools to implement evidence-based strategies for improving student achievement.

It is further requested that provisional language be added as follows to conform to this action:

X. Of the funds appropriated in Schedule (3), \$2,835,000 is provided in one-time carryover funds to support the existing program

It is further requested that Schedule (4) of this item be increased by \$1,699,000 federal Title I funds to reflect the availability of \$4 million in one-time carryover funds and a \$2,301,000 reduction to the available federal grant award. LEAs use these funds to support services that assist low-achieving students enrolled in the highest poverty schools.

It is further requested that provisional language be added as follows to conform to this action:

X. Of the funds appropriated in Schedule (4), \$4,000,000 is provided in one-time carryover funds to support the existing program.

7. **Item 6100-136-0890, Local Assistance, McKinney-Vento Homeless Children Education Program (Issue 180)**—It is requested that Schedule (1) of this item be increased by \$497,000 federal Title I, Part C funds to reflect the availability of \$573,000 in one-time carryover funds and a \$76,000 reduction to the available federal grant award. This program provides a liaison to ensure homeless students have access to education, support services, and transportation.

It is further requested that provisional language be added as follows to conform to this action:

X. Of the funds appropriated in this item, \$573,000 is provided in one-time federal Title I, Part C carryover funds to support the existing program.

8. **Item 6100-137-0890, Local Assistance, Rural and Low-Income School Program (Issue 181)**—It is requested that this item be increased by \$206,000 federal Title VI funds to reflect the availability of \$68,000 in one-time carryover funds and a \$138,000 increase to the federal grant award. This program provides financial assistance to rural districts to help them meet federal accountability requirements and to conduct activities of the federal Elementary and Secondary Education Act program.

It is further requested that provisional language be added as follows to conform to this action:

X. Of the funds appropriated in this item, \$68,000 is provided in one-time federal Title VI carryover funds to support the existing program.

9. **Item 6100-156-0890, Local Assistance, Adult Education Program (Issue 284)**—It is requested that this item be increased by \$8,105,000 federal Title II funds to reflect the availability of \$5 million in one-time carryover funds and a \$3,105,000 increase to the federal grant award. The Adult Education Program supports the Adult Basic Education, English as a Second Language, and Adult Secondary Education programs.

It is further requested that provisional language be added as follows to conform to this action:

X. Of the funds appropriated in this item, \$5,000,000 is provided in one-time carryover funds to support the existing program.

10. **Item 6100-166-0890, Local Assistance, Vocational Education Program (Issue 285)**—It is requested that this item be increased by \$8,333,000 federal Carl D. Perkins Vocational and Technical Education Act funds to reflect the availability of \$8,413,000 in one-time carryover funds and a \$80,000 reduction to the federal grant award. The Vocational Education Program develops the academic, vocational, and technical skill of students in high school, community colleges, and regional occupational centers and programs.

It is further requested that provisional language be added as follows to conform to this action:

X. Of the funds appropriated in this item, \$8,413,000 is provided in one-time carryover funds to support the existing program.

11. **Item 6100-193-0890, Local Assistance, Mathematics and Science Partnership Program (Issue 286)**—It is requested that this item be increased by \$278,000 federal Title II funds to reflect the availability of \$112,000 in one-time carryover funds and a \$166,000 increase to the federal grant award. The Mathematics and Science Partnership Program provides competitive grants to partnerships of low-performing schools and institutions of higher education to provide staff development and curriculum support to mathematics and science teachers.

It is further requested that provisional language be added as follows to conform to this action:

X. Of the funds appropriated in this item, \$112,000 is provided in one-time carryover funds to support the existing program.

General Fund and Other Adjustments

12. **Items 6100-001-0001 and 6100-491, Support, SDE, Reappropriate One-Time Savings (Issues 042, and 621)**— It is requested that Item 6100-001-0001 be increased by \$28,000 General Fund to support Independent Project Oversight Consultant services for the implementation of the Smarter Balanced Technical Hosting Solution. Funding was appropriated in the 2014 Budget Act for this purpose. However, effective July 1, 2014, the California Department of Technology decreased their billing rate for these services, resulting in savings.

It is also requested that Item 6100-491 be added as follows to conform to these actions:

6100-491—Reappropriation, Department of Education. The amount specified in the following citation is reappropriated for the purposes provided for in those appropriations and shall be available for encumbrance or expenditure until June 30, 2016:

0001—General Fund.

1. \$28,000 in Item 6110-001-0001, Budget Act of 2014 (Ch. 25, Stats. of 2014), to support Independent Project Oversight Consultant services for the implementation of the Smarter Balanced Technical Hosting Solution.

DISCUSSION AND VOTE: Issue 13

- 13. **Addition of Budget Bill Item 6100-170-0001, Local Assistance, Career Technical Education (CTE) Program (Issue 282)**—It is requested that Item 6100-170-0001 be added and that \$810,000 in one-time reimbursement carryover funds be provided for the CTE Program. Specifically, \$220,000 would allow for the completion of three projects that could not be completed in the current year due to contract delays, \$275,000 would fund a contract for an evaluation of the pilot Linked Learning Program, and \$315,000 would be allocated to existing participants of the pilot Linked Learning Program.

It is further requested that Item 6100-170-0001 be added as follows to conform to this action:

6100-170-0001—For local assistance, Department of Education, pursuant to Section 88532 of the Education Code..... 0

- (1) 5205092-Career Technical Education Initiative810,000
- (2) Reimbursements to 5205092-Career Technical Education Initiative.....-810,000

Provisions:

- 1. Of the funds appropriated in this item, \$810,000 reflects one-time reimbursement carryover funds. Specifically, \$220,000 is to complete unfinished projects of the CTE Online development, the California Partnership Academies Special Project, and the Leadership Development Institutes, \$275,000 is to complete an evaluation of the pilot Linked Learning Program, and \$315,000 is for grants to the existing participants of the pilot Linked Learning Program.

Staff Comments:

Staff notes that April Letter issues 1-12 are technical adjustments and are unaware of any opposition.

Staff notes that April Letter Issue 13 does not reflect available carryover. After the issuance of the April Letter request, the Department of Education encumbered an additional \$275,000 for an evaluation of the pilot Linked Learning Program and also encumbered \$225,000 to update the Multiple Pathways Report (a statutorily required report already completed in 2010). This update is a CDE initiative and was not required by statute. After these changes, \$310,000 is now available to carryover, instead of the \$810,000 reflected above. Of this carryover, \$220,000 is proposed to complete unfinished projects of the CTE Online development, the California Partnership Academies Special Project, and the Leadership Development Institutes, leaving only \$90,000 available for grants to the existing participants of the pilot Linked Learning program, instead of the \$315,000 proposed in budget bill language in issue 13 of this item.

Staff notes that the Department of Education has expressed concern that \$90,000 results in a small amount of funds for current Linked Learning Pilot grantees and has instead suggested that the funds be used to augment the funds already encumbered to update the Multiple Pathways Report.

Staff Recommendation:

Approve April Letter issues 1-12 with conforming budget bill language as listed in this item.

Approve April Letter Item 13, amended to reflect an updated carryover amount of \$310,000 and conforming budget bill language for these funds to be provided for unfinished projects and to existing participants of the pilot Linked Learning program.

Item 7: State Operations

Description:

The Governor’s budget proposed a number of adjustments for California Department of Education headquarters staff and expenses that have not already been heard by the subcommittee. These proposed adjustments include staffing increases in 2015-16 to implement several statutes enacted in 2014.

Panel:

Department of Finance
 Department of Education
 Legislative Analyst’s Office

Background:

Funding and authorized positions for the California Department of Education are summarized by the table below:

California Department of Education			
Authorized Positions and State Operations Funding			
	13–14	14–15	Proposed 15–16
Authorized Positions			
Headquarters	1,489.60	1,505.80	1,502.80
State Special Schools	948.10	948.10	948.10
Total	2,437.70	2,453.90	2,450.90
Funding			
CDE Headquarters			
General Fund	47,359,000	55,813,000	56,461,000
Federal Funds	170,672,000	170,340,000	156,177,000
Other Funds (Restricted)	32,271,000	32,840,000	32,274,000
Total	250,302,000	258,993,000	244,912,000
Percent General Fund	19%	22%	23%
Percent Federal Funds	68%	66%	64%
CDE State Special Schools			
Proposition 98 GF	50,500,000	52,530,000	52,578,000
Non-Proposition 98 GF	43,814,000	45,462,000	47,549,000
Federal Funds	0	0	0
Other Funds	12,322,000	10,495,000	10,493,000
Total	106,636,000	108,487,000	110,620,000
CDE Headquarters & State Special Schools			
General Fund	141,673,000	153,805,000	156,588,000
Federal Funds	170,672,000	170,340,000	156,177,000
Other Funds	44,593,000	43,335,000	42,767,000
Total	356,938,000	367,480,000	355,532,000

Source: Department of Education, Except for 2015-16, data are current-year estimates (middle column) from the Governor’s Budget

Governor’s Budget Proposals:

	Governor's Budget Proposal	State General Fund (in 1000s)	Description	LAO Recommendation and Rationale
1	Funding for legal defense of Cruz lawsuit	\$3,675	Provides one-time funding for second year of contract with legal firm to represent state in <i>Cruz v. California</i> case.	Recommend approval.
2	Kindergarten Program Implementation Report (AB 1719, Ch 723, Weber)	250	Provides one-time funding for CDE to report on characteristics of kindergarten programs across the state. (Estimate based on similarity to cost of already completed Child Care Characteristics Study.)	Recommend approval. Implements legislation. Proposed funding reasonably well-aligned with workload.
3	Civil Rights Complaints Management	207	Provides ongoing funding (\$107,000) for one existing unfunded authorized position to respond to complaints and one-time funding (\$100,000) to address backlog of complaints.	Recommend approval. Workload has increased for that division (8 to 10 appeals each month). Proposed funding reasonably well-aligned with workload.
4	Distinguished After School Health Recognition Program (SB 949, Ch 369, Jackson)	177 plus 1.5 PY	Provides one-time funding for CDE to fulfill the requirements of the legislation. 1.0 one-year IT position and 0.5 two-year limited-term consultant positions would develop guidelines for how after school programs could qualify for the recognition program, then post which programs achieved the certification.	Recommend approval. Implements legislation. Proposed funding reasonably well-aligned with workload.
5	SBE workload related to charter schools	151	Provides funding for portions of three existing SBE staff who work on charter school issues for the Board and Governor. Backfills federal Public School Charter Grant funding that is expected to be notably reduced in upcoming fiscal year.	Recommend waiting for May updates. We expect updated information as to the availability of federal funds (ongoing grant and carryover) in May.
6	Statewide Model County Programs Project, (AB 2276, Ch 901, Bocanegra)	137	Provides one-time funding for CDE to fulfill the requirements of the legislation. Requirements include working with other entities to study counties that are successfully transferring juvenile court school students back to other schools, developing a statewide model for successful practices, and submitting a report with recommendations by	Recommend approval. Implements legislation. Proposed funding reasonably well-aligned with workload.

			1/1/2016.	
7	Health Framework: Sexual Abuse/Trafficking Prevention Education (SB 1165, Ch 713, Mitchell)	135	Provides one-time funding for CDE to fulfill the requirements of the legislation. CDE would contract with a researcher/writer to draft a sex trafficking and sexual abuse section for possible inclusion in the next version of the state's Health Framework.	Recommend approval. Implements legislation. Proposed funding reasonably well-aligned with workload.
8	Smarter Balanced Technical Hosting Solution Project Oversight	85	Provides one-time funding for 9 months of an Independent Project Oversight Consultant (IPOC). The California Department of Technology (CalTech) required an IPOC for two years. The <i>2014-15 Budget Act</i> provided the first year of funding.	Recommend approval. Funds oversight consultants required by CalTech. Only 9 months of funding is necessary because CDE is expected to have current-year savings it can carry over to cover costs in first 3 months of 2015-16.
9	Staff for CDE Early Education and Support Division	61	Provides ongoing funding to upgrade a position provided in the <i>2014-15 Budget Act</i> from Associate Governmental Program Analyst to Consultant. Also converts both of the two positions that were provided in 2014-15 Budget Act from limited-term to permanent (with associated annual cost of \$203,000).	Recommend approval. Administrative workload recently has increased for that division (due to program expansions). Proposed funding reasonably well-aligned with workload.
10	Bullying and Cyberbullying Online Training Modules (AB 1993, Ch 418, Fox)	43	Provides one-time funding for half of an existing position to assemble and post a bullying prevention training module in compliance with legislation. The staff person would use existing resources, including federal training materials and coordinators of a former school safety grant program, to create the module.	Recommend approval. Implements legislation. Proposed funding reasonably well-aligned with workload.
11	Standardized Account Code Structure (SACs) Replacement Project	3,600 Plus 2,500 Federal Funds	SACs is the system the state uses to collect and report financial data from school districts, county offices of education and some charter schools. SACs is currently a	Recommend hold open. The Legislature may want to review the Section 11 Letter and any cost

		<p>fragmented system that required considerable manual inputs and has many components that are not supported by current operating systems. CDE proposed a replacement SACs system to address these issues, and had an approved Feasibility Study Report in 2011 estimating costs of \$5.9 million. In 2014, CDE submitted a special project report that shows total project costs of \$21.2 million based on updated data needs and complexity. DOF is currently reviewing a change of project scope, schedule, and cost for the May Revision and will need to submit a Section 11 letter to the Legislature prior to CDE entering a contract. This Section 11 letter will likely be submitted around the May Revision.</p>	<p>revisions in the May Revision.</p>
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Other State Operations:

The subcommittee may wish to consider the following state operations request not included in the Governor’s budget proposal:

- \$160,000 in non-Proposition 98 General Fund for the 2015-16 dues for the Education Commission of the States (Commission). The Commission is a research organization created by state leaders in 1965 to address education issues in the pre-K to postsecondary education areas. The Commission provides ongoing services to member states such as: tracking of state education policies, access to a searchable 50-state database on a variety of education issues, and research summaries to make academic research user-friendly for policymakers. The Commission receives most of its funding through the state members in the form of annual dues. California became a member and adopted the state compact in Education Code Section 12510 in 1981, however has never been a dues-paying member.

The subcommittee may also wish to ask CDE for an update on additional state operations requests that are pending for the May Revision.

Staff Recommendations:

Staff recommends holding issues 1 and 11 open pending updated cost estimates and additional information at the May Revision.

Staff recommends approval of issues 2-10.

SUBCOMMITTEE NO. 1

Agenda

Senator Marty Block, Chair
Senator Benjamin Allen
Senator John M.W. Moorlach



Thursday, May 7, 2015
9:30 a.m. or Upon Adjournment of Session
Room 3191, State Capitol

Consultant: Elisa Wynne

OUTCOMES

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Item 6	April Letters Issues 2 and 13: Held Open Issues 1 and 3-12: Approve April Letter issues with conforming budget bill language as listed in Item 6. Vote: 2-0 (Moorlach absent)	22
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Public Comment

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

6110 DEPARTMENT OF EDUCATION**Item 1: Special Education Taskforce Report (Information Only)****Description:**

The California Statewide Special Education Taskforce was convened by special education stakeholders in 2013 to review the practice and funding of special education in the state and make recommendations for improvement. This item reviews the resulting report and recommendations.

Panel:

- Rachel Ehlers, Legislative Analyst's Office
- Gina Plate, Chair of the State's Advisory Commission on Special Education

Background:

"Special education" describes the specialized services that schools provide for students with disabilities (SWDs). State special education funds total about \$4 billion annually and were not included in the Local Control Funding Formula (LCFF) per pupil grants. Federal law requires schools to provide "specially defined instruction, and related services, at no cost to parents, to meet the unique needs of a child with a disability." The law requires schools to provide SWDs with these special supports from age 3 until age 22, or until they graduate from high school, whichever happens first. These services are in addition to what a nondisabled student receives.

About 699,500 SWDs receive special education services in California, comprising about 10 percent of the state's public school enrollment. Specific learning disabilities—including dyslexia—are the most common diagnoses requiring special education services (affecting about four percent of all K–12 students), followed by speech and language impairments. While the overall prevalence of students with autism and chronic health problems is still relatively rare (each affecting one percent or less of all public school students), the number of students diagnosed with these disabilities has increased notably over the past decade.

Federal law only requires schools to provide special education services to students with diagnosed disabilities that interfere with their educational attainment. To determine a student's need and eligibility for special education, schools must conduct a formal evaluation process. If schools determine that general education programs cannot adequately meet the needs of a student with disabilities, they develop and individualized education programs (IEPs) to define the additional services the school will provide. Each student's IEP differs based on his or her particular disability and needs. Specialized academic instruction is the most common service that schools provide. This category includes any kind of specific practice that adapts the content, methodology, or delivery of instruction to help SWDs access the general curriculum. Other commonly provided services include speech and language assistance and various types of therapies for physical and psychological needs that may be impeding a SWD's educational attainment. Although federal law encourages schools to educate SWDs in mainstream settings, most (about three-quarters) of special education services are delivered in settings other than regular classrooms.

Special Education Local Plan Areas:

Special education funding and some services are administered regionally by 127 Special Education Local Plan Areas (SELPA) rather than by the approximately 1,000 school districts in the state. Most SELPAs are collaborative consortia of nearby districts, county offices of education (COEs), and charter schools, although some large districts have formed their own independent SELPAs, and three SELPAs consist of only charter schools.

California relies primarily on a “census-based” funding methodology that allocates special education funds to SELPAs based on the total number of students attending, regardless of students’ disability status. This funding model implicitly assumes that SWDs—and associated special education costs—are relatively equally distributed among the general student population and across the state. The amount of per-pupil funding each SELPA receives varies based on historical factors. After receiving its allocation, each SELPA develops a local plan for how to allocate funds to the school districts and charter schools in its region based on how it has chosen to organize special education services for SWDs.

Some performance indicators suggest SWDs generally are performing well, whereas other indicators are less encouraging. For example, performance on standardized tests (including those specifically designed for SWDs) has improved over the past several years, but a majority of SWDs still fail to meet state and federal achievement expectations. As SWDs near the end of their time receiving special education services, data show that about 60 percent of SWDs graduate on time with a high school diploma and about two-thirds of SWDs are engaged productively after high school (with about half enrolled in an institute of higher education and 15 percent competitively employed within one year after high school).

Task Force Report:

The California Statewide Special Education Taskforce was made up of a variety of stakeholders including state and local-level special education experts, educators, and researchers. The full report, subcommittee reports, and additional information is available at: <http://www.smcoe.org/about-smcoe/statewide-special-education-task-force/>

The recommendations from the report focus on changes in a wide variety of educational areas:

- Early Learning
- Evidence-based School and Classroom Practices
- Educator Preparation and Professional Learning
- Assessment
- Accountability
- Family and Student Engagement
- Special Education Financing

And include the following:

- State-level commitment to aligning policies, practices, and systems of support across initiatives.
- Clearly and thoroughly articulated and disseminated statewide standards of practice based on the following:
 - Universal design for learning.
 - A tiered school and classroom system designed to coordinate and provide support to all students and that is primarily located in general education. This system incorporates a response to intervention approach and addresses both academics and social-emotional learning and positive behavioral support and practices.
- A system for training current teachers and school administrators on evidence-based practices, including transition strategies, culturally responsive teaching, technology, and youth and family involvement.

Suggested Questions:

- 1) Which recommendations does the task force leadership think are the highest priorities?
- 2) Given the potential for additional one-time Proposition 98 resources, are there one-time needs for improving special education services?

Staff Recommendation: Information Only

Item 2: State Special Schools**Description:**

Although most students with disabilities receive special education services from their school district or county office of education, the state also operates three residential schools for deaf and blind students:

- The California Schools for the Deaf (CSDs) in Riverside and Fremont together serve about six percent of the state's deaf and hard-of-hearing students (approximately 800 students), between the ages of three and 22 years. These schools provide intensive, specialized services to students, with or without additional disabilities, whose primary educational needs are related to a hearing loss. Services provided at the CSDs include: instruction in American Sign Language (ASL), written English, and spoken English when appropriate; audiological services; assessment and intervention services; school-based counseling services; social work services; adapted physical education; occupational therapy; and family sign language classes.
- The California School for the Blind in Fremont serves about two percent of the state's visually impaired students (approximately 70 students), between the ages of five and 22. The school provides intensive, disability-specific educational services to students who have primary learning needs related to their visual impairment and serves as a statewide resource to provide expertise to LEAs.

The state special schools in Fremont and Riverside offer both day and residential programs. Student attendance is determined by parents and individual education program (IEP) teams. The state special schools are funded through a direct appropriation from the state. Additionally, the state operates three diagnostic centers (located in Fremont, Fresno, and Los Angeles) that identify students' disabilities and offer trainings to families and school districts, and these are included when the term "state special schools" is used in this agenda. According to the LAO, the state special schools have had a support budget of about \$95 million annually (generally about half from Proposition 98 funds and half from non-Proposition 98 General Fund).

The Governor's budget includes two facilities-related proposals for state special schools, as discussed in the issues below:

Issue 1: Deferred Maintenance**Panel:**

- Rachel Ehlers, Legislative Analyst's Office
- Monique Ramos, Department of Education
- Lisa Mierczynski, Department of Finance

Background:

The state special schools are administered by the Department of Education, which is responsible for determining how much to set aside for maintenance projects from the operating funding provided for the schools. Historically, maintenance projects have been underfunded and a deferred maintenance backlog has grown. In 2002, the Department of Education took action to begin reducing this backlog and since then has budgeted around \$2.4 million annually, with larger appropriations in recent years (\$4.7 million in 2012-13 and \$2.8 million in 2013-14). According to the CDE, in 2014-15, the state special schools used \$1.8 million for deferred maintenance. The existing list of deferred maintenance projects at the schools totals around \$26 million and includes a variety of needs such as roof replacement, painting, carpet replacement, fencing repair, etc.

Governor's Budget Proposal:

The Governor proposes to provide \$3 million in one-time non-Proposition 98 General Fund to address deferred maintenance for the state special schools. This is part of the Governor's recently released 2015 Five – Year Infrastructure Plan which prioritizes specific maintenance projects for existing state facilities, and proposes \$125 million in General Fund for projects. The funds are proposed to be appropriated through Control Section 6.10, and the Department of Finance would review and approve the lists of projects to be funded. The Department of Education has identified a list of 16 state special schools projects that would be submitted for the funds, with priority for critical deficiencies that could be completed within two years.

Legislative Analyst's Office Analysis and Recommendations:

The LAO agrees that the state should continue to address deferred maintenance projects to protect the states investment in infrastructure and agrees that this is a good use of available one-time funding. Also they note that it is fiscally responsible to make these investments now because of the potential for revenue downturns in future years. The state special schools have a number of important deferred maintenance projects.

The LAO recommends that the Legislature adopt the proposal to address the identified projects at the state special schools, however, the LAO recommends that the Legislature use Proposition 98 one-time funds rather than non-Proposition 98 General Fund. The LAO believes Proposition 98 General Fund is an appropriate funding source given the use of Proposition 98 funds for maintenance at schools districts and community colleges in the past. The LAO also notes the large share of revenues that will go to Proposition 98 in 2014-15 and 2015-16.

Finally, the LAO recommends that the Legislature adopt language that requires that funds provided under this item, whether Proposition 98 or other state General Fund, be in addition to a specified level of ongoing funding dedicated to state special schools for maintenance in the existing budget to ensure that these additional funds have an impact on reducing the maintenance backlog. The LAO estimates this current ongoing level of support to be \$1.8 million.

Suggested Questions:

For the Department of Education:

- 1) What amount of funding is being dedicated for deferred maintenance projects for the state special schools on an annual basis?
- 2) Do the state special schools have a long-term plan for eliminating the deferred maintenance backlog?

Staff Recommendation: Hold item open pending the May Revision.

Issue 2: Capital Outlay – California School for the Deaf in Fremont**Panel:**

- Rachel Ehlers, Legislative Analyst's Office
- Monique Ramos, Department of Education
- Carlos Ochoa, Department of Finance
- Koreen Hansen, Department of Finance

Background:

According to the LAO, the California School for the Deaf in Fremont enrolls 433 students, of whom 135 are in the elementary program (including infant/preschool services through 5th grade), 92 are in middle school (grades 6 through 8), and 206 are in high school. Overall, about half of the students attend as day students while half live at the school during the week. The Fremont campus includes three activity centers for students. The activity center for middle school students may not be used for students after September 30, 2015, as it is in a 40-year old modular building that is not Field Act compliant. According to the CDE, the cost to remove the current building and make the site safe for children would be approximately \$230,000.

Governor's Budget Proposal:

The Governor proposes to provide \$1.749 million in non-Proposition 98 General Fund to construct a new building for the middle school activity center at the California School for the Deaf in Fremont. The project would replace the old modular 1,920 square foot building with a new 2,160 square foot permanent building and would include new walkways, fencing, patio area, accessible parking, manhole and storm drain inlets, and renovated landscaping. The interior of the building would contain a large game room, video viewing area, concession snack bar, bathrooms, storage, refrigerator and freezers, and data equipment cabinet.

Legislative Analyst's Office Analysis and Recommendations:

The LAO notes that this request is one of many capital outlay projects that have been identified by the state, many of which represent responses to serious health and safety needs that they believe are of a higher priority. The LAO also notes that this project is not vital to the core instructional program for students at the California School for the Deaf in Fremont. The LAO also notes that although revenues are increasing, most, if not all, of the increase will go to Proposition 98, leaving very little General Fund available for other priorities, such as Medi-Cal services and child care, among others. Finally, the LAO notes that although rejecting this project at this time would create some challenges for the school in scheduling of activities for students, the school does have the ability to use other existing spaces to accommodate student social events.

The LAO recommends that the Legislature reject this request at this time, given the limited availability of non-Proposition 98 General Fund and pressing General Fund needs.

Staff Comments:

Due to the limited amount of General Fund resources, the Legislature should review this request in the context of health and safety capital outlay projects as well as other funding priorities. Staff recommends that if this item is not funded, the Department of Education provide legislative staff with an update next spring on the impact to the State Special School at Fremont.

Suggested Questions:

For the Department of Education:

- 1) If this proposal is not funded, what is the impact on the core instructional activities of the State Special School at Fremont?
- 2) Are there lower cost alternatives?

Staff Recommendation: Hold item open pending the May Revision.

Item 3: School Climate Strategies (Information Only)**Description:**

This item will include a discussion of school climate, state policies to support improving school climate and local strategies, such as school-wide positive behavior systems and supports.

Panel:

- Carolyn Chu, Legislative Analyst's Office
- Monique Ramos, Department of Education
- Mike Lombardo, Placer County Office of Education

State Policies and Programs:

School climate has always been part of the local discussion for what contributes to a supportive learning environment for students. Recently, under the Local Control Funding Formula (LCFF), school climate has recognized by the state as one of eight state priorities that Local Educational Agencies (LEAs) must create subgroup and school site goals for in the Local Control and Accountability Plans (LCAP). Statute specifies that school climate, for purposes of the LCAP, is measured by: pupil suspension rates, pupil expulsion rates, and other local measures, including surveys of pupils, parents, and teachers on the sense of safety and school connectedness.

Prior to the passage of the LCFF, state funding was provided to LEAs for a variety of school safety initiatives that encompassed school safety planning, violence prevention, conflict resolution, although this funding was flexed and LEAs could use it for any purpose under the policy of categorical flexibility enacted in 2008-09.

The Department of Education has developed and made available model policies and plans on the prevention of bullying and on conflict resolution. These resources are available for LEAs to adapt to local needs and the Department of Education recommends that LEAs also include examples of positive behavior practiced in the school community, training for teachers and staff on violence or bullying intervention strategies, and conflict resolution or peer mediation training for students.

The Department of Education received a four year (ended September 2014) Safe and Supportive Schools grant from the U.S. Department of Education intended to support statewide measurement of conditions for learning, as well as targeted programmatic interventions to improve those conditions. Topics included school safety and bullying, substance abuse, positive relationships, other learning support, and student engagement and targeted the high school grade levels.

Local Strategies:

In combination with and in addition to state-level support for school climate, LEAs continue to address school climate at their school sites through a variety of strategies. Strategies that have been shown to reduce suspensions and expulsions include:

School-wide Positive Behavior Interventions and Supports. This is a system that provides a comprehensive and collaborative prevention and intervention three-tiered framework for schools to improve academic and behavioral outcomes for all pupils. It involves explicit teaching of appropriate behaviors, a consistent positive rewards system, and a process for providing more intensive mental health and other interventions for students who require more support.

Restorative Justice. This includes practices such as Peacemaking Circles and Restorative Conferences which are designed to help students take responsibility for their actions, interact and manage relationships, and repair the harm they may have caused.

Trauma Informed Practices. These are strategies and professional development for school staff to increase understanding of the impact that trauma has on student behavior and to develop a multi-level school-based prevention and intervention program for students with the highest trauma needs.

Social Emotional Learning. This is a strategy for all students that helps students acquire and effectively apply the knowledge, attitudes, and skills necessary to recognize and manage emotions; develop caring and concern for others; make responsible decisions; establish positive relationships; and handle challenging situations capably.

Suggested Questions:

- 1) For the LAO: What are some ways LEAs have addressed school climate in their LCAPs?
- 2) For practitioner: What successes or challenges have you seen when implementing local strategies to improve school climate?
- 3) For practitioner: How are programs like positive behavior intervention or other bully-prevention, conflict resolution integrated into school and district culture?

Staff Recommendation: Information only.

Item 4: Statewide Assessments Update (Information Only)
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Description:

California's statewide student assessment system is in the process of being updated to reflect the state's adoption of new statewide content standards. Legislation passed over the past few years has eliminated several assessments that were aligned to prior academic content standards, and provided for a transition to assessments that are aligned to the Common Core State Standards (CCSS) in English language arts and mathematics, English language development standards and Next Generation Science Standards. This item reviews existing assessments and those under development, and associated costs.

Panel:

- Edgar Cabral, Legislative Analyst's Office
- Monique Ramos, Department of Education
- Keric Ashley, Department of Education

Background:**California Assessment of Student Performance and Progress (CAASPP)**

AB 484 (Bonilla), Chapter 489, Statutes of 2013 authorized a new statewide assessment system for California's schools, the California Assessment of Student Performance and Progress (CAASPP). Specifically, CAASP covers the following assessments:

- English Language Arts (ELA) and Mathematics: Summative Assessments for grades 3 through 8, inclusive and grade 11.
- Science: Grade level assessments at least once in each of the following: 3-5, 6-9 and 10-12 (currently administered in grades 5, 8, and 10).
- California Alternate Performance Assessment for the above ELA, mathematics, and science assessments.
- Early Assessment Program in grade 11.
- Primary Language Assessments.

Of these assessments, in 2014-15, only Smarter Balanced Summative Assessments in ELA and Mathematics are aligned to the state's most recently adopted standards. In the other subject areas, new assessments are under development and until they are operational, local educational agencies will be continuing to use existing assessments, aligned to previous standards. The existing primary language assessment is not a required assessment and LEAs may continue to administer this assessment at their own expense.

Once fully implemented, this new suite of statewide assessments will align with new state academic content standards, but also require computer-based, and in some cases computer-adaptive, assessments to replace many assessments that were previously paper and pencil exams.

1) English Language Arts and Math Assessments

The State Board of Education (SBE) adopted common core state standards in language arts and mathematics on August 2, 2010. To address the need for standards-aligned statewide assessments, the state joined the Smarter Balanced Assessment Consortium (SBAC) in June 2011 to develop ELA and mathematics assessments aligned to the common core standards. In the spring of 2014, the new English language arts and mathematics exams were field tested by approximately 95 percent of students in grades 3 through 8. Starting March 10, 2015, the testing window opened on the first statewide administration of the new summative assessments in English language arts/literacy and mathematics. These new assessments are computer-based and include computer-adaptive multiple choice questions, as well as performance tasks. Of the approximately 3.2 million students in grades 3 through 8 and eleven being assessed in the Spring of 2015, it is estimated that only 1,800 will be assessed using a paper and pencil version (26 schools that lack adequate bandwidth to provide the online assessment).

According to the Department of Education, as of April 24th (34 testing days):

- Local educational agencies where testing has begun: 1,106
- Number of students that started a summative assessment: 1,633,196
- Summative assessments completed
 - English language arts/literacy test: 573,299
 - Mathematics test: 366,794

The spring 2015 administration of Smarter Balanced ELA and mathematics will result in individual scores that specify a student's proficiency level. These will be first provided to individual students, schools, and local educational agencies and then available to the public in late 2015. Students in grade 11 may choose to release the results of their ELA and mathematics exams to California Community Colleges and California State Universities to provide an early indicator of a student's readiness for college-level coursework in English and mathematics under the Early Assessment Program. Students can use these results to inform the coursework they undertake in grade 12 as they prepare for post-secondary education and placement at the California Community Colleges and California State Universities.

2) Science Assessments

The Next Generation Science Standards (NGSS) for grades kindergarten through 12 were adopted by the State Board of Education in September of 2013. Under federal law, students must be assessed in science at least once in each of the following grade spans: 3-5, 6-9, and 10-12. Until an NGSS-aligned assessment is operational, LEAs are required to continue to administer science assessments aligned with the state's old standards in grades 5, 8, and 10. Funds were provided in 2014-15 (\$4 million) towards the development of an NGSS-aligned assessment, however CDE anticipates the actual work of developing an assessment will not begin until spring of 2016, with an operational assessment likely in 2018-19, due to the complexity of translating the new standards into test items.

3) Assessments for Students with Disabilities

California includes students with disabilities in statewide assessments, as required by federal law. The current Smarter Balanced ELA and mathematics assessments include options for assessing students with disabilities using accessibility supports and accommodations and this takes the place of the previously used California Modified Assessment (CMA). The CMA was

used to assess students with disabilities who have an individualized education plan that requires modifications.

Federal regulations also require the inclusion of students who cannot participate in the general statewide assessment system. Currently, the California Alternate Performance Assessment (CAPA) in science is used to meet the assessment needs of this population of students until the alternate CA NGSS assessment is available. In July 2015, the SBE eliminated CAPA testing in ELA and mathematics and directed the CDE to explore other options for spring 2015 and beyond. A new version of the California Alternate Assessment for ELA and mathematics is under development and, according to CDE, field testing of the examination will be completed in June 2015, with an operational assessment anticipated to be in place by spring 2016.

4) Primary Language Assessment

California has also historically provided for a primary language assessment for English learner students to demonstrate mastery of reading/language arts standards. Currently, the state allows LEAs the option of continuing to administer the existing Standards-based Test in Spanish (STS) until a successor assessment is operational. LEAs may also administer the STS to students enrolled in dual-immersion programs at their own expense. Funds were provided in 2014-15 (\$2 million) to begin development of a primary language assessment(s). According to CDE, thus far, required stakeholder meetings have occurred and a statutorily-required report to the SBE is anticipated to be released in July 2015. CDE anticipates that pilot testing on a Spanish primary language assessment could occur in 2016-17; field testing in 2017-18, and a fully operational exam may be available in 2018-19.

Assessment of Language Development

The state currently administers an annual assessment to determine the progress of English learners in developing English language proficiency. The current assessment for this purpose is the California English Language Development Test (CELDT). Legislation passed in 2013 [SB 201 (Lui) Ch. 478, Statutes of 2013] authorized the development of a new English Language Proficiency Assessment. This new assessment will differ from the current annual assessment in that it will include an assessment for initial identification of English Learners and an annual assessment to gauge a student's progress towards English proficiency. The new assessment will also be aligned to the CCSS, including the new English language development standards. Work on this new assessment began in 2012-13 under the existing CELDT contract by identifying CELDT test questions that are aligned to the new standards and can be used in a new assessment. (One of the major cost drivers of any assessment is developing an adequate item bank of test questions.) Funds were provided through contract savings in 2013-14, and \$6.7 million in Proposition 98 General Fund was provided in the 2014-15 Budget Act for development of the new English Language Proficiency Assessment for California (ELPAC).

CDE is in the process of contracting for the development of the ELPAC assessment, and will provide an update after the May Revision on progress and the need for additional or re-appropriation of funding. Although, the ELPAC went out to bid as a pencil and paper-based assessment, the request for proposals specified that the contractor must be able to transition to a computer-based assessment in the future. According to the CDE, an operational ELPAC will be available in 2017-18. Until the ELPAC is in place, the state will continue to administer the existing CELDT to meet federal Title III of the Elementary and Secondary Education Act reporting requirements.

California High School Exit Exam (CAHSEE)

Current law requires students, as a condition of graduating from high school, to successfully complete specified coursework, any locally-imposed graduation requirements, and pass the CAHSEE. The CAHSEE assesses students in ELA and mathematics. Students first take this test in grade ten. If they do not pass the test in grade ten, they have more chances to take the test. In grade eleven, they can take the test two times. In grade twelve, they have up to five times to take the test. The CAHSEE is not aligned to the new common core standards in ELA and mathematics.

The current CAHSEE contract expires in October of 2015 and CDE is working with the Department of General Services on options for extending the current contract or initiating a new contract.

Pending legislation (SB 172, Liu) would suspend the administration of the CAHSEE, and the requirement that students pass this exam as a condition of graduation from high school during the 2016-17 through 2018-19 school years, or when the CAHSEE is no longer available. The bill would also require reporting on the potential replacement of the CAHSEE.

Other Assessments

The CDE also maintains a variety of other assessment contracts, such as the California High School Proficiency Exam, the Physical Fitness Test and other outreach and technical reporting contracts.

Assessment Funding

Statewide assessments have historically been split-funded between federal Title VI funds and Proposition 98 General Fund. The 2014-15 budget included funding appropriate to begin transitioning to a new assessment system, including the first administration of the new Smarter Balanced ELA and mathematics assessments in grades 3 through 8 and 11. In addition, funding was provided for development of new science and primary language assessments.

The CAASPP administration and assessment contract has been awarded to the Educational Testing Service (ETS) for activities through 2018. CDE has been in negotiations with ETS and the final contract is currently before the State Board of Education for final approval. The ETS contract covers administration of the assessments, including technology, scoring, reporting, and development of new assessments. CDE is also a member of the Smarter Balanced Assessment Consortium (SBAC), which owns the item bank (exam questions) and tools, such as formative assessments and the digital library. The state pays \$9.55 million annually to the SBAC, which currently has contracted with the University of California, Los Angeles to cover the cost of consortium-managed services, such as access to the summative and interim assessments, access to the digital library, continued test development, and validity studies. The SBAC provided some tools (interim assessments) later in the year than originally planned and used additional data from the California field test in their standards setting work. As a result, the SBAC is providing a credit, or approximately \$1.5 million, to California. The amount of the credit will be finalized in May following the approval of the SBAC budget in April. The CDE will provide confirmation and a proposal to use these funds at the May Revision. CDE's estimated costs for statewide assessments in 2015-16 are summarized below:

Proposed 2015-16 Statewide Student Assessment Costs			
Assessment Activity	Prop 98 Projected Costs	Federal Fund Projected Costs	TOTAL Projected Costs
Other Assessment-Related Contracts	\$ 1,483,416	\$ 600,000	\$ 2,083,416
English Language Development Assessment			
Administration of CELDT		\$ 7,443,000	\$ 7,443,000
Development of ELPAC	\$ 8,500,000		\$ 8,500,000
High School Exit Examination	\$ 5,894,000	\$ 5,172,000	\$ 11,066,000
High School Exit Examination Evaluation	\$310,130	\$ 39,870	\$350,000
California Assessment of Student Performance and Progress			
CAASPP 2014-15 administration (current contract ends December 2015)	\$ 7,622,101		\$ 7,622,101
CAASPP 2015-16, 2016-17, 2017-18 administrations (July 2015 through December 2018)	\$ 68,943,899	\$ 7,075,000	\$ 76,018,899
SBAC Consortium	\$ 9,550,000		\$ 9,550,000
Independent Evaluation	\$ 700,000		\$ 700,000
Assessment Apportionments	\$ 23,723,200		\$ 23,723,200
High School Proficiency Exam	\$ 1,244,000		\$ 1,244,000
Reimbursements for High School Proficiency Exam	\$ (1,244,000)		\$ (1,244,000)
Totals	\$ 126,726,746	\$ 20,329,870	\$ 147,056,616

Source: Department of Education

Staff Comments:

The state is in the middle of a monumental transition to a new testing system that will not only align to new statewide content standards, but has also ushered LEAs into a new era of increased use of technology in the classroom. The state is also able to work with many other states and private or public partners in developing innovative ways to assess students and share assessment content and costs. These assessment changes are not without significant costs as displayed in this item. The Legislature should review the costs of administering these new assessments on annual basis, as well as ensure that the state is on track to develop new assessments in a timely and cost-effective manner. Staff will work with CDE and DOF to confirm final assessment costs after the May Revision.

Suggested Questions:

- 1) How much funding is included within the proposed 2015-16 CAASPP contract for development of the new science and primary language assessments? Does the CDE have an estimate for the total costs of developing these assessments and the ongoing costs to administer?
- 2) CDE has reported a savings of \$1.5 million out of \$4 million provided for the development of science assessments in 2014-15, and \$1.9 million out of \$2 million provided for the development of primary language assessments. Which activities was the test contractor unable to complete and has this delayed development of these assessments?

- 3) Under the state's contract with SBAC, California chose to purchase and offer a variety of tools for our LEAs such as formative assessments, diagnostic assessments, and a digital library. Are all of these tools available and are teachers and LEAs currently using them?
- 4) This coming winter, scores for the new summative ELA and mathematics assessments will be released for the first time. What is the state's plan for helping LEAs, teachers, students, parents, and policy makers understand this first round of results?
- 5) When does the CDE anticipate the ELPAC to be a computer-based assessment? Are there barriers to making this a computer-based assessment?

Staff Recommendation: Information Only. The budgeted amounts for statewide assessments will be updated at the May Revision, based on final cost estimates.

Item 5: Technology Infrastructure**Description:**

California's schools have a greater need to provide Internet access to their students that ever before with the advent of statewide online testing. The Governor's 2015-16 budget provides a total of \$108.8 million in funding to address school sites that have no or limited internet connectivity.

Panel:

- Natasha Collins, Legislative Analyst's Office
- Cindy Kazanis, Department of Education
- Monique Ramos, Department of Education
- Amber Alexander, Department of Finance

Background:

Most schools connect to their school district office or county office of education which then connects to a high-speed internet backbone (a series of fiber-optic cables that run across large distances) operated by the Corporation for Education Network Initiatives in California (CENIC). The K-12 High Speed Network (HSN) grant pays for Internet connections from the district or county office of education to the CENIC backbone. CENIC is a non-profit organization that provides Internet services to educational agencies in California.

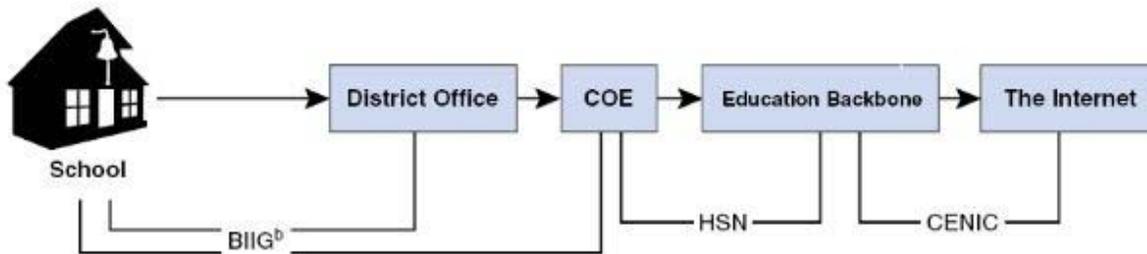
The HSN was established in 2004-05, when the state provided funding for a HSN grant, which was awarded to the Imperial County Office of Education. The HSN assists schools with connecting to the Internet through CENIC. According to the LAO, the HSN received about \$8 million annually in Proposition 98 General Fund and also receives about \$6 million per year in subsidies for Internet services purchased from commercial providers. The HSN also has a projected reserve of \$14.3 million in 2014-15, built up over time as the cost of Internet services has decreased.

According to the HSN, the ability of school access to the Internet varies across the state for a variety of reasons; available infrastructure is often the biggest barrier – both remote, rural areas and low-income, urban areas face issues related to lack of infrastructure. Other barriers include limited technical capacity in school staff, limited dedicated state funds in recent years, and geographic diversity. While the HSN has been working to increase Internet access across the state for the past decade, recent state policies have made this access a greater priority than ever before.

The new statewide assessment system, currently under development, not only aligns with new state academic content standards, but also requires computer-based, and in some cases computer-adaptive, assessments to replace many assessments that were previously paper and pencil exams. LEAs have faced challenges in upgrading their technology needs, not just hardware and software needs, but also Internet connectivity and load capacity (how many students can take the assessment at one time). In the spring of 2014, the new English language arts and mathematics exams were field tested by approximately 95 percent of students in grades 3 through 8, and currently LEAs are administering the first operational version of the assessment. Of the approximately 3.2 million students in grades 3 through 8 and eleven being assessed in the Spring of 2015, it is estimated that only 1,800 will be assessed using a paper and pencil version (26 schools that lack adequate bandwidth to provide the online assessment).

Recognizing the critical need for many schools to upgrade their Internet access in the face of new assessment requirements, the 2014-15 budget provided \$26.7 million for the Broadband Infrastructure Improvement Grants (BIIG) program. These funds were for improvement of network connectivity infrastructure for schools, specifically infrastructure known as the “last mile” connection. The last mile is typically the connection from the school to the school district office or county office of education.

BIIG Intended to Help Some Schools Access the Internet^a



^a Distances not to scale. Distance from school to district office and from district office to backbone or other sites vary significantly across state.

^b Schools use BIIG for their last-mile connections—connecting them either to their district office or COE, depending on existing infrastructure.

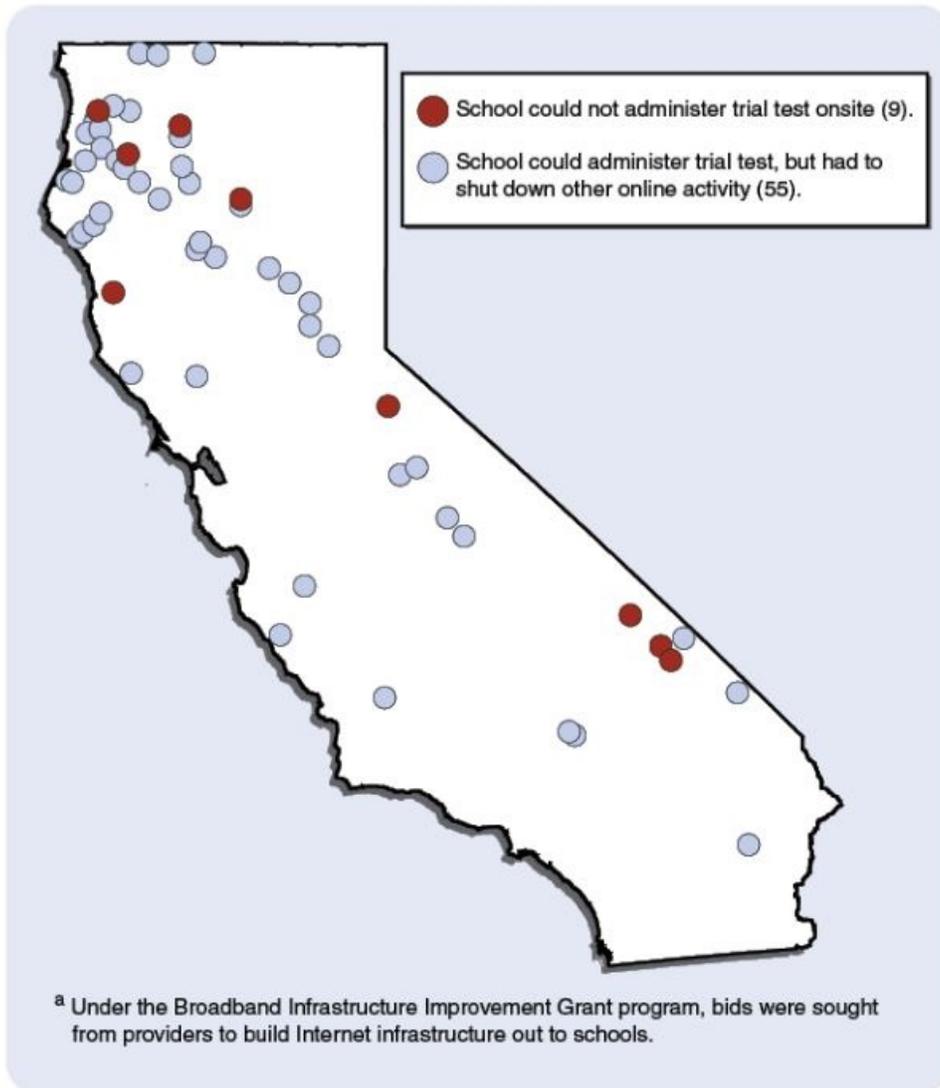
BIIG = Broadband Infrastructure Improvement Grants; COE = county office of education; HSN = High Speed Network; and CENIC = Corporation for Education Network Initiatives in California.

Source: Legislative Analyst’s Office

According to a HSN report, “*Connecting California’s Children 2015: Assessing and Improving Network Connectivity Infrastructure in California’s K-12 Public Schools*”, BIIG funds are being provided to upgrade connectivity to 227 sites. These grantees were determined through a multi-step process. First priority was given to schools that were unable to administer the CAASP field test in 2014 due to last mile connectivity, with second priority for those schools that had to limit other Internet use in order to conduct the tests. After site needs were validated and reviewed, 291 sites were eligible for BIIG funds.. Sites that ultimately are receiving BIIG funds do not get funds that go directly to schools, instead funds are managed by the HSN and pay for one-time costs to upgrade circuits, construction, installation, and equipment. Also, ongoing monthly costs are covered through June 30, 2016. Sites receiving BIIG grants will have dramatically improved network speeds, access to statewide research and education network, access to higher connectivity at lower costs, and most will have scalable connections to ensure room for future growth, as well as ensuring the sites can provide the new online assessments.

Of the 291 eligible sites, 64 sites initially did not receive a solution, and after continued work by the HSN, this number is now down to 47. Of these nine schools cannot test onsite and 38 must shut down other operations in order to provide the online assessment. According to the HSN report, there are a variety of reasons these sites may not have received bids, including a too-short timeframe to prepare a bid for the complex solutions some sites may need, geographical isolation of sites, or lack of business opportunities for vendors. At this time, CDE and the HSN have indicated that the remaining 47 sites would receive solutions within the current year BIIG grant. These solutions would be limited to satellite and microwave, which have limitations for reliability and scalability, however have a shelf life of 7-10 years.

64 Schools With No Infrastructure Bids^a



Source: Legislative Analyst's Office

BIIG funding is one of many sources of that LEAs can use to meet their technology needs. The state has provided a variety of funds sources that LEAs may use for technology, including: LCFF funding, a one-time allocation of \$1.25 billion of Proposition 98 funding in the 2013-14 year for implementation of state standards, \$401 million in mandates backlog funding in the 2014-15 budget that may be used for any purpose, although legislation included intent language that it be used for implementing common core standards. Additionally, LEAs are eligible for state and federal Internet subsidies that can pay for up to 95 percent of monthly service costs.

The HSN released “*Connecting California’s Children 2015, Supplemental Report: Findings and Observations*” in April of 2015. Language in last year’s budget required the HSN to provide information on network connectivity in California’s K-12 system. The report makes the following observations:

- Technical support of network infrastructure varies across the state.
- Some of California’s K-12 public schools continue to lack access to last and middle mile infrastructure.
- Some school sites cannot fully utilize last mile connections because their internal infrastructure is inadequate.
- State and national reports call for expanded broadband capacity to meet 21st Century goals for teaching, learning, and assessments.
- Data collection on connectivity in K-12 schools is inconsistent, and impacts local planning.

The report also details strategies to help meet each of the observations.

Governor’s Proposal:

The Governor proposes to provide \$100 million in one-time Proposition 98 funding to support Internet connectivity and infrastructure for schools. This funding would go out through the same BIIG program from the current year and would use the same eligibility and priority ranking criteria as last year to address the remaining sites, likely to provide fiber optic Internet infrastructure to remaining sites.

The Governor also proposes to use \$8.8 million from the HSN’s reserve funds for to provide BIIG grants in 2015-16. This would reduce the HSN reserve from \$14.3 to \$5.5 million (38 percent of the annual budget). The Governor proposes that the remaining reserve is needed to cover uncertainties in the timing of federal Internet subsidies and for anticipated replacement of equipment in 2018-19.

Legislative Analyst’s Office Analysis and Recommendations:

The LAO notes that of the remaining sites from the 2014-15 BIIG effort, the nine schools that cannot administer the online assessment enroll less than 60 test-taking students and the 38 schools that must shut down other activities to administer the assessment enroll less than 2,000 test-taking students. Therefore the cost per student to upgrade these sites is significant; the LAO cites data from CDE that one BIIG-eligible site received only one bid for \$10 million to serve just five test taking students (the bid was not accepted). The LAO also notes that there still are other options available to these sites which would be far less costly, including satellite and microwave Internet connections which would allow students to take the test online, testing a small number of students at a time, busing students to a library or other site with Internet access, or using paper and pencil assessments (available through 2016-17).

In addition, the LAO notes that the state has little information about HSN expenditures. The annual audit required of the program is currently included within a larger Imperial County Office of Education audit and, as such, does not break out detail on operations and expenditures.

As a result of its analysis, the LAO recommends that the Legislature:

- Not fund sites with extraordinary costs, but considering setting a maximum per-pupil amount if reasonable based on HSN information.
- Require the HSN audit to be separate from the Imperial County Office of Education audit to provide more transparency, including requiring a list of expenditures, revenues, and reserves.
- Not provide the HSN with a new Proposition 98 General Fund budget appropriation in 2015-16, and instead require the HSN to use \$8.3 million in reserve funds for 2015-16 operations. This would free up \$8.3 million in Proposition 98 funds for other uses.
- Re-evaluate the need for an appropriate reserve level for HSN in 2016-17 with the additional audit information.

Staff Comments:

LEAs have noted significant technology needs, not just to support the new online statewide assessments for their students, but also to allow schools to take advantage of new ways to educate students and ensure they are ready to participate in an economy that is increasingly tied to technology. However, the Legislature may want to consider at what point investments in infrastructure, such as building out fiber connectivity to remote areas, is cost-effective, particularly when the trade-off is additional funds for other educational needs.

The role and workload of the HSN is also undergoing a transformation. As access to technology is further embedded into education, and particularly with this big assessment change, the HSN will likely be handling increased and different workload to ensure these changes are made and managed. A review of their current work would help to inform future adjustments to their ongoing business model. Staff notes that both the LAO and Department of Finance are in agreement about reducing the HSN reserve, however it is unclear that the funds are needed in a new BIIG program. The Legislature may want to consider taking steps to ensure that the HSN budget and workload can be appropriately sized in the next year, including adding additional audit provisions.

Suggested Questions:

- 1) What guidelines do DOF, CDE, or LAO think are appropriate for the expenditure of additional funds?
- 2) Would there be any potential benefit to waiting until short-term solutions (wireless or satellite) are nearing the end of their lifespan before investing in other solutions, such as fiber?
- 3) One of the problems noted in the HSN studies is the lack of data on connectivity needs of schools. Does CDE or the HSN have a plan to address this?
- 4) Are there viable cost-sharing models with local government or business, that the HSN and the remaining schools can tap into?

Staff Recommendation: Hold open pending the May Revision updated Proposition 98 funding.

Item 6: Department April Letters

Description:

The Department of Finance (DOF) proposes the following technical adjustments to various K-12 state operations (support) and local assistance items in the 2015-16 budget. These revisions are proposed by a DOF April 1 finance Letter. These issues are considered technical adjustments, mostly to update federal budget appropriation levels so they match the latest estimates and utilize funds consistent with current programs and policies.

Panel:

Department of Finance
 Department of Education
 Legislative Analyst's Office

VOTE ONLY: Issues 1-12**Federal Funds – State Operations (Support) and Local Assistance**

1. **Item 6100-001-0890, Support, State Department of Education (SDE). Add One-Time Federal Trust Fund for Child Nutrition Program Training and Oversight (Issue 360)**—It is requested that this item be increased by \$2,091,000 Federal Trust Fund to reflect the availability of one-time funding to support training, technical assistance, and oversight of school food authorities in response to changes in the federal Healthy, Hunger-Free Kids Act of 2010 (act).

In an effort to improve federal child nutrition programs, the act contained many new requirements, including changes to meal patterns and nutritional standards and increased oversight of program sponsors. The act also provides administrative funds specifically for state agencies to provide technical assistance to school food authorities on changes to the meal and nutrition requirements.

It is further requested that provisional language be added, as follows, to conform to this action:

- X. Of the funds appropriated in this item, \$2,091,000 is provided on a one-time basis to support statewide training, technical assistance, and oversight of school food authorities regarding changes to meal and nutritional standards contained in the federal Healthy, Hunger-Free Kids Act of 2010.
2. **Item 6100-001-0890, Support, State Department of Education (SDE). Amendment to California Longitudinal Pupil Achievement Data System Provisional Language (Issue 623)**—It is requested that Provision 16 of this item be amended to remove outdated provisional language as follows. This technical change would have no effect on the total amount budgeted in the item.

“16. Of the funds appropriated in this item, \$6,636,000 is for the California Longitudinal Pupil Achievement Data System (CALPADS), which is to meet the requirements of the federal No Child Left Behind Act of 2001 (20 U.S.C. Sec. 6301 et seq.) and Chapter 1002 of the Statutes of 2002. These funds are payable from the Federal Trust Fund to the State Department of Education (SDE). Of this amount, \$5,641,000 is federal Title VI funds and \$995,000 is federal

Title II funds. These funds are provided for the following purposes: \$3,254,000 for systems housing and maintenance provided by the Office of Technology Services (OTECH); \$908,000 for costs associated with necessary system activities; \$790,000 for SDE staff, and \$710,000 for various other costs, including hardware and software costs, indirect charges, Department of General Services charges, and operating expenses and equipment. ~~As a condition of receiving these funds, SDE shall ensure the following work has been completed prior to making final vendor payments: a Systems Operations Manual, as specified in the most current contract, has been delivered to SDE and all needed documentation and knowledge transfer of the system has occurred; all known software defects have been corrected; the system is able to receive and transfer data reliably between the state and local educational agencies within timeframes specified in the most current contract; system audits assessing data quality, validity, and reliability are operational for all data elements in the system; and SDE is able to operate and maintain CALPADS over time.~~ As a further condition of receiving these funds, the SDE shall not add additional data elements to CALPADS, require local educational agencies to use the data collected through the CALPADS for any purpose, or otherwise expand or enhance the system beyond the data elements and functionalities that are identified in the most current approved Feasibility Study and Special Project Reports and the CALPADS Data Guide v4.4. In addition, \$974,000 is for SDE data management staff responsible for fulfilling certain federal requirements not directly associated with CALPADS.”

3. **Item 6100-113-0890, Local Assistance, Student Assessment Program (Issue 624)**—It is requested that Schedule (5) of this item be decreased by \$738,000 federal Title VI funds to align to the federal grant award. Federal funds for state assessments are provided for costs associated with the development and administration of the California Assessment of Student Performance and Progress, the English Language Development Test, and the California High School Exit Exam.
4. **Item 6100-119-0890, Local Assistance, Neglected and Delinquent Children Program (Issue 177)**—It is requested that this item be increased by \$209,000 federal Title I funds to align to the federal grant award. This program provides supplemental instruction, including math and literacy activities, to children and youth in state institutions for juveniles and in adult correctional institutions to ensure that these youth make successful transitions to school or employment.
5. **Item 6100-125-0890, Local Assistance, Migrant Education Program and English Language Acquisition Program (Issues 178 and 179)**—It is requested that Schedule (1) of this item be increased by \$10,074,000 federal Title I, Part C funds to reflect the availability of \$10,073,000 in one-time carryover funds and a \$1,000 increase to the federal grant award. This program provides educational support services to meet the needs of highly mobile children.

It is further requested that provisional language be added as follows to conform to this action:

X. Of the funds appropriated in Schedule (1), \$10,073,000 is provided in one-time federal Title I, Part C carryover funds to support the existing program.

It is also requested that Schedule (3) of this item be decreased by \$2,722,000 federal Title III funds to reflect the availability of \$1,188,000 in one-time carryover funds and a \$3,910,000 reduction to the federal grant award. This program provides services to help students attain English proficiency and meet grade level academic standards.

It is further requested that provisional language be added as follows to conform to this action:

X. Of the funds appropriated in Schedule (3), \$1,188,000 is provided in one-time federal Title III carryover funds to support the existing program.

6. **Item 6100-134-0890, Local Assistance, School Improvement Grant Program and Basic Elementary and Secondary Education Act Program (Issues 626 and 625)**—It is requested that Schedule (3) of this item be increased by \$2,301,000 federal Title I funds to reflect the availability of \$2,835,000 in one-time carryover funds and a \$534,000 reduction to the federal grant award. The SDE awards school improvement grants to local educational agencies (LEAs) with the persistently lowest-achieving Title I schools to implement evidence-based strategies for improving student achievement.

It is further requested that provisional language be added as follows to conform to this action:

X. Of the funds appropriated in Schedule (3), \$2,835,000 is provided in one-time carryover funds to support the existing program

It is further requested that Schedule (4) of this item be increased by \$1,699,000 federal Title I funds to reflect the availability of \$4 million in one-time carryover funds and a \$2,301,000 reduction to the available federal grant award. LEAs use these funds to support services that assist low-achieving students enrolled in the highest poverty schools.

It is further requested that provisional language be added as follows to conform to this action:

X. Of the funds appropriated in Schedule (4), \$4,000,000 is provided in one-time carryover funds to support the existing program.

7. **Item 6100-136-0890, Local Assistance, McKinney-Vento Homeless Children Education Program (Issue 180)**—It is requested that Schedule (1) of this item be increased by \$497,000 federal Title X, Part C funds to reflect the availability of \$573,000 in one-time carryover funds and a \$76,000 reduction to the available federal grant award. This program provides a liaison to ensure homeless students have access to education, support services, and transportation.

It is further requested that provisional language be added as follows to conform to this action:

X. Of the funds appropriated in this item, \$573,000 is provided in one-time federal Title X, Part C carryover funds to support the existing program.

8. **Item 6100-137-0890, Local Assistance, Rural and Low-Income School Program (Issue 181)**—It is requested that this item be increased by \$206,000 federal Title VI funds to reflect the availability of \$68,000 in one-time carryover funds and a \$138,000 increase to the federal grant award. This program provides financial assistance to rural districts to help them meet federal accountability requirements and to conduct activities of the federal Elementary and Secondary Education Act program.

It is further requested that provisional language be added as follows to conform to this action:

X. Of the funds appropriated in this item, \$68,000 is provided in one-time federal Title VI carryover funds to support the existing program.

9. **Item 6100-156-0890, Local Assistance, Adult Education Program (Issue 284)**—It is requested that this item be increased by \$8,105,000 federal Title II funds to reflect the availability of \$5 million in one-time carryover funds and a \$3,105,000 increase to the federal grant award. The Adult Education Program supports the Adult Basic Education, English as a Second Language, and Adult Secondary Education programs.

It is further requested that provisional language be added as follows to conform to this action:

X. Of the funds appropriated in this item, \$5,000,000 is provided in one-time carryover funds to support the existing program.

10. **Item 6100-166-0890, Local Assistance, Vocational Education Program (Issue 285)**—It is requested that this item be increased by \$8,333,000 federal Carl D. Perkins Vocational and Technical Education Act funds to reflect the availability of \$8,413,000 in one-time carryover funds and a \$80,000 reduction to the federal grant award. The Vocational Education Program develops the academic, vocational, and technical skill of students in high school, community colleges, and regional occupational centers and programs.

It is further requested that provisional language be added as follows to conform to this action:

X. Of the funds appropriated in this item, \$8,413,000 is provided in one-time carryover funds to support the existing program.

11. **Item 6100-193-0890, Local Assistance, Mathematics and Science Partnership Program (Issue 286)**—It is requested that this item be increased by \$278,000 federal Title II funds to reflect the availability of \$112,000 in one-time carryover funds and a \$166,000 increase to the federal grant award. The Mathematics and Science Partnership Program provides competitive grants to partnerships of low-performing schools and institutions of higher education to provide staff development and curriculum support to mathematics and science teachers.

It is further requested that provisional language be added as follows to conform to this action:

X. Of the funds appropriated in this item, \$112,000 is provided in one-time carryover funds to support the existing program.

General Fund and Other Adjustments

12. **Items 6100-001-0001 and 6100-491, Support, SDE, Reappropriate One-Time Savings (Issues 042, and 621)**— It is requested that Item 6100-001-0001 be increased by \$28,000 General Fund to support Independent Project Oversight Consultant services for the implementation of the Smarter Balanced Technical Hosting Solution. Funding was appropriated in the 2014 Budget Act for this purpose. However, effective July 1, 2014, the California Department of Technology decreased their billing rate for these services, resulting in savings.

It is also requested that Item 6100-491 be added as follows to conform to these actions:

6100-491—Reappropriation, Department of Education. The amount specified in the following citation is reappropriated for the purposes provided for in those appropriations and shall be available for encumbrance or expenditure until June 30, 2016:

0001—General Fund.

1. \$28,000 in Item 6110-001-0001, Budget Act of 2014 (Ch. 25, Stats. of 2014), to support Independent Project Oversight Consultant services for the implementation of the Smarter Balanced Technical Hosting Solution.

DISCUSSION AND VOTE: Issue 13

- 13. **Addition of Budget Bill Item 6100-170-0001, Local Assistance, Career Technical Education (CTE) Program (Issue 282)**—It is requested that Item 6100-170-0001 be added and that \$810,000 in one-time reimbursement carryover funds be provided for the CTE Program. Specifically, \$220,000 would allow for the completion of three projects that could not be completed in the current year due to contract delays, \$275,000 would fund a contract for an evaluation of the pilot Linked Learning Program, and \$315,000 would be allocated to existing participants of the pilot Linked Learning Program.

It is further requested that Item 6100-170-0001 be added as follows to conform to this action:

6100-170-0001—For local assistance, Department of Education, pursuant to Section 88532 of the Education Code..... 0

- (1) 5205092-Career Technical Education Initiative810,000
- (2) Reimbursements to 5205092-Career Technical Education Initiative.....-810,000

Provisions:

- 1. Of the funds appropriated in this item, \$810,000 reflects one-time reimbursement carryover funds. Specifically, \$220,000 is to complete unfinished projects of the CTE Online development, the California Partnership Academies Special Project, and the Leadership Development Institutes, \$275,000 is to complete an evaluation of the pilot Linked Learning Program, and \$315,000 is for grants to the existing participants of the pilot Linked Learning Program.

Staff Comments:

Staff notes that April Letter issues 1-12 are technical adjustments and are unaware of any opposition.

Staff notes that April Letter Issue 13 does not reflect available carryover. After the issuance of the April Letter request, the Department of Education encumbered an additional \$275,000 for an evaluation of the pilot Linked Learning Program and also encumbered \$225,000 to update the Multiple Pathways Report (a statutorily required report already completed in 2010). This update is a CDE initiative and was not required by statute. After these changes, \$310,000 is now available to carryover, instead of the \$810,000 reflected above. Of this carryover, \$220,000 is proposed to complete unfinished projects of the CTE Online development, the California Partnership Academies Special Project, and the Leadership Development Institutes, leaving only \$90,000 available for grants to the existing participants of the pilot Linked Learning program, instead of the \$315,000 proposed in budget bill language in issue 13 of this item.

Staff notes that the Department of Education has expressed concern that \$90,000 results in a small amount of funds for current Linked Learning Pilot grantees and has instead suggested that the funds be used to augment the funds already encumbered to update the Multiple Pathways Report.

Staff Recommendation:

Approve April Letter issues 1-12 with conforming budget bill language as listed in this item.

Approve April Letter Item 13, amended to reflect an updated carryover amount of \$310,000 and conforming budget bill language for these funds to be provided for unfinished projects and to existing participants of the pilot Linked Learning program.

Vote: Approve April Letter issues 1 and 3-12 with conforming budget bill language as listed in Item 6. 2-0 (Moorlach absent)

Item 7: State Operations

Description:

The Governor’s budget proposed a number of adjustments for California Department of Education headquarters staff and expenses that have not already been heard by the subcommittee. These proposed adjustments include staffing increases in 2015-16 to implement several statutes enacted in 2014.

Panel:

Department of Finance
 Department of Education
 Legislative Analyst’s Office

Background:

Funding and authorized positions for the California Department of Education are summarized by the table below:

California Department of Education			
Authorized Positions and State Operations Funding			
	13–14	14–15	Proposed 15–16
Authorized Positions			
Headquarters	1,489.60	1,505.80	1,502.80
State Special Schools	948.10	948.10	948.10
Total	2,437.70	2,453.90	2,450.90
Funding			
CDE Headquarters			
General Fund	47,359,000	55,813,000	56,461,000
Federal Funds	170,672,000	170,340,000	156,177,000
Other Funds (Restricted)	32,271,000	32,840,000	32,274,000
Total	250,302,000	258,993,000	244,912,000
Percent General Fund	19%	22%	23%
Percent Federal Funds	68%	66%	64%
CDE State Special Schools			
Proposition 98 GF	50,500,000	52,530,000	52,578,000
Non-Proposition 98 GF	43,814,000	45,462,000	47,549,000
Federal Funds	0	0	0
Other Funds	12,322,000	10,495,000	10,493,000
Total	106,636,000	108,487,000	110,620,000
CDE Headquarters & State Special Schools			
General Fund	141,673,000	153,805,000	156,588,000
Federal Funds	170,672,000	170,340,000	156,177,000
Other Funds	44,593,000	43,335,000	42,767,000
Total	356,938,000	367,480,000	355,532,000

Source: Department of Education, Except for 2015-16, data are current-year estimates (middle column) from the Governor’s Budget

Governor’s Budget Proposals:

	Governor's Budget Proposal	State General Fund (in 1000s)	Description	LAO Recommendation and Rationale
1	Funding for legal defense of Cruz lawsuit	\$3,675	Provides one-time funding for second year of contract with legal firm to represent state in <i>Cruz v. California</i> case.	Recommend approval.
2	Kindergarten Program Implementation Report (AB 1719, Ch 723, Weber)	250	Provides one-time funding for CDE to report on characteristics of kindergarten programs across the state. (Estimate based on similarity to cost of already completed Child Care Characteristics Study.)	Recommend approval. Implements legislation. Proposed funding reasonably well-aligned with workload.
3	Civil Rights Complaints Management	207	Provides ongoing funding (\$107,000) for one existing unfunded authorized position to respond to complaints and one-time funding (\$100,000) to address backlog of complaints.	Recommend approval. Workload has increased for that division (8 to 10 appeals each month). Proposed funding reasonably well-aligned with workload.
4	Distinguished After School Health Recognition Program (SB 949, Ch 369, Jackson)	177 plus 1.5 PY	Provides one-time funding for CDE to fulfill the requirements of the legislation. 1.0 one-year IT position and 0.5 two-year limited-term consultant positions would develop guidelines for how after school programs could qualify for the recognition program, then post which programs achieved the certification.	Recommend approval. Implements legislation. Proposed funding reasonably well-aligned with workload.
5	SBE workload related to charter schools	151	Provides funding for portions of three existing SBE staff who work on charter school issues for the Board and Governor. Backfills federal Public School Charter Grant funding that is expected to be notably reduced in upcoming fiscal year.	Recommend waiting for May updates. We expect updated information as to the availability of federal funds (ongoing grant and carryover) in May.
6	Statewide Model County Programs Project, (AB 2276, Ch 901, Bocanegra)	137	Provides one-time funding for CDE to fulfill the requirements of the legislation. Requirements include working with other entities to study counties that are successfully transferring juvenile court school students back to other schools, developing a statewide model for successful practices, and submitting a report with recommendations by	Recommend approval. Implements legislation. Proposed funding reasonably well-aligned with workload.

			1/1/2016.	
7	Health Framework: Sexual Abuse/Trafficking Prevention Education (SB 1165, Ch 713, Mitchell)	135	Provides one-time funding for CDE to fulfill the requirements of the legislation. CDE would contract with a researcher/writer to draft a sex trafficking and sexual abuse section for possible inclusion in the next version of the state's Health Framework.	Recommend approval. Implements legislation. Proposed funding reasonably well-aligned with workload.
8	Smarter Balanced Technical Hosting Solution Project Oversight	85	Provides one-time funding for 9 months of an Independent Project Oversight Consultant (IPOC). The California Department of Technology (CalTech) required an IPOC for two years. The <i>2014-15 Budget Act</i> provided the first year of funding.	Recommend approval. Funds oversight consultants required by CalTech. Only 9 months of funding is necessary because CDE is expected to have current-year savings it can carry over to cover costs in first 3 months of 2015-16.
9	Staff for CDE Early Education and Support Division	61	Provides ongoing funding to upgrade a position provided in the <i>2014-15 Budget Act</i> from Associate Governmental Program Analyst to Consultant. Also converts both of the two positions that were provided in 2014-15 Budget Act from limited-term to permanent (with associated annual cost of \$203,000).	Recommend approval. Administrative workload recently has increased for that division (due to program expansions). Proposed funding reasonably well-aligned with workload.
10	Bullying and Cyberbullying Online Training Modules (AB 1993, Ch 418, Fox)	43	Provides one-time funding for half of an existing position to assemble and post a bullying prevention training module in compliance with legislation. The staff person would use existing resources, including federal training materials and coordinators of a former school safety grant program, to create the module.	Recommend approval. Implements legislation. Proposed funding reasonably well-aligned with workload.
11	Standardized Account Code Structure (SACs) Replacement Project	3,600 Plus 2,500 Federal Funds	SACs is the system the state uses to collect and report financial data from school districts, county offices of education and some charter schools. SACs is currently a	Recommend hold open. The Legislature may want to review the Section 11 Letter and any cost

		<p>fragmented system that required considerable manual inputs and has many components that are not supported by current operating systems. CDE proposed a replacement SACs system to address these issues, and had an approved Feasibility Study Report in 2011 estimating costs of \$5.9 million. In 2014, CDE submitted a special project report that shows total project costs of \$21.2 million based on updated data needs and complexity. DOF is currently reviewing a change of project scope, schedule, and cost for the May Revision and will need to submit a Section 11 letter to the Legislature prior to CDE entering a contract. This Section 11 letter will likely be submitted around the May Revision.</p>	<p>revisions in the May Revision.</p>
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Other State Operations:

The subcommittee may wish to consider the following state operations request not included in the Governor’s budget proposal:

- \$160,000 in non-Proposition 98 General Fund for the 2015-16 dues for the Education Commission of the States (Commission). The Commission is a research organization created by state leaders in 1965 to address education issues in the pre-K to postsecondary education areas. The Commission provides ongoing services to member states such as: tracking of state education policies, access to a searchable 50-state database on a variety of education issues, and research summaries to make academic research user-friendly for policymakers. The Commission receives most of its funding through the state members in the form of annual dues. California became a member and adopted the state compact in Education Code Section 12510 in 1981, however has never been a dues-paying member.

The subcommittee may also wish to ask CDE for an update on additional state operations requests that are pending for the May Revision.

Staff Recommendations:

Staff recommends holding issues 1 and 11 open pending updated cost estimates and additional information at the May Revision.

Staff recommends approval of issues 2-10.

Vote: Issues 2-10: Approve as budgeted 2-0 (Moorlach absent)

SUBCOMMITTEE NO. 1

Agenda

Senator Marty Block, Chair
Senator Benjamin Allen
Senator John M. W. Moorlach



**Tuesday May 19, 2015
1:30 pm
Room 2040**

Consultants: Anita Lee, Elisa Wynne

Agenda Part A

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Public Comment

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

**6110 CALIFORNIA DEPARTMENT OF EDUCATION
6870 CALIFORNIA COMMUNITY COLLEGES****Issue 1: PROPOSITION 98 OVERVIEW**

Panelists: Department of Finance
Legislative Analyst's Office
Department of Education
Community College Chancellor's Office

GOVERNOR MAY REVISION PROPOSALS**Proposition 98 Overall Funding—K-12 and Community Colleges**

California's Proposition 98 guarantees minimum funding levels for K-12 schools and community colleges. The guarantee, which went into effect in the 1988-89 fiscal year, determines funding levels according to multiple factors including the level of funding in 1986-87, General Fund revenues, per capita personal income, and school attendance growth or decline.

Driven by significant growth in General Fund revenues, the estimated Proposition 98 funding obligations included in the May Revision for the three-year period of 2013-14 to 2015-16, increases by a total of \$6.1 billion over the Governor's budget. More specifically, the revised Proposition 98 minimum guarantee levels for the 2013-14 through 2015-16 fiscal years are \$58.9 billion, \$66.3 billion, and \$68.4 billion, respectively. Compared to January, this reflects the following yearly changes, due to strong General Fund revenue growth:

- o An increase of \$241 million to the 2013-14 guarantee.
- o An increase of approximately \$3.1 billion to the 2014-15 guarantee.
- o An increase of approximately \$2.7 billion to the 2015-16 guarantee.

The Proposition 98 minimum guarantee is determined by comparing the results of three "tests" or formulas that are based on specific economic and fiscal data. The factors considered in these tests include growth in personal income of state residents, growth in General Fund revenues, changes in student enrollment, and a calculated share of the General Fund. Very generally, Test 1 is based on a percentage of General Fund; Test 2 on growth in personal income; and Test 3 on General Fund Growth. The May Revision assumes that in 2015-16, Proposition 98 is calculated using Test 3, including the payment of the required Test 3B supplement. Previously, in the January budget, the Governor had estimated that 2015-16 would be a Test 2 year. The May Revision

continues to estimate that 2014-15 is a Test 1 year, and because of significantly higher revenue, includes a larger maintenance factor payment (\$5.4 billion rather than \$3.8 estimated in January). However, because of higher revenue, 2013-14 is now estimated to be a Test 2 year, rather than a Test 3 year, eliminating the \$241 million in maintenance factor that was created in this year under the January budget proposal.

These proposed funding levels reflect a remaining Proposition 98 Maintenance Factor balance of \$772 million, down from almost \$11 billion in 2011-12.

Proposition 98 funding by segment and by General Fund and local property taxes is shown in the table below:

Changes in Proposition 98 Funding			
<i>(In Millions)</i>			
	January	May	Change
2013-14 Minimum Guarantee	\$58,673	\$58,914	\$241
By Segment:			
Schools	51,675	51,898	223
Community colleges	6,413	6,431	18
Preschool	507	507	0
Other*	78	78	0
By Fund Source:			
General Fund	42,824	42,996	171
Local property taxes	15,849	15,918	70
2014-15 Minimum Guarantee	\$63,153	\$66,303	\$3,150
By Segment:			
Schools	55,506	58,321	2,814
Community colleges	6,902	7,238	336
Preschool	664	664	0
Other*	80	80	0
By Fund Source:			
General Fund	46,648	49,608	2,960
Local property taxes	16,505	16,695	190
2015-16 Minimum Guarantee	\$65,716	\$68,409	\$2,693
By Segment:			
Schools	57,348	59,744	2,396
Community colleges	7,630	7,914	283
Preschool	657	671	14
Other*	80	80	0
By Fund Source:			
General Fund	47,019	49,416	2,397
Local property taxes	18,697	18,993	296

*Includes funding for instructional services at the State Special Schools, Department of Corrections and Rehabilitation, and Department of Development Services.

Source: Legislative Analyst's Office

The May Revision overall funding plan for education builds upon the priorities in the January proposal and includes an additional \$2.1 billion in ongoing support for implementation of the Local Control Funding Formula and an additional \$2.5 billion to pay down mandate debt. The budget plan also includes an additional \$150 million over the January proposal for Career Technical Education Incentive Grants and \$42 million to support special education services for students with disabilities. For Community Colleges, the budget plan includes an additional \$142 million in unallocated base increase, \$75 million to increase the number of full-time faculty and \$60 million in one-time support for improving the delivery of basic skills instruction. There are some minor additional proposals for K-14 education, including adjustments to the proposed Adult Education program structure. Specific proposals are outlined in Issue 2, below:

Issue 2: MAY REVISION PROGRAM CHANGES – K-12 Education

Panelists: Department of Finance
Legislative Analyst's Office
Department of Education

GOVERNOR MAY REVISION PROPOSALS**Major Program Changes — K-12 Education**

Mandates. The May Revision includes a total of \$3.5 billion in one-time Proposition 98 General Fund to pay down the backlog of the state's obligations attributable to mandates, which are a component of the "Wall of Debt." This is an increase of \$2.4 billion over the January proposal to pay down approximately \$1.1 billion. Similar to last year's mandates payment, the Administration notes that this is discretionary one-time funding that schools could use to make investments in professional development, provide teacher induction to beginning teachers, and invest in instructional materials and technology, among other uses. Of this total, \$40 million will be provided to county offices of education.

Local Control Funding Formula (LCFF). The May Revision includes approximately \$6.1 billion in implementation investment in the LCFF formula, which eliminates around 53 percent of the remaining funding gap. This is an increase of \$2.1 billion over the January proposal of \$4 billion in ongoing investments in LCFF.

Career Technical Education. The May Revision provides an additional \$150 million in one-time funding for a January proposal to create a Career Technical Education Incentive Grant Program. With this increase, the grant program provides \$400 million, \$300 million, and \$200 million in one-time Proposition 98 General Fund in the 2015-16, 2016-17, and 2017-18 fiscal years, respectively. This program provides funding for school districts, charter schools, and county offices of education to develop and expand career technical education programs. Grantees would be required to provide increasing matching funds (one-to-one match in 2015-16, a 1.5-to-1 match in 2016-17, and a 2-to-1 match in 2017-18), and to demonstrate positive results on career technical education-related outcomes over time.

Adult Education. The May Revision maintains the January proposal to provide \$500 million in ongoing Proposition 98 General Fund for an Adult Education Block Grant. However, the Governor proposes notable changes to the program structure, including allowing each regional consortium to select a governance structure, adding a three year planning cycle, adding timelines for distribution of funds, and requiring a plan to distribute federal adult education funds through the regional consortia in future years.

Special Education. The May Revision includes the following major investments in supports for Special Education, based on recommendations of the California Statewide Special Education Taskforce:

- \$30 million in Proposition 98 General Fund to augment the Early Education Program for Infants and Toddlers with Exceptional Needs. These funds expand participation beyond local education agencies that currently participate in the program to provide early intervention for infants with special needs.
- \$10 million in one-time Proposition 98 General Fund for incentive grants and technical assistance to improve how districts provide instruction and manage behaviors.
- \$1.7 million in federal funds to provide additional alternative dispute resolution grants for all Special Education Local Plan Areas in the state, and \$500,000 in federal funds for implementation of the State Systemic Improvement Plan for students with disabilities. This use of federal funds is backfilled with ongoing Proposition 98 funds.
- Additional changes to support students with disabilities in the State Preschool Program.

Repayment of Deferrals. The May Revision continues to include the repayment of all inter-year budgetary deferrals, a total of \$992 million for K-12 programs and community colleges.

K-12 High Speed Network. The May Revision continues to propose an investment of \$108.8 million in one-time Proposition 98 General Fund for the (K-12) High Speed Network to provide grant funding to school districts to improve network connectivity. This is in addition to the approximately \$26.7 million provided in 2014-15 through the Broadband Infrastructure Improvement Grant (BIIG).

Other Technical Adjustments. The May Revision also includes the following adjustments:

- **Local Property Taxes.** A decrease of \$123.3 million in 2014-15 and a decrease of \$224 million in 2015-16 in Proposition 98 General Fund for school districts, special education local plan areas, and county offices of education, as a result of higher offsetting property tax revenues.
- **Average Daily Attendance.** An increase of \$94.4 million in 2014-15 and an increase of \$173.5 million in 2015-16 for school districts, charter schools and county offices of education as a result of higher LCFF costs related to increases in projected attendance in both years.

- **Categorical Program Growth.** A decrease of \$18.4 million Proposition 98 General Fund for selected categorical programs based on updated estimates of projected attendance growth.
- **Cost-of-Living Adjustments.** A decrease of \$22.1 million Proposition 98 General Fund to selected categorical programs based on a revised cost-of-living factor of 1.02 percent for 2015-16.

6360 COMMISSION ON TEACHER CREDENTIALING

Issue 3: Proposed Vote Only Items

COMMISSION ON TEACHER CREDENTIALING - VOTE ONLY ITEMS					
#	Item	Issue	Description	Staff Recommendation	Language
1	6360-001-0001	Assessments (January Proposal)	The Governor proposes to provide \$5 million in non-Proposition 98 General Fund to the CTC to update the Cal TPA and develop an Administrator Performance Assessment (APA). The funding would be provided over a two-year period, with \$4 million appropriated in the 2015-16 budget.	Approve as proposed	BBL
2	6360-001-0001	Accreditation (January Proposal)	The Governor proposes to provide \$5 million in non-Proposition 98 General Fund to the CTC to fund a data system for accreditation, with \$3.467 million appropriated in the 2015-16 budget. This is aligned with the CTC's approved FSR.	Approve as proposed	BBL
3	6360-001-0407 and 6360-001-0408 (Issue 003)	Scheduling of Administration and Distributed Administration (May Revision)	The May Revision requests that Schedule (1) of Item 6360-001-0407 be decreased by \$465,000, Schedule (3) be increased by \$179,000, and Schedule (4) be increased by \$286,000 to reflect a correction to the scheduling of administration and distributed administration. Additionally, it is requested that Schedule (1) of Item 6360-001-0408 be decreased by \$124,000, Schedule (2) be increased by \$48,000, and Schedule (3) be increased by \$76,000 to reflect a correction to the scheduling of administration and distributed administration. This redistribution does not change the total appropriation.	Approve as proposed	

4	6360-001-0407	Beginning Teacher Induction (January Proposal)	<p>The Governor requests provisional language requiring a working group to produce a report identifying options for streamlining and reforming beginning teacher induction.</p> <p>Staff suggests the following amendments to the language:</p> <p>“7. The Commission on Teacher Credentialing (CTC) shall work with the Superintendent of Public Instruction, the State Board of Education, Legislative Staff, the Department of Finance, and beginning teacher induction stakeholders the CTC deems appropriate, to <u>evaluate any burdens of the existing induction requirements and identify options for streamlining and reforming beginning teacher induction.</u> The CTC shall submit a report that discusses the identified options, <u>findings, and funding recommendations, including state, local educational agency, and teacher candidate responsibilities,</u> to the chairpersons and vice chairpersons of the budget and policy committees of each house of the Legislature, the Legislative Analyst’s Office, and the Department of Finance by September 1, 2015.</p>	Approve BBL with staff amendments as described.	BBL
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Vote:

6360 COMMISSION ON TEACHER CREDENTIALING (CTC)**Issue 4: Teacher Credential Fee/ Commission Operations****.Panel:**

- Kimberly Leahy, Department of Finance
- Dr. Mary Sandy, Executive Director, Commission on Teacher Credentialing
- Jameel Naqvi, Legislative Analyst's Office

May Revision Proposal:

(May Letter Issue 004)

The Governor proposes to increase the teacher credential fee to \$100 for initial and renewal credentials to provide the commission with additional revenue needed to support ongoing licensing and discipline workload, including a backlog of cases at the Office of the Attorney General. The Governor also proposes a corresponding adjustment to increase Item 6360-001-0407 by \$4.5 million Teacher Credentials Fund, as a result of the increased fee revenue.

Background:

The CTC is responsible for the following major state operations activities, which are supported by special funds:

- Issuing credentials, permits, certificates, and waivers to qualified educators;
- Enforcing standards of practice and conduct for licensed educators;
- Developing standards and procedures for the preparation and licensure of school teachers and school service providers;
- Evaluating and approving teacher and school service provider preparation programs; and,
- Developing and administering competency exams and performance assessments.

In 2013-14, the CTC processed approximately 235,000 candidate applications for credential and waiver documents.

The CTC is a "special fund" agency whose state operations are largely supported by two special funds -- the Test Development and Administration Account (0408) and the Teacher Credentials Fund (0407). Of the CTC's \$20.6 million state operations budget in 2014-15, about \$16 million is from credential and accreditation fees, which are revenue sources for the Teacher Credentials Fund and \$4 million is from educator exam fees, which fund the Test Development and Administration Account. The CTC also received a small amount in reimbursement revenue.

Teacher Credentials Fund (Credential Fees). The Teacher Credentials Fund is generated by fees for issuance of new and renewed credentials and other documents. Current law also requires, as a part of the annual budget review process, the Department of Finance to recommend to the Legislature an appropriate credential fee sufficient to generate revenues necessary to support the operating budget of the CTC plus a prudent reserve of not more than 10 percent. In 2012-13, the credential fee, paid every five years, was increased from \$55 to \$70 due to a projected budget shortfall and drop in credentials. This action restored the fee to the statutory maximum (Education Code §44235). Since 1998-99, credential fees had been below the statutory maximum, reaching a low of \$55 in 2001-02 based on high demand for applications. However, demand for applications has generally tracked with changes in the economy and began decreasing in 2007-08, as the state economy slowed. In addition to credential application fees, the Budget Act of 2014, and related trailer bill legislation, included authority for the CTC to begin assessing fees on teacher preparation programs to cover the cost of accrediting these programs. These fees were established through regulations and the CTC began assessing fees in 2013-14.

Staff Comments:

The Department of Finance notes that even with the proposed increase, teacher credential fees would remain lower than the renewal fees charged to professionals in a number of other occupational fields. The number of credentials processed by the commission has decrease by nearly 20 percent over the past five years, impacting the revenues available to support the commission's fixed operating costs. According to Department of Finance estimates, the \$30 increase in the credential fee is anticipated to generate up to \$5.5 million in new revenue, of which the May Revision proposal provides \$4.5 to fund the commission's operations and the remainder would accrue in the Teacher Credential Fund as a reserve.

Staff Recommendation: Approve request to increase teacher credential fees to \$100 and provide an increase of expenditure authority of \$4.5 million from the Teacher Credentials Fund. Adopt implementing trailer bill language as proposed, to be refined as necessary.

Vote:

Issue 5: Educator Misconduct**.Panel:**

- Kimberly Leahy, Department of Finance
- Dr. Mary Sandy, Executive Director, Commission on Teacher Credentialing
- Jameel Naqvi, Legislative Analyst's Office

May Revision Proposal:

The Governor proposes trailer bill language to improve educator misconduct reports in the following ways:

- 1) Identify minimal information that is to be included in current district reports of educator misconduct to the Commission. The Administration notes that although the same minimal information included in this proposal is currently required in regulations, the Administration proposes to elevate these requirements to statutes in an effort to emphasize the basic information needed in a district report of educator misconduct, thereby improving the quality and depth of information included in these reports to the Commission.
- 2) Provide the Commission jurisdiction to investigate a superintendent's or charter school administrator's failure to provide required information in reports of educator misconduct to the Commission. Specifically, this language would authorize the Commission to initiate a formal investigation for unprofessional conduct and report the incident to law enforcement. The Administration notes that while current law specifies that a refusal or unwillingness to report educator misconduct is unprofessional conduct for a credential holder and in all instances a misdemeanor subject to a fine of \$500 to \$1,000, the Commission has no authority to pursue superintendents or administrators who refuse to include statutorily-required information for a report of educator misconduct.

Staff Recommendation: Adopt Governor's proposed trailer bill language, to be refined as necessary.

Vote:

Senator Marty Block, Chair
Senator Benjamin Allen
Senator John M. W. Moorlach



**Tuesday May 19, 2015
1:30 pm
Room 2040**

Consultants: Anita Lee, Elisa Wynne

Agenda Part A

OUTCOMES

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6360	Commission on Teacher Credentialing	
Issue 3	Proposed Vote-Only Items	
	Items 1 and 2: Adopt Staff Recommendations Vote: 2-1 (Moorlach)	
	Items 3 and 4: Adopt Staff Recommendations Vote: 3-0	
Issue 4	Teacher Credential Fee/ Commission Operations	
	Motion: Approve request to increase teacher credential fees to \$100 and provide an increase of expenditure authority of \$4.5 million from the Teacher Credentials Fund. Adopt implementing trailer bill language as proposed, to be refined as necessary.	
	Vote: 3-0	
Issue 5	Educator Misconduct	
	Motion: Adopt Governor's proposed trailer bill language, to be refined as necessary.	
	Vote: 3-0	
	Public Comment	

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**6110 CALIFORNIA DEPARTMENT OF EDUCATION
6870 CALIFORNIA COMMUNITY COLLEGES**

Issue 1: PROPOSITION 98 OVERVIEW

Panelists: Department of Finance
Legislative Analyst's Office
Department of Education
Community College Chancellor's Office

GOVERNOR MAY REVISION PROPOSALS

Proposition 98 Overall Funding—K-12 and Community Colleges

California's Proposition 98 guarantees minimum funding levels for K-12 schools and community colleges. The guarantee, which went into effect in the 1988-89 fiscal year, determines funding levels according to multiple factors including the level of funding in 1986-87, General Fund revenues, per capita personal income, and school attendance growth or decline.

Driven by significant growth in General Fund revenues, the estimated Proposition 98 funding obligations included in the May Revision for the three-year period of 2013-14 to 2015-16, increases by a total of \$6.1 billion over the Governor's budget. More specifically, the revised Proposition 98 minimum guarantee levels for the 2013-14 through 2015-16 fiscal years are \$58.9 billion, \$66.3 billion, and \$68.4 billion, respectively. Compared to January, this reflects the following yearly changes, due to strong General Fund revenue growth:

- o An increase of \$241 million to the 2013-14 guarantee.
- o An increase of approximately \$3.1 billion to the 2014-15 guarantee.
- o An increase of approximately \$2.7 billion to the 2015-16 guarantee.

The Proposition 98 minimum guarantee is determined by comparing the results of three "tests" or formulas that are based on specific economic and fiscal data. The factors considered in these tests include growth in personal income of state residents, growth in

General Fund revenues, changes in student enrollment, and a calculated share of the General Fund. Very generally, Test 1 is based on a percentage of General Fund; Test 2 on growth in personal income; and Test 3 on General Fund Growth. The May Revision assumes that in 2015-16, Proposition 98 is calculated using Test 3, including the payment of the required Test 3B supplement. Previously, in the January budget, the Governor had estimated that 2015-16 would be a Test 2 year. The May Revision continues to estimate that 2014-15 is a Test 1 year, and because of significantly higher revenue, includes a larger maintenance factor payment (\$5.4 billion rather than \$3.8 estimated in January). However, because of higher revenue, 2013-14 is now estimated to be a Test 2 year, rather than a Test 3 year, eliminating the \$241 million in maintenance factor that was created in this year under the January budget proposal.

These proposed funding levels reflect a remaining Proposition 98 Maintenance Factor balance of \$772 million, down from almost \$11 billion in 2011-12.

Proposition 98 funding by segment and by General Fund and local property taxes is shown in the table below:

Changes in Proposition 98 Funding			
<i>(In Millions)</i>			
	January	May	Change
2013-14 Minimum Guarantee	\$58,673	\$58,914	\$241
By Segment:			
Schools	51,675	51,898	223
Community colleges	6,413	6,431	18
Preschool	507	507	0
Other*	78	78	0
By Fund Source:			
General Fund	42,824	42,996	171
Local property taxes	15,849	15,918	70
2014-15 Minimum Guarantee	\$63,153	\$66,303	\$3,150
By Segment:			
Schools	55,506	58,321	2,814
Community colleges	6,902	7,238	336
Preschool	664	664	0
Other*	80	80	0
By Fund Source:			
General Fund	46,648	49,608	2,960
Local property taxes	16,505	16,695	190
2015-16 Minimum Guarantee	\$65,716	\$68,409	\$2,693
By Segment:			
Schools	57,348	59,744	2,396
Community colleges	7,630	7,914	283
Preschool	657	671	14

Other*	80	80	0
By Fund Source:			
General Fund	47,019	49,416	2,397
Local property taxes	18,697	18,993	296

*Includes funding for instructional services at the State Special Schools, Department of Corrections and Rehabilitation, and Department of Development Services.

Source: *Legislative Analyst's Office*

The May Revision overall funding plan for education builds upon the priorities in the January proposal and includes an additional \$2.1 billion in ongoing support for implementation of the Local Control Funding Formula and an additional \$2.5 billion to pay down mandate debt. The budget plan also includes an additional \$150 million over the January proposal for Career Technical Education Incentive Grants and \$42 million to support special education services for students with disabilities. For Community Colleges, the budget plan includes an additional \$142 million in unallocated base increase, \$75 million to increase the number of full-time faculty and \$60 million in one-time support for improving the delivery of basic skills instruction. There are some minor additional proposals for K-14 education, including adjustments to the proposed Adult Education program structure. Specific proposals are outlined in Issue 2, below:

Issue 2: MAY REVISION PROGRAM CHANGES – K-12 Education

Panelists: Department of Finance
Legislative Analyst's Office
Department of Education

GOVERNOR MAY REVISION PROPOSALS**Major Program Changes — K-12 Education**

Mandates. The May Revision includes a total of \$3.5 billion in one-time Proposition 98 General Fund to pay down the backlog of the state's obligations attributable to mandates, which are a component of the "Wall of Debt." This is an increase of \$2.4 billion over the January proposal to pay down approximately \$1.1 billion. Similar to last year's mandates payment, the Administration notes that this is discretionary one-time funding that schools could use to make investments in professional development, provide teacher induction to beginning teachers, and invest in instructional materials and technology, among other uses. Of this total, \$40 million will be provided to county offices of education.

Local Control Funding Formula (LCFF). The May Revision includes approximately \$6.1 billion in implementation investment in the LCFF formula, which eliminates around 53 percent of the remaining funding gap. This is an increase of \$2.1 billion over the January proposal of \$4 billion in ongoing investments in LCFF.

Career Technical Education. The May Revision provides an additional \$150 million in one-time funding for a January proposal to create a Career Technical Education Incentive Grant Program. With this increase, the grant program provides \$400 million, \$300 million, and \$200 million in one-time Proposition 98 General Fund in the 2015-16, 2016-17, and 2017-18 fiscal years, respectively. This program provides funding for school districts, charter schools, and county offices of education to develop and expand career technical education programs. Grantees would be required to provide increasing matching funds (one-to-one match in 2015-16, a 1.5-to-1 match in 2016-17, and a 2-to-1 match in 2017-18), and to demonstrate positive results on career technical education-related outcomes over time.

Adult Education. The May Revision maintains the January proposal to provide \$500 million in ongoing Proposition 98 General Fund for an Adult Education Block Grant. However, the Governor proposes notable changes to the program structure, including allowing each regional consortium to select a governance structure, adding a three year planning cycle, adding timelines for distribution of funds, and requiring a plan to distribute federal adult education funds through the regional consortia in future years.

Special Education. The May Revision includes the following major investments in supports for Special Education, based on recommendations of the California Statewide Special Education Taskforce:

- \$30 million in Proposition 98 General Fund to augment the Early Education Program for Infants and Toddlers with Exceptional Needs. These funds expand participation beyond local education agencies that currently participate in the program to provide early intervention for infants with special needs.
- \$10 million in one-time Proposition 98 General Fund for incentive grants and technical assistance to improve how districts provide instruction and manage behaviors.
- \$1.7 million in federal funds to provide additional alternative dispute resolution grants for all Special Education Local Plan Areas in the state, and \$500,000 in federal funds for implementation of the State Systemic Improvement Plan for students with disabilities. This use of federal funds is backfilled with ongoing Proposition 98 funds.
- Additional changes to support students with disabilities in the State Preschool Program.

Repayment of Deferrals. The May Revision continues to include the repayment of all inter-year budgetary deferrals, a total of \$992 million for K-12 programs and community colleges.

K-12 High Speed Network. The May Revision continues to propose an investment of \$108.8 million in one-time Proposition 98 General Fund for the (K-12) High Speed Network to provide grant funding to school districts to improve network connectivity. This is in addition to the approximately \$26.7 million provided in 2014-15 through the Broadband Infrastructure Improvement Grant (BIIG).

Other Technical Adjustments. The May Revision also includes the following adjustments:

- **Local Property Taxes.** A decrease of \$123.3 million in 2014-15 and a decrease of \$224 million in 2015-16 in Proposition 98 General Fund for school districts, special education local plan areas, and county offices of education, as a result of higher offsetting property tax revenues.
- **Average Daily Attendance.** An increase of \$94.4 million in 2014-15 and an increase of \$173.5 million in 2015-16 for school districts, charter schools and county offices of education as a result of higher LCFF costs related to increases in projected attendance in both years.

- **Categorical Program Growth.** A decrease of \$18.4 million Proposition 98 General Fund for selected categorical programs based on updated estimates of projected attendance growth.
- **Cost-of-Living Adjustments.** A decrease of \$22.1 million Proposition 98 General Fund to selected categorical programs based on a revised cost-of-living factor of 1.02 percent for 2015-16.

6360 COMMISSION ON TEACHER CREDENTIALING

Issue 3: Proposed Vote Only Items

COMMISSION ON TEACHER CREDENTIALING - VOTE ONLY ITEMS					
#	Item	Issue	Description	Staff Recommendation	Language
1	6360-001-0001	Assessments (January Proposal)	The Governor proposes to provide \$5 million in non-Proposition 98 General Fund to the CTC to update the Cal TPA and develop an Administrator Performance Assessment (APA). The funding would be provided over a two-year period, with \$4 million appropriated in the 2015-16 budget.	Approve as proposed	BBL
2	6360-001-0001	Accreditation (January Proposal)	The Governor proposes to provide \$5 million in non-Proposition 98 General Fund to the CTC to fund a data system for accreditation, with \$3.467 million appropriated in the 2015-16 budget. This is aligned with the CTC's approved FSR.	Approve as proposed	BBL
3	6360-001-0407 and 6360-001-0408 (Issue 003)	Scheduling of Administration and Distributed Administration (May Revision)	The May Revision requests that Schedule (1) of Item 6360-001-0407 be decreased by \$465,000, Schedule (3) be increased by \$179,000, and Schedule (4) be increased by \$286,000 to reflect a correction to the scheduling of administration and distributed administration. Additionally, it is requested that Schedule (1) of Item 6360-001-0408 be decreased by \$124,000, Schedule (2) be increased by \$48,000, and Schedule (3) be increased by \$76,000 to reflect a correction to the scheduling of administration and distributed administration. This redistribution does not change the total appropriation.	Approve as proposed	

4	6360-001-0407	Beginning Teacher Induction (January Proposal)	<p>The Governor requests provisional language requiring a working group to produce a report identifying options for streamlining and reforming beginning teacher induction.</p> <p>Staff suggests the following amendments to the language:</p> <p>“7. The Commission on Teacher Credentialing (CTC) shall work with the Superintendent of Public Instruction, the State Board of Education, Legislative Staff, the Department of Finance, and beginning teacher induction stakeholders the CTC deems appropriate, to <u>evaluate any burdens of the existing induction requirements and identify options for streamlining and reforming beginning teacher induction.</u> The CTC shall submit a report that discusses the identified options, <u>findings, and funding recommendations, including state, local educational agency, and teacher candidate responsibilities,</u> to the chairpersons and vice chairpersons of the budget and policy committees of each house of the Legislature, the Legislative Analyst’s Office, and the Department of Finance by September 1, 2015.</p>	Approve BBL with staff amendments as described.	BBL
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Vote:

Items 1 and 2: Adopt Staff Recommendation 2-1 (Moorlach)

Items 3 and 4: Adopt Staff Recommendations 3-0

6360 COMMISSION ON TEACHER CREDENTIALING (CTC)**Issue 4: Teacher Credential Fee/ Commission Operations****.Panel:**

- Kimberly Leahy, Department of Finance
- Dr. Mary Sandy, Executive Director, Commission on Teacher Credentialing
- Jameel Naqvi, Legislative Analyst's Office

May Revision Proposal:

(May Letter Issue 004)

The Governor proposes to increase the teacher credential fee to \$100 for initial and renewal credentials to provide the commission with additional revenue needed to support ongoing licensing and discipline workload, including a backlog of cases at the Office of the Attorney General. The Governor also proposes a corresponding adjustment to increase Item 6360-001-0407 by \$4.5 million Teacher Credentials Fund, as a result of the increased fee revenue.

Background:

The CTC is responsible for the following major state operations activities, which are supported by special funds:

- Issuing credentials, permits, certificates, and waivers to qualified educators;
- Enforcing standards of practice and conduct for licensed educators;
- Developing standards and procedures for the preparation and licensure of school teachers and school service providers;
- Evaluating and approving teacher and school service provider preparation programs; and,
- Developing and administering competency exams and performance assessments.

In 2013-14, the CTC processed approximately 235,000 candidate applications for credential and waiver documents.

The CTC is a "special fund" agency whose state operations are largely supported by two special funds -- the Test Development and Administration Account (0408) and the Teacher Credentials Fund (0407). Of the CTC's \$20.6 million state operations budget in 2014-15, about \$16 million is from credential and accreditation fees, which are revenue sources for the Teacher Credentials Fund and \$4 million is from educator exam fees, which fund the Test Development and Administration Account. The CTC also received a small amount in reimbursement revenue.

Teacher Credentials Fund (Credential Fees). The Teacher Credentials Fund is generated by fees for issuance of new and renewed credentials and other documents. Current law also requires, as a part of the annual budget review process, the Department of Finance to recommend to the Legislature an appropriate credential fee sufficient to generate revenues necessary to support the operating budget of the CTC plus a prudent reserve of not more than 10 percent. In 2012-13, the credential fee, paid every five years, was increased from \$55 to \$70 due to a projected budget shortfall and drop in credentials. This action restored the fee to the statutory maximum (Education Code §44235). Since 1998-99, credential fees had been below the statutory maximum, reaching a low of \$55 in 2001-02 based on high demand for applications. However, demand for applications has generally tracked with changes in the economy and began decreasing in 2007-08, as the state economy slowed. In addition to credential application fees, the Budget Act of 2014, and related trailer bill legislation, included authority for the CTC to begin assessing fees on teacher preparation programs to cover the cost of accrediting these programs. These fees were established through regulations and the CTC began assessing fees in 2013-14.

Staff Comments:

The Department of Finance notes that even with the proposed increase, teacher credential fees would remain lower than the renewal fees charged to professionals in a number of other occupational fields. The number of credentials processed by the commission has decrease by nearly 20 percent over the past five years, impacting the revenues available to support the commission's fixed operating costs. According to Department of Finance estimates, the \$30 increase in the credential fee is anticipated to generate up to \$5.5 million in new revenue, of which the May Revision proposal provides \$4.5 to fund the commission's operations and the remainder would accrue in the Teacher Credential Fund as a reserve.

Staff Recommendation: Approve request to increase teacher credential fees to \$100 and provide an increase of expenditure authority of \$4.5 million from the Teacher Credentials Fund. Adopt implementing trailer bill language as proposed, to be refined as necessary.

Motion: Approve request to increase teacher credential fees to \$100 and provide an increase of expenditure authority of \$4.5 million from the Teacher Credentials Fund. Adopt implementing trailer bill language as proposed, to be refined as necessary.

Vote: 3-0

Issue 5: Educator Misconduct**.Panel:**

- Kimberly Leahy, Department of Finance
- Dr. Mary Sandy, Executive Director, Commission on Teacher Credentialing
- Jameel Naqvi, Legislative Analyst's Office

May Revision Proposal:

The Governor proposes trailer bill language to improve educator misconduct reports in the following ways:

- 1) Identify minimal information that is to be included in current district reports of educator misconduct to the Commission. The Administration notes that although the same minimal information included in this proposal is currently required in regulations, the Administration proposes to elevate these requirements to statutes in an effort to emphasize the basic information needed in a district report of educator misconduct, thereby improving the quality and depth of information included in these reports to the Commission.
- 2) Provide the Commission jurisdiction to investigate a superintendent's or charter school administrator's failure to provide required information in reports of educator misconduct to the Commission. Specifically, this language would authorize the Commission to initiate a formal investigation for unprofessional conduct and report the incident to law enforcement. The Administration notes that while current law specifies that a refusal or unwillingness to report educator misconduct is unprofessional conduct for a credential holder and in all instances a misdemeanor subject to a fine of \$500 to \$1,000, the Commission has no authority to pursue superintendents or administrators who refuse to include statutorily-required information for a report of educator misconduct.

Staff Recommendation: Adopt Governor's proposed trailer bill language, to be refined as necessary.

Motion: Adopt Governor's proposed trailer bill language, to be refined as necessary.

Vote: 3-0

SUBCOMMITTEE NO. 1

Agenda

Senator Marty Block, Chair
Senator Benjamin Allen
Senator John M. W. Moorlach



Tuesday, May 19, 2015
1:30 pm or Upon Call of the Chair
Room 2040

Consultant: Anita Lee
Part B

<u>Item</u>	<u>Department</u>
6120	California State Library
6870	California Community Colleges (CCC)
6910	Innovation Awards

Vote Only Item

Issue 1: State Library Literacy Program
Issue 2: Funding Broadband Project Support
Issue 3: Funding for Broadband Equipment Grants
Issue 4: Funding for Preservation Activities
Issue 5: CCC May Revise Technical Adjustments
Issue 6: CCC Growth Funding
Issue 7: CCC Unallocated base increase
Issue 8: CCC Programmatic Workload
Issue 9: CCC Trailer Bill Language Proposals

Public Comment

Discussion Items

Issue 10: CCC Augmentations to Governor's May Revise
Issue 11: CCC Student Success and Implementing Statewide Performance Strategies
Issue 12: Non-resident Veterans Tuition Trailer Bill Language

Public Comment

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

Items Proposed for Vote Only

6120 CALIFORNIA STATE LIBRARY

6870 BOARD OF GOVERNORS OF THE CALIFORNIA COMMUNITY COLLEGES

Issue 1: State Library Literacy Program
--

Governor's Proposal. The May Revision proposes an increase of \$2 million General Fund ongoing for the Literacy and English Acquisition Services Program. This would raise the total funding for the program to \$4.8 million.

Background. The Program allocates funds to public libraries to support instruction in basic literacy for adults. The 2014 Budget Act provided a one-time increase of \$1 million General Fund to support adult literacy programs.

Staff Recommendation. Approve as proposed.

Issue 2: Funding Broadband Project Support

Governor's Proposal. The May Revision proposes an increase of \$225,000 General Fund ongoing for a contract with an entity to provide administrative and fiscal services related to the California Public Library Broadband Project.

Background: The California Public Library Broadband Project seeks to connect local public libraries to a statewide high-speed internet network. The California State Library has entered into an agreement with the Califa Library Group for administrative services associated with the Broadband Project.

Staff Recommendation. Approve as proposed.

Issue 3: Funding for Broadband Equipment Grants
--

Governor's Proposal. The May Revision proposes an increase of \$1.5 million General Fund on a one-time basis for broadband equipment grants to public libraries.

Background. The 2014 Budget Act provided a one-time increase of \$1 million for this purpose. These grants will help libraries acquire additional equipment, network upgrades, or modifications to physical sites, or some combination of these items, to support broadband Internet access. The State Library reports that 65 libraries were awarded grants for technology upgrades. The grants ranged from \$20,000 to \$30,000. (The library used the \$1 million in the budget for this purposes and additional funding for the State Library Act funding to support these grants).

Staff Recommendation. Approve as proposed.

Issue 4: Funding for Preservation Activities

Governor's Proposal. The May Revision proposes an increase of \$521,000 General Fund, including \$181,000 ongoing for 2 new positions and \$340,000 on a one-time basis for digital scanning equipment. This request would allow the Library to make critical improvements to better preserve historical materials in its possession.

Background. The State Librarian notes that a large backlogs exist of both print and photographic digitization and preservation both because of a lack of capacity and projects from other parts of the library being added to the responsibilities assigned by the section that currently houses the book preservation team.

Staff Recommendation. Approve as proposed.

Issue 5: CCC May Revise Technical Adjustments
--

Governor's Proposal. The May Revision includes the following technical adjustments:

Community College May Revise Technical Adjustments		
Student Enrollment Fee Revenue	\$7.3 million Prop 98 GF	Reflects a decrease in estimated student enrollment fund revenue
Student Financial Aid Administration and Board Financial Assistance	\$1.3 million Prop 98 GF	Adjustments consistent with revised estimates of waived fees. Includes provision BBL.
Technical Base Apportionment	\$14 million	Reflect estimated FTE stability restoration earn back by districts that declined in enrollment
Local Tax Revenue Net Offsetting	-\$156 million Prop 98 GF	Decrease to reflect revised estimates of local tax revenue that is allocated.
Education Protection Account Revenues	\$58 million Prop 98 GF	Reflects revised EPA revenue and offset
Career Development and College Preparation Rate Change	\$474,000 Prop 98 GF	Reflects revised estimates of CDCP as adopted in the 2014-15 Budget
Decrease Clean Energy Job Creation Fund Revenue	-\$825,000 Job Creation Fund (Prop 39)	Decrease to reflect revenue estimates.
Mandated Programs Block Grant	-\$691,000 Prop 98 GF	Decrease to align block grant funding with revised full-time equivalent students estimate.

The Governor's May Revise also proposes to shift funding for the College Planning and Preparation Website to the Department of Education's budget.

Additionally, the Governor's May Revision includes provisional language amendments that were inadvertently omitted in January regarding maintenance allowance as well as reimbursements for colleges for the cost of federal aid repayments.

Staff Recommendation. Approve; however, conform to the Proposition 98 package, as needed.

Issue 6: CCC Growth Funding

Governor's Proposal. The May Revision proposes funding for 3 percent enrollment growth, instead of 2 percent growth, which was proposed in January. The revised plan would provide \$156.5 million Proposition 98 General Fund for enrollment growth.

Background. The subcommittee heard this issue on April 30th, at which time concerns were expressed regarding the Governor's budget proposal. The two primary concerns were that the traditional enrollment growth schedule was folded into the main apportionment schedule, and makes a change in the enrollment restoration that reduces community college funding by \$42 million.

The 2014-15 budget act provided for a 2.75 percent enrollment growth (\$140 million Proposition 98 General Fund); for an increase of approximately 60,000 students, or 30,000 Full Time Equivalent Students (FTES). College officials note that systemwide enrollment growth is about 1.9 percent; although some colleges growth is higher and one-third are not growing. The data indicates a wide range of growth among districts, with some districts reporting reduced enrollment and some districts showing double-digit growth.

Although systemwide growth is below the 2.75 percent target in the current year, some colleges still have unfunded enrollment. After covering the expected 1.9 percent enrollment growth, current-year funding will be sufficient to convert about half of unfunded enrollment into funded enrollment. The Administration cites Corinthian Colleges' closure, adult education consortia, remaining unfunded FTES, and new growth allocation model among reasons for the increase from 2 percent to 3 percent in the May Revision.

Staff Recommendation. Approve as proposed, adopt BBL to reinstate a separate enrollment growth schedule to display \$156.5 million Proposition 98 General Fund will be used for enrollment growth, and adopt BBL to reinstate the restoration schedule.

Issue 7: Unallocated base increase

Governor's Proposal. The Governor's May Revise provides a \$142 million unallocated base increase above the Governor's January proposal for a total of \$267 million. As in January, the Governor's May Revise suggests various uses such as facilities, retirement benefits, professional development, and converting more faculty to full-time, but leaves funds unrestricted.

Staff Comments. The subcommittee heard this issue in its' April 30th hearing. The Governor's budget summary states this increase is "in recognition of the increased operating costs in the areas of facilities, retirement benefits, professional development, converting part-time faculty to full-time, and other general expenses." Budget bill language does not specifically direct this increase to those issues, which provides colleges with wide discretion as to how they use the increase funds. There is concern that the Governor's budget leaves unaddressed many legislative priorities and reduces the transparency of how state funds are spent.

The Chancellor's Office notes that foregone Cost-of-Living-Adjustment (COLA) during the recession likely cost the community college system \$900 million. Upcoming retirement costs, split between the CalSTRS and CalPERS system, will add \$400 million annually to college costs. Thus, the Chancellor's Office argues that this proposal for an undesignated funding increase can help colleges handle retirement costs and other mandatory costs, such as utilities, health care, and information technology needs.

Staff Recommendation. Approve Governor's proposal.

Issue 8: CCC Programmatic Workload

Governor's Proposal. The May Revision requests \$340,000 General Fund to provide the Chancellor's Office with 6 positions to address workload in several areas as a part of its efforts to improve outcomes and promote effective profession, administrative and educational practices at local community colleges.

Staff Recommendation. Approve as proposed.

Issue 9: CCC Trailer Bill Language Proposals

Governor's Proposal. The Governor's proposed budget includes the following trailer bill language requests:

- **Career Technical Education Pathways Program.** This proposal will extend the program until July 1, 2016 and appropriates \$48 million Proposition 98 funds for the purposes of funding this program.

- **Adjust Budget Formula.** This proposal will allow the Chancellor's Office to adjust apportionment funding to reflect the increased base operating expense funding, which is discussed below.
- **Foster Care Education Program.** This proposal codifies existing budget bill language that specifies funds allocated for the Foster Care Education Program must be used for foster parent and relative/kinship care provider education and training, and colleges that receive these funds must comply with reporting requirements and develop a foster parent and relative/kinship plan.
- **Codification of Reporting Requirements.** This proposal codifies existing budget bill language that requires the Chancellor's Office to report annually by December 31st on Student Success Basic Skills Program, Student Financial Administration program, technology assistance for Student Success and Support Program, and the Telecommunications and Technology Infrastructure program.
- **Redevelopment Agency Funding and Education Protection Account Backfill Trailer Bills.** This proposal would provide the Department of Finance the authority to modify and update General Fund appropriations based on updated revenue estimates for redevelopment agencies and Education Protection Account (Proposition 30). Under the proposal, Proposition 98 General Fund would be used to offset any difference between (1) estimated revenues for community colleges from redevelopment agencies and the Education Protection Account (Proposition 30) and (2) the amounts distributed to colleges from these sources by June 30. This change will allow districts to have more certainty when preparing their fiscal plans.

The Administration also released updated technical amendments to the Redevelopment Agency Revenue trailer bill:

(c) In making the determinations pursuant to subdivision (a) and (b), the Director of Finance shall consider any other local property tax revenues and student fee revenues collected in excess or in deficit of the estimated amounts reflected in the Budget Act for that fiscal year.

Staff Recommendation. Approve as proposed.

Issues to be Heard**Issue 10: CCC Augmentations to Governor's May Revise****Panel**

- Keith Nazaam, Department of Finance
- Judy Heiman, Legislative Analyst's Office
- Dan Troy, California Community Colleges

Based on the Legislative Analyst's Office's revenue estimates, it is proposed that the subcommittee adopt additional expenditures of \$80 million Prop 98 General Fund in 2015-16 and \$19 million Prop 98 General Fund in 2014-15, as outlined in the following chart.

Proposed Augmentations for Community Colleges				
<i>(In Millions)</i>				
2015-16				
Issues	Admin May Revise	Proposed Augmentation	Total	Comments
Categorical Programs				
Academic Senate		\$0.20	\$0.2	Provide COLA and augmentation
Apprenticeship (community colleges)		\$0.1	\$0.1	Provide COLA
Apprenticeship (school districts)		\$0.2	\$0.2	Provide COLA
CalWORKs student services	\$0.4	\$15.0	\$15.4	Provide COLA and augmentation to restore to 2007-08 levels
Campus child care support	\$0.0		\$0.0	Provide COLA
District financial crisis oversight		\$0.006	\$0.0	Provide COLA
Disabled Students Program	\$1.2		\$1.2	Provide COLA
Economic and Workforce Development		\$0.2	\$0.2	Provide COLA
EOPS	\$0.9	\$34.0	\$34.9	Provide COLA and augmentation to restore to 2008-09 levels
Equal Employment Opportunity		\$0.0	\$0.0	Provide COLA
Financial aid administration	\$1.3	\$0.7	\$2.0	Provide COLA and workload adjustment
Foster and Kinship Care Education		\$0.1	\$0.1	Provide COLA
Fund for Student Success		\$0.04	\$0.0	Provide COLA
Pay Down Mandate		\$25.10	\$25.1	
Mandate block grant	-\$0.7	\$0.0	-\$0.7	Provide COLA
Nursing grants		\$0.1	\$0.1	Provide COLA
Online/technology initiative		\$0.1	\$0.1	Provide COLA
Part-time faculty compensation		\$0.3	\$0.3	Provide COLA
Part-time faculty health insurance		\$0.005	\$0.0	Provide COLA
Part-time faculty office hours		\$3.5	\$3.5	Provide COLA and restore to 2008-09 levels
Physical Plant and Instructional Support	\$100.0	\$25.0	\$125.0	Provide one-time funds
Student Success for Basic Skills Students		\$0.2	\$0.2	Provide COLA
Telecommunications and technology services	-\$1.9	\$0.2	-\$1.7	Provide COLA and technical adjustments
Transfer education and articulation		\$0.01	\$0.0	Provide COLA
Other Appropriations				
Enrollment Growth	\$49.7		\$49.7	Fund 3% growth (instead of 2%)
Unallocated Base Increase	\$141.7		\$141.7	Add to \$125 million January proposal
Full-Time Faculty	\$75.0		\$75.0	Increase full-time faculty ratios
COLA	-\$31.3		-\$31.3	Adjust based on statutory rate
Institutional Effectiveness	\$15.0		\$15.0	Augment technical assistance program
Student Equity	\$15.0		\$15.0	Augment student equity program
Innovation Awards	\$25.0	-\$25.0	\$0.0	Shift funding to Proposition 98
Other Adjustments	-\$93.0		-\$93.0	Various technical adjustments
Total Augmentation 2015-16	\$298.211	\$80.0	\$378.240	
2014-15				
Issues	Admin May Revise	Proposed Augmentation	Total	Comments
Paydown Mandates	\$261.2		\$261.2	
Basic Skills Initiatives	\$62.0	-\$62.0	\$0.0	Reject proposed new initiatives
Physical Plant and Instructional Support	\$48.0		\$48.0	Provide one-time funds
Awards for Innovation	\$23.0		\$23.0	Shift funding to Proposition 98
Baccalaureate Program Start-up		\$17	\$16.5	Provide one-time funds
Adult Education Consortia Data Systems		\$49.5	\$49.5	Provide one-time funds
Incarcerated Adult Education		\$15	\$15.0	Provide one-time funds
Total Augmentation 2014-15	\$394.220	\$19	\$413.220	

Note: Items appearing as \$0.0 are positive amounts smaller than \$500,000.

Background. The subcommittee heard the community colleges budget on April 30th.

In addition, the subcommittee's plan would augment or change the Governor's proposal, as follows:

- The May Revision includes a one-time increase of \$275 million, for a total of \$626 million, to pay down outstanding mandate debt claims by community colleges. Provides \$93.5 million in 2013-14 funds and \$407.2 million in 2014-15 funds to pay down the mandate backlog (rather than \$80 million and \$146 million, respectively, as proposed in January), with conforming trailer bill language. The subcommittee proposes to augment this by \$25 million in 2015-16 funds.
- The May Revision includes a one-time increase of \$148 million for deferred maintenance and instructional equipment, which includes \$48 million in the current year and \$100 million in the budget year with no matching funds requirement as well as provisional language and trailer bill for this purpose. The subcommittee proposes to augment this by \$25 million.
- The May Revision provides \$75 million for full-time faculty. Funds are for colleges to hire additional full-time faculty, thereby increasing their full-time to part-time faculty ratios. The Administration expects an increase of approximately 600 full-time faculty. The Legislature has long recognized that full-time faculty are critical to student outcomes, as they are easier for students to meet with and are more likely to be engaged in campus and educational improvement efforts. Legislation approved in 1988 outlines a state goal that 75% of credit hours at community colleges be taught by full-time faculty.

The subcommittee proposes to approve the Governor's May Revision proposal, with modifications, reducing the number in 2.(e)(2)(A) from \$70,000 to the full-time faculty replacement cost based on the starting (instead of average) salary for a full-time faculty member, and reducing the numbers in (B) through (E) proportionally.

- The May Revision provides \$60 million on a one-time basis for Basic Skills and Student Outcomes Transformation Program. Colleges would use these grants to adopt or expand the use of evidence-based models of basic skills assessment, placement, and instruction.

Staff has concerns about districts' capacity to undertake another large scale reform initiative on top of Student Success and Support, Student Equity, and Institutional Effectiveness Initiatives. Additionally, it is unclear if the use of one-time funds would adequately address an on-going problem of student success and support. Staff notes that this is separate from the existing basic skills

categorical that already provides faculty and staff development to improve curriculum, student services and program practices in basic skills. The subcommittee proposes to reject this proposal.

- The May Revision provides an increase of \$2.5 million to reflect a cost-of-living-adjustment for several categorical programs: Disabled Student Programs and Services; Extended Opportunities Programs and Services program; Special Services for CalWORKs Recipient program; and, the Child Care Tax Bailout program. The subcommittee proposes to provide the same level of COLA to various categoricals displayed above that have not received recent augmentations.
- The May Revision includes an increase of \$2 million one-time Proposition 98 General Fund for a pilot program to provide incentives to community college districts and the CSU to coordinate their efforts to provide instruction in basic skills to incoming CSU students. Trailer bill language states that the Chancellor's Office would distribute 4 \$500,000 grants to community colleges seeking to partner with CSU campuses to provide basic skills courses for CSU students. The subcommittee has various concerns and questions regarding this proposal:
 - Would CSU students pay community college or CSU fees for these classes?
 - How does this impact the CSU Early Start program, which provides incoming CSU students with remedial education the summer before beginning CSU?
 - Would community colleges offer special classes solely for CSU students, or would the students be integrated into regular community college courses?
 - Can't students already take these courses? Why is this necessary?The subcommittee proposes to reject this proposal.
- Includes a 1.02 percent COLA of \$61 million rather than the 1.58 percent that was proposed in January, as well as conforming provisional budget bill language.
- May Revise proposes to provide an additional \$25 million Proposition 98 General Funds for Innovation Awards for community college campuses. In addition, the May Revise shifts \$23 million in 2014-15 Awards funding from the General Fund to Proposition 98 General Fund, to reflect the amount of awards won by community college campuses. While the goals of this program are worthwhile, but it is not clear that providing small, one-time prizes to various campuses who apply for the award is the best use of funding to achieve the goals. Instead, the subcommittee proposes to repurpose the \$25 million for more appropriate one-time purposes.
- May Revise proposes to reduce one-time infrastructure funding of \$1.4 million Prop 98 General Fund provided in the 2014-15 fiscal year, as well as conforming provisional budget bill language.

In addition to the items described above, the subcommittee proposes the following:

- An increase of \$34 million for EOPS to restore the program back to its 2008-09 levels.
- An Increase of \$15 million for CalWORKS student services to restore the program back to its 2007-08 levels.
- An increase of \$3.5 million for part-time faculty office hours to restore the program back to its 2008-09 levels.
- \$17 million in one-time Proposition 98 funds for the purpose of implementing and providing professional development for a statewide baccalaureate degree pilot program at not more than 15 community college districts, with one baccalaureate degree program each.
- An additional \$200,000 to support the Academic Senate for California Community Colleges. The Academic Senate plays a central and vital role for the community college system. Its emphasis on facilitating the faculty voice in all statewide and local academic and professional matters has allowed for the effective implementation of major critical policy directives, recent ones being the Student Success Initiative, the Associate Degree for Transfer, Open Education Resources, and Community College Baccalaureates.
- \$50 million in one-time Proposition 98 funds for the purpose of collecting adult education consortia data and outcomes, and modify trailer bill language to:
 - Require the development of a common data and accountability system for any courses funded under the Adult Education Block Grant.
 - Define the outcome data to be collected and reported to the Chancellor's Office by recipients of Adult Education Block Grant Funds.
 - Authorize the use of funds for purposes of developing the data collection systems necessary at the local level to meet these reporting requirements.

Staff Recommendation. Based on the LAO's revenue projections, approve the proposed augmentations of \$80 million in Proposition 98 General Funds in 2015-16 and \$19 million in Proposition 98 General Funds in 2014-15, as displayed in the chart above. In addition, adopt placeholder budget bill and trailer bill language necessary to implement the subcommittee's proposals.

Issue 11: Student Success and Implementing Statewide Performance Strategies
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Panel

- Keith Nazaam, Department of Finance
- Judy Heiman, Legislative Analyst's Office
- Dan Troy, California Community Colleges

Governor's Proposal. The Governor's May Revision includes an increase of \$15 million for Student Equity Plans, and \$15 million for the Institutional Effectiveness Partnership Initiative above the Governor's January proposal, which was \$100 million and \$2.5 million, respectively.

Background. The Subcommittee heard this issue on April 30th. The Governor's budget proposes to provide an additional \$100 million Proposition 98 General Fund for the Student Success and Support Program (SSSP), and \$115 million Proposition 98 General Fund for Student Equity Plans. The budget allows the Chancellor's Office to use up to \$14 million of this amount for e-transcript, e-planning, and common assessment tools. Additionally, the budget allows up to \$17.5 million for the Institutional Effectiveness Partnership Initiative with \$12 million for the state to develop and disseminate statewide effective professional, administrative, and educational practices including the development of curriculum and practices for members of the California Conservation Corps and for inmates to support the effective implementation of Chapter 695, Statutes of 2014, and \$5.5 million to provide local technical assistance to support the implementation of effective practices across all districts.

In addition, the May Revision proposes provisional language to implement foster youth services pursuant to Chapter 771, Statutes of 2014, but does not tie this to a specific amount. Staff recommends the following amendment to BBL to ensure that this population of students receives adequate and appropriate student support services.

(C) Consistent with the intent of Chapter 771, Statutes of 2014 and within the funds allocated to community college districts pursuant to this paragraph, the chancellor shall enter into agreements with up to 10 community college districts to provide additional services in support of postsecondary education for foster youth. **Up to \$15 million of the funds allocated to community college districts pursuant to this paragraph shall be prioritized for services pursuant to Chapter 771, Statutes of 2014.** Further, the chancellor shall ensure that the list of eligible expenditures developed pursuant to subdivision (d) of Education Code Section 78221 includes expenditures that are consistent with the intent of Chapter 771, Statutes of 2014.

The Governor's proposal also includes intent language for the Chancellor to identify community college districts that would be willing to use up to \$5 million combined for the purpose to receive a match of private to state funds to provide adult inmate education, however, this does not require districts to dedicate funds for this purpose. In California, at least ten California-based and national private foundations are prepared to launch a

public-private partnership funding model for this purpose, specifically to provide career technical education, and traditional academic education inside county jails and state prisons, mentoring support programs for formerly incarcerated students on college campuses, and links to reentry services for those students' success. These foundations are prepared to contribute a \$15 million investment over three years, however private funding could be withdrawn if the state does not match the funding with a \$15 million contribution over three years.

Additionally, some stakeholders have indicated that some districts believe they cannot use student equity funding to support existing categorical programs. However, this is not the case, as statute clearly states that equity planning should consider existing categorical programs as it determines measures to address inequity. Staff recommends that the following BBL to ensure that existing categoricals are able to access student equity funding. Item 6870-101-0001, Provision 10 (b)(2)(c): Nothing in this provision prevents existing student-equity related categorical programs or campus based programs from accessing student equity plan funds.

Staff Recommendation: (1) Approve the Governor's proposal of \$100 million for SSSP and \$115 million for Student Equity Plans, (2) Amend the Governor's proposed BBL regarding the implementation of foster youth to state that up to \$15 million shall be used for provide adequate support for foster youth student, (3) Adopt placerholder BBL to require the Chancellor's office to provide one-time matching funds of \$15 million Proposition 98 funds for purpose to receive a match of private to state funds to provide adult inmate education and supporting the educational success of currently and formerly incarcerated community college students, (4) Adopt BBL to clarify that existing student-equity related programs may access student equity plan funds.

Issue 12: CCC Veterans Non-Resident Tuition**Panel**

- Keith Nazaam, Department of Finance
- Judy Heiman, Legislative Analyst's Office
- Dan Troy, California Community Colleges

Governor's Proposal. The Governor's May Revision proposes conforming trailer bill language to further clarify community college compliance with the Veterans Access, Choice and Accountability Act of 2014.

Background. This federal Act requires the U.S. Department of Veterans Affairs to disapprove programs of education eligible for GI Bill education benefit programs at institutions of higher learning if the institutions charge qualifying veterans and dependents tuition and fees in excess of the in-state rate for resident students for terms beginning after July 1, 2015.

Chapter 639, Statutes of 2014 required the California State University, the California Community Colleges, and requests that the University of California update and adopt policies to comply with recent changes to federal law that require all public universities and colleges, as a condition of receiving GI Bill funding, to offer in-state tuition rates to eligible veterans.

The Administration notes that additional clarification was requested from the federal Veteran's Administration to comply with the provisions of federal law. The proposed trailer bill seeks conform the definition of "covered individual" pursuant to federal law and clarifying that community colleges may claim these students for apportionment purposes.

Staff Recommendation. Approve as proposed.

SUBCOMMITTEE NO. 1

Agenda

Senator Marty Block, Chair
Senator Benjamin Allen
Senator John M. W. Moorlach



Tuesday, May 19, 2015
1:30 pm or Upon Call of the Chair
Room 2040

Consultant: Anita Lee
Part B

<u>Item</u>	<u>Department</u>
6120	California State Library
6870	California Community Colleges (CCC)
6910	Innovation Awards

Vote Only Item

- Issue 1: ~~State Library Literacy Program~~ (heard on May 20th)
- Issue 2: ~~Funding Broadband Project Support~~ (heard on May 20th)
- Issue 3: ~~Funding for Broadband Equipment Grants~~ (heard on May 20th)
- Issue 4: ~~Funding for Preservation Activities~~ (heard on May 20th)
- Issue 5: CCC May Revise Technical Adjustments (approved 3-0)
- Issue 6: CCC Growth Funding (approved 3-0)
- Issue 7: CCC Unallocated base increase (approved 2-1) Moorlach voting no.
- Issue 8: CCC Programmatic Workload (approved 3-0)
- Issue 9: CCC Trailer Bill Language Proposals (approved 3-0)

Public Comment

Discussion Items

- Issue 10: CCC Augmentations to Governor's May Revise (approved 2-1) Moorlach voting no.
- Issue 11: CCC Student Success and Implementing Statewide Performance Strategies
Item 1,2 and 4 (approved 3-0), Item 3 (approved 2-1) Moorlach voting no.
- Issue 12: Non-resident Veterans Tuition Trailer Bill Language (approved 3-0)

Public Comment

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

SUBCOMMITTEE NO. 1

Agenda

Senator Marty Block, Chair
Senator Benjamin Allen
Senator John M. W. Moorlach



Wednesday, May 20, 2015
1:00 pm, Room 3191
Consultants: Elisa Wynne, Samantha Lui

Agenda Part A

Item Department

6110 California Department of Education

Proposed Vote-Only Calendar

- I. General Fund Local Assistance
- II. General Fund State Operations
- III. Federal and Other Funds
- IV. Trailer Bill Language

Proposed Discussion/Vote Calendar

- I. Child Care
- II. Local Assistance
- III. State Operations
- IV. Trailer Bill Language

Public Comment

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CALIFORNIA DEPARTMENT OF EDUCATION

#	Item	Issue	Description	Staff Recommendation	Language	Comments
I. VOTE ONLY - GENERAL FUND - LOCAL ASSISTANCE						
1	6100-601-0001	K-12 Education Deferrals (January Proposal)	The Governor proposes to repay all K-12 inter-budgetary deferrals (\$897 million).	Approve as proposed, and conform to Proposition 98 package		
2	6100-161, 196, 203, 601, 608, 670 - 0001 (Issue 051, 055, 816, 367, 515)	Growth (January Proposal and May Revision)	The May Revision provides a growth adjustment of an increase of \$154 million for the Special Education, Preschool, and Child Nutrition programs and Charter School, School District, and County Office of Education LCFF ADA growth. This is in addition to \$75 million proposed in the January Budget.	Approve as proposed, and conform to Proposition 98 package	BBL	
3	6100-119, 150, 151, 161, 196, 203, 608, - 0001 (Issues 196, 197, 198, 052, 056, 818, 366)	Cost of Living Adjustment (COLA) (January Proposal and May Revision)	The May Revision provides a COLA adjustment of a decrease of \$25 million for the Foster Youth, American Indian Early Education Childhood Education, American Indian Education Centers, Special Education, Preschool, Child Nutrition, and County Office of Education LCFF. This is an adjustment in addition to \$71 million proposed in the January Budget and reflects a revised COLA percentage of 1.02 percent	Approve as proposed, and conform to Proposition 98 package	TBL/BBL	

CALIFORNIA DEPARTMENT OF EDUCATION

#	Item	Issue	Description	Staff Recommendation	Language	Comments
4	6100-295-0001 (Issues 371 and 372)	Mandate Reimbursement Funding (January Proposal and May Revision)	The May Revision requests that Absentee Ballots, Mandates Reimbursement Process I and II, and the \$1,000 budgeted for each mandated program be deleted because these mandates have been suspended. It is also requested that the Open Meetings/Brown Act Reform mandate and the \$1,000 budgeted be deleted because the Commission on State Mandates (Commission) determined that it is not a reimbursable state-mandated program beginning November 7, 2012 due the passage of Proposition 30 on November 6, 2012. It is also requested that the Race to the Top mandate and \$1,000 Proposition 98 General Fund be added to the mandate claiming process to reflect the Commission’s determination that it is state-mandated program. This includes January proposals in regards to the Pertussis Mandate and consolidation of claims.	Approve as proposed and conform to Proposition 98 package	BBL/TBL	
5	6100-296-0001 (Issue 370)	Mandates Block Grant (January Proposal and May Revision)	The May Revision requests that this item is increased by \$1,166,000 Proposition 98 General Fund to reflect increased school district participation in the Mandated Programs Block Grant. This additional funding is required to maintain statutory block grant funding rates assuming 100 percent participation. The Administration also proposed to add the Pertussis Mandate to the Block Grant and \$1.7 million in January.	Approve as proposed and conform to Proposition 98 package	BBL	
6	Items 6100-139-8080, 6100-640-0001, 6100-639-0001 and 6100-698-8080 (Issues 532, 533, 534, and 535)	Proposition 39 (January Proposal and May Revision)	<p>The May Revision requests that Item 6100-139-8080 be decreased by \$6,675,000 Clean Energy Job Creation Fund to reflect decreased projected revenues in 2015-16 tied to the corporate tax changes enacted by Proposition 39. It is further requested that Items 6100-639-0001 and 6100-698-8080 be adjusted to conform to this action.</p> <p>The May Revision also requests that Item 6100-640-0001 be increased by \$342,000 General Fund to align to the Proposition 39 allocation for the California Conservation Corps.</p>	Approve as proposed, and conform to Proposition 98 package		

CALIFORNIA DEPARTMENT OF EDUCATION

#	Item	Issue	Description	Staff Recommendation	Language	Comments
7	Control Section 6.10	State Special Schools Deferred Maintenance (January Budget)	The Governor proposes to provide \$3 million in one-time non-Proposition 98 General Fund to address deferred maintenance for the state special schools. This is part of the Governor’s recently released 2015 Five – Year Infrastructure Plan which prioritizes specific maintenance projects for existing state facilities, and proposes \$125 million in General Fund for projects. The funds are proposed to be appropriated through Control Section 6.10, and the Department of Finance would review and approve the lists of projects to be funded. The Department of Education has identified a list of 3 state special schools projects that would be submitted for the funds, with priority for critical deficiencies that could be completed within two years.	Approve \$3 million in one-time Proposition 98 funds for state special schools deferred maintenance. Adopt placeholder TBL to implement this action including language to require the state special schools to use these funds to supplement rather than supplant the existing base funding for deferred maintenance. Conform to Proposition 98 Package	TBL	Staff believes that deferred maintenance can be appropriately funded with Proposition 98. Including additional requirements on the base funding would ensure that the State Special Schools continue to make progress towards reducing the maintenance backlog. Senate Budget Subcommittee 4 will hear Control Section 6.10.

CALIFORNIA DEPARTMENT OF EDUCATION

#	Item	Issue	Description	Staff Recommendation	Language	Comments
8	6110-005-0001 or 6110-006-0001	State Special Schools Capital Outlay (January Budget)	The Governor proposes to provide \$1.749 million in non-Proposition 98 General Fund to construct a new building for the middle school activity center at the California School for the Deaf in Fremont. The project would replace the old modular 1,920 square foot building with a new 2,160 square foot permanent building. The Administration did not revise its January proposal.	Reject		Staff agrees with LAO concerns that other health and safety capital outlay proposals should be higher priority and recommends the State Special School for the Deaf Fremont report back next year on the use of other buildings for this purpose.
9	6110-170-0001 (Issue 282)	Career Technical Education (April Letter)	The April Letter requests to increase reimbursements by \$810,000 to reflect one-time reimbursement carryover funds for the Career Technical Education (CTE) program. The Administration proposes to spend these funds as follows: \$220,000 for completion of three projects that were delayed in 2014-15; \$275,000 for an evaluation of the Linked Learning Pilot Program; and \$315,000 for allocation to existing participants of the Linked Learning Program.	Approve \$220,000 for completion of the three projects; and \$90,000 for two county offices of education to provide regional Linked Learning trainings. Adopt BBL to implement these actions (See Attachment A)	BBL	SDE notes that after the April Letter was released, they encumbered an additional \$500,000, leaving \$310,000 available for reappropriation. This action would align to the updated amount.

CALIFORNIA DEPARTMENT OF EDUCATION

#	Item	Issue	Description	Staff Recommendation	Language	Comments
10	Various	Williams - Emergency Repair Program (January and May Proposals)	The Governor proposed to pay off the remaining balance (\$273.4 million) owed to the Emergency Repair Program as a result of the Williams v. California lawsuit. Of this total, the May Revision proposes \$127.9 million is from Proposition 98 savings and the remaining \$145.5 million is from one-time Proposition 98 funds and counts towards meeting settle-up obligations.	Approve, conform one-time funding source to Proposition 98 package. Adopt placeholder TBL to be refined.	TBL	
11	6110-182-0001	Local Assistance, K-12 High Speed Network Operating Reserve (January Budget)	The January budget proposes to use \$8.8 million from the K-12 High Speed Network (HSN) reserve funds to provide additional Broadband Infrastructure Improvement Grants (BIIG) in 2015-16. This would reduce the HSN reserve from \$14.3 to \$5.5 million (38 percent of the annual budget). The Governor proposes to retain the remaining reserve to cover uncertainties in the timing of federal Internet subsidies and for anticipated replacement of equipment in 2018-19.	Reject Governor's proposal to provide \$8.8 million for network infrastructure. Approve LAO recommendation to reduce HSN reserve by \$8.3 million and use these funds for HSN operations in 2015-16 instead of Proposition 98 ongoing funds. Include BBL to require a separate annual financial audit of HSN expenditures and operations. Conform to Proposition 98 Package.	BBL	Staff notes that both the LAO and Department of Finance are in agreement about reducing the HSN reserve, however it is unclear that the funds are needed in a new BIIG program. Staff recommends that the Department of Education and Department of Finance pursue plans to reconsider and resize workload for the HSN for the 2016-17 fiscal year. The addition of the audit and the reduction in reserve will support this movement towards appropriate technology funding for K-12 education.

CALIFORNIA DEPARTMENT OF EDUCATION

#	Item	Issue	Description	Staff Recommendation	Language	Comments
12	6110-182-0001	Local Assistance, K-12 High Speed Network BIIG (January Budget)	The January budget proposes to provide \$100 million in one-time Proposition 98 funding to support Internet connectivity and infrastructure for schools. This funding would go out through the same BIIG program from the current year and would use the same eligibility and priority ranking criteria as last year to address the remaining sites and any newly-identified sites. Staff proposes an alternative of \$75 million, of which: \$25 million is for the HSN to provide network connectivity grants to be provided pursuant to BIIG criteria. Require the HSN to provide a report on "middle mile" connectivity needs, including costs and potential partnerships with other state and private entities. \$5 million to the HSN to provide training and professional development to LEAs on technology, including network management, system evaluation, and access to subsidies. \$45 million provided to the SPI to provide grants to LEAs on a per ADA basis for technology needs.	Approve alternative proposal of \$75 million and adopt placeholder Trailer bill to implement the program as described. Conform to Proposition 98 Package.	TBL	Staff notes that the Administration's proposal lacked detail on the use of the \$100 million, beyond the use of these funds to build fiber connectivity. In addition the HSN had noted that all sites identified at this point could be served with other solutions (microwave or satellite) within the existing BIIG grant funds.
13	6110-209-0001 (Issue 291) 6110-619-0001 (Issue 292)	Commission on Professional Competence hearing expense claims appropriation (January Proposal and May Revision)	The Governor proposes language and an appropriation of \$50,000 in one-time Proposition 98 General Fund in 2014-15 and \$40,000 in 2015-16 for district claims for reimbursement of teacher dismissals. The state is required to pay half the cost of teacher dismissal hearings and the costs of members of the Committee on Professional Competence pursuant to Education Code 44944.	Approve as proposed.	TBL	

CALIFORNIA DEPARTMENT OF EDUCATION

#	Item	Issue	Description	Staff Recommendation	Language	Comments
14	Items 6100-113-0001, 6100-113-0890, 6100-491, 616, 619, 631, 632, 633, 634, 636)	Student Assessment Program (January and May Revision)	The May Revision adjusts funding for student assessment contracts to reflect the full cost of statewide student assessment implementation and development of new assessments as required by current statute. The May Revision also includes language that allows CDE to provide \$1.5 million of the amount provided to the California Assessment of Student Performance and Progress to support training and resources for the California Assessment of Student Performance and Progress. The May Revision also requests that trailer bill language is adopted to allow the California Department of Education to extend the contract for the California High School Exit Exam (CAHSEE) and the CAHSEE independent evaluation, contingent upon the continuation of the CAHSEE requirement.	Approve as proposed, Adopt placeholder TBL to extend the contract for the CAHSEE and alternatively allow for the expenditure of CAHSEE savings pursuant to a plan approved by JLBC and the Department of Finance, priority for the primary language assessment and California alternative assessment. Conform to Proposition 98 Package	BBL/TBL	Staff notes that legislation is pending that would suspend the CAHSEE. Proposed TBL would provide flexibility for CDE to adjust activities to respond to legislation.
15	6100-172-0001 (Issue 880)	Local Assistance, Student Friendly Services	The May Revision requests that \$500,000 ongoing Proposition 98 General Fund be provided for the Riverside County Office of Education to support a college planning and preparation website. These funds have previously been appropriated to the Board of Governors of the California Community Colleges.	Approve as proposed, Conform to Proposition 98 Package	BBL	
16	6100-602-0001 and 6100-488 (Issue 059, 061)	California Student Information Services (CSIS) (January and May Revision)	Revises January proposal to fund CSIS with Proposition 98 reappropriation funding to reflect corrected amount.	Approve as Proposed		Technical Adjustment
17	6100-161-0001 (Issues 013 and 014)	Special Education Technical Items (May Revision)	Technical Adjustment to reflect an interagency agreement to serve infants and toddlers with special needs.	Approve as Proposed		

CALIFORNIA DEPARTMENT OF EDUCATION

#	Item	Issue	Description	Staff Recommendation	Language	Comments
18	6100-194-0001 (815)	Adjust Child Care Programs for Growth (May Revision)	The May Revision proposes to decrease by \$1,417,000 General Fund to reflect a revised growth adjustment of 0.37 percent and corresponding amendments to provisional language	Approve as requested.	BBL	At the Governor's Budget, demographic information indicated a 0.57 percent increase in the 0-4 year old population.
19	6100-194-0001 (Issue 817)	Adjust Child Care Programs for Cost-of-Living (May Revision)	The May Revision proposes a \$4,130,000 General Fund decrease to reflect a decrease in the cost-of-living adjustment and proposed provisional language.	Approve as requested.	BBL	
II. VOTE ONLY - GENERAL FUND - STATE OPERATIONS						
20	6110-001-0001	State Operations, Funding for Legal Representation in <i>Cruz v. California</i>	The January budget provides \$3.675 million in one-time funding non-Proposition 98 General Fund for the second year of a contract with a legal firm to represent the California Department of Education, State Board of Education, and the Superintendent of Public Instruction in the <i>Cruz v. California</i> case.	Approve as proposed	BBL	
21	Item 6100-001-0001 (Issue 496)	State Operations, (Schedule Correction)	The May Revision requests that Schedule (2) of this item be decreased by \$250,000 General Fund and that Schedule (3) be increased by \$250,000 General Fund to correct a scheduling error included in the Governor's Budget.	Approve this technical adjustment		Technical Correction

CALIFORNIA DEPARTMENT OF EDUCATION

III. VOTE ONLY - FEDERAL AND OTHER FUNDS

#	Item	Issue	Description	Staff Recommendation	Language	Comments
22	6100-102-0231 (Issue 390)	Local Assistance, Tobacco-Use Prevention Education Program (May Revision)	The May Revision requests that this item be decreased by \$2,171,000 Health Education Account to reflect declining revenues from the Cigarette and Tobacco Products Surtax Fund (Proposition 99). These funds are used for health education efforts aimed at the prevention and reduction of tobacco use.	Approve as proposed		
23	Item 6100-197-0890 (Issue 819)	Local Assistance, Federal Funds - 21st Century Community Learning Center (May Revision)	The May Revision requests that this item be increased by \$9,896,000 federal Title IV, Part B funds to reflect an increase in one-time federal carryover funds available from prior years to support existing program activities and provisional language:	Approve as proposed	BBL	
24	Item 6100-201-0890 (Issues 362 and 363)	Local Assistance, Federal Child Nutrition Program (May Revision)	<p>The May Revision requests that Schedule (1) of this item be decreased by \$124 million Federal Trust Fund to remove excess authority and to more closely align program funding to expected program participation. The Child Nutrition Program is a federally assisted meal program that provides reimbursement to schools that serve nutritionally balanced low-cost or free meals.</p> <p>It is further requested that Schedule (2) of this item be increased by \$4 million Federal Trust Fund to reflect projected growth in the Summer Food Service Program (SFSP). The SFSP was developed to provide nutritious meals in lower-income areas during the summer months to children who would normally be eligible for free and reduced-price meals during the regular school year.</p>	Approve as proposed		

CALIFORNIA DEPARTMENT OF EDUCATION

#	Item	Issue	Description	Staff Recommendation	Language	Comments
25	Item 6100-201-0890 (Issue 365)	Local Assistance, Federal Child Nutrition Program Equipment Assistance Grants (May Revision)	The May Revision requests that this item be increased by \$3,096,000 Federal Trust Fund to reflect the availability of one-time funds to provide grants for food service equipment. Qualifying LEAs receiving funding can purchase equipment needed to serve healthier meals, meet nutritional standards, and improve food safety.	Approve as proposed	BBL	
26	Items 6100-001-0890 and 6100-104-0890 (Issues 194 and 195)	State Operations and Local Assistance, Federal "Now is the Time" Project Advancing Wellness and Resilience in Education (AWARE) Grant Program (May Revision)	The May Revision requests that Schedule (1) of Item 6100-001-0890 be increased by \$289,000 Federal Trust Fund to reflect a new federal grant for training, technical assistance, and oversight of mental health programs at selected local educational agencies (LEAs). It is also requested that Item 6100-104-0890 be added in the amount of \$1,661,000 Federal Trust Fund to provide grants to selected LEAs for programs and activities that increase access to mental health services for students and families. Project AWARE is a five-year grant program that provides funding for the SDE and LEAs to increase awareness of mental health issues among school-aged youth, provide Mental Health First Aid training to teachers and other school personnel, and ensure students with signs of mental illness are referred to appropriate services.	Amend to provide \$612,000 in state operations and \$1,338,000 in local assistance. Amend BBL to reflect this action. See attachment.	BBL	Staff notes that the this grant requires significant state level activities workload and the proposed amended funding would fully fund the approved grant application.

CALIFORNIA DEPARTMENT OF EDUCATION

#	Item	Issue	Description	Staff Recommendation	Language	Comments
27	6100-001-0890 and 6100-200-0890 (Issues 802 and 803)	State Operations and Local Assistance, Race to the Top—Early Learning Challenge Grant (May Revision)	The May Revision requests an increase of \$2,915,00 in Federal Trust Fund to reflect grant carryover available from fiscal year 2014-15, as well as provisional language to conform to this action.	Approve as proposed.	BBL	Staff notes no concerns have been raised.
28	6100-001-0890 and 6100-294-0890 (Issues 800 and 801)	State Operations and Local Assistance, Early Head Start—Child Care Partnership Grant (May Revision)	The May Revision proposes an increase of \$916,000 Federal Trust Fund to support the Early Head Start—Child Care Partnership Grant awarded to California in December 2014, as well as provisional language to conform to this action.	Approve as proposed.	BBL	These funds will be expended for positions and travel supporting training and technical assistance to partnership agencies. This funding is the last 12-months’ allocation of the original 18-month grant awarded in 2014
29	6100-194-0890 (Issue 808)	Federal Child Care and Development Fund One Time Quality Carryover (May Revision)	The May Revision requests an increase in \$3,192,000 Federal Trust Fund to reflect an increase in available one-time federal child care quality funds from prior years, as well as provisional language that conforms to this action.	Approve as requested.	BBL	

CALIFORNIA DEPARTMENT OF EDUCATION

#	Item	Issue	Description	Staff Recommendation	Language	Comments
30	6100-194-0890 and 6100-194-0001 (Issues 811 and 813)	Adjust Federal Child Care Funds (May Revision)	The May Revision requests an increase in \$14,506,000 Federal Trust Fund to reflect \$9 million in ongoing federal funds, and an increase of \$5.5 million in one-time federal carryover funds available from prior years.	Approve as requested.	BBL	The increased federal funds will offset an identical amount of non-Proposition 98 General Fund in the CalWORKs Stage 3 child care program. The Governor's Budget identified \$12,923,000 one-time Federal Trust Fund carryover available in 2015-16 and this adjustment will increase the total available carryover funds to \$18,469,000.
31	Item 6100-001-0890 and 6100-112-0890 (Issues 530 and 531)	State Operations and Local Assistance, Public Charter Schools Grant Program (PCSGP) (May Revision)	The May Revision requests that Schedule (1) of Item 6100-001-0890 be decreased by \$396,000 Federal Trust Fund and Item 6100-112-0890 be increased by \$4 million Federal Trust Fund to reflect the available grant carryover for the PCSGP. The PCSGP awards planning and implementation grants up to \$575,000 to new charter schools.	Approve as proposed		

CALIFORNIA DEPARTMENT OF EDUCATION

#	Item	Issue	Description	Staff Recommendation	Language	Comments
32	Item 6100-125-0890 (Issue 192)	Local Assistance, English Language Acquisition Program (May Revision)	The May Revision requests that Schedule 3 of this item be increased by \$1,836,000 federal Title III one-time carryover funds to support existing program activities. This program provides services to help students attain English proficiency and meet grade level academic standards.	Approve as proposed	BBL	
33	6110-195-0890 (Issues 287, 288, 289, and 290)	Local Assistance, Improving Teacher Quality (April Letter)	The April letter requested the following adjustments to this item: It is requested that Schedule (1) of this item be decreased by \$846,000 federal Title II funds to align to the federal grant award. It is also requested that Schedule (2) be decreased by \$157,000 to align to the federal grant award. It is also requested that Schedule (3) of this item be increased by \$2,270,000 federal Title II funds to reflect the availability of \$2,318,000 in one-time carryover and a \$48,000 reduction to the federal grant award. The Improving Teacher Quality Higher Education Grants provides funds for teacher professional development in core academic subjects at institutions of higher education. It is also requested that Schedule (4) be decreased by \$22,000 federal Title II funds to align to the federal grant award.	Approve funding, Amend BBL to provide funds in Schedule (3) to be instead used for Beginning Teacher and Administrator Induction Programs (See attachment A)	BBL	
34	6110-001-0890 (Issue 623)	State Operations, California Longitudinal Pupil Achievement Data System Provisional Language (April Letter)	The Administration proposed in the April Finance letter to amend Provision 16 of this item to remove outdated provisional language.	Approve as proposed	BBL	No fiscal impact.

CALIFORNIA DEPARTMENT OF EDUCATION

#	Item	Issue	Description	Staff Recommendation	Language	Comments
35	6110-156-0890 (Issue 681)	Local Assistance, Audit of Federal Title II Funds (April Letter)	The May Revision requests that subdivision (b) of Provision 2 of this item be amended to cite provisions of federal law that are currently applicable to funds received pursuant to Title II of the federal Workforce Investment and Opportunity Act of 2014.	Approve as proposed	BBL	
36	6100-001-0890 (Issue 046), 6100-161-0890 (Issues 050, 056)	Special Education Technical Adjustments (May Revision)	The May Revision requests provisional language in Item 6110-001-0890 be amended to expand the use of federal IDEA funds to meet new requirements of the federal State Performance Plan. Also adjust items 6100-161-0890 for federal carryover.	Approve as proposed	BBL	
IV. VOTE ONLY - TRAILER BILL LANGUAGE						
37	Language	Ed Telecom (Amends EC 10554) (January Budget)	The Governor's Budget proposes trailer bill language to remove the transfer of audit findings to the California School Information Services unit (CSIS). This is part of changes the Governor's Budget makes to simplify funding for CSIS.	Approve TBL, to be refined as necessary.	TBL	
38	Language	Independent Study (Amends EC 51745.6) (January Budget and May Revision)	The Governor's Budget proposes trailer bill language (amended in the May Revision) to allow Independent Study Programs to calculate a pupil-to-teacher ratio based on the average daily attendance of their total students, rather than by grade span.	Approve TBL, to be refined as necessary.	TBL	This reverses a change made in LCFF statute to the way independent study pupil-to-teacher ratio is calculated.
39	Language	History Social Science Instructional Materials (Adds EC 60212) (January Budget)	The May Revision proposes trailer bill language to specify the process for state adoption of history-social science instructional materials.	Approve TBL, to be refined as necessary.	TBL	This language is consistent with adoption of instructional materials in other subject areas.

CALIFORNIA DEPARTMENT OF EDUCATION

#	Item	Issue	Description	Staff Recommendation	Language	Comments
40	Language	Special Education GF Backfill due to Redevelopment Agency (RDA) Variances (Uncodified) (January budget)	RDA revenues offset General Fund (GF) revenues in the calculation of special education apportionments. This section provides a mechanism for backfilling or reducing the special education GF appropriation should RDA revenue estimates change.	Approve TBL, to be refined as necessary	TBL	The costs or savings of Proposition 98 GF resulting from these changes are not yet known.
41	Language	Special Education Maintenance of Effort (May Revision)	The May Revision proposes trailer bill language to specify that \$35,721,493 provided in the 2012 Budget Act will count toward fully funding the federal Special Education maintenance of effort requirements in 2010-11 and 2011-12, \$16,548,538 and \$19,172,955 respectively.	Approve TBL, to be refined as necessary.	TBL	
42	Language	California Career Pathways Trust (May Revision)	The May Revision requests trailer bill language to extend the encumbrance period of the \$250 million Proposition 98 General Fund appropriated in the 2014 Budget Act for the second cohort of the California Career Pathways Trust to three years, consistent with funding for the first cohort.	Approve TBL, to be refined as necessary	TBL	
43	Language	San Francisco Individualized County Child Care Subsidy plan pilot project	The proposal seeks to repeal to the pilot's sunset.	Approve placeholder TBL, to be refined as necessary, to repeal the sunset date for the pilot program and retain existing specified reporting and outcome requirements.	TBL	

CALIFORNIA DEPARTMENT OF EDUCATION

#	Item	Issue	Description	Staff Recommendation	Language	Comments
44	Language	Transitional Kindergarten Enrollment	This language would allow local educational agencies, including charter schools, to enroll students in transitional kindergarten who do not meet the current age requirements. The language specifies that the local educational agency would not be able to claim average daily attendance for serving these students until the student reaches five years of age.	Approve placeholder TBL, to be refined as necessary	TBL	
45	Language	Local Control Funding Formula - Various Technical Clean-up (January Proposal and May Revision)	The Administration proposes a variety of technical LCFF-related clean-up language, specifically to correct references, remove obsolete references and education code sections, align budget and LCAP approval deadlines, and other technical changes.	Approve TBL, to be refined as necessary	TBL	This language provides additional clarity in the education code on the calculation of LCFF.
46	Language	Inglewood Exemptions (May Revision)	The May Revision requests trailer bill language be adopted to extend, by three years, the authority for Inglewood Unified School District to reduce its outstanding emergency loan debt to the state with proceeds from the sale of district property.	Approve TBL, to be refined as necessary	TBL	
47	Language	Basic Aid District Property Tax Accounting (May Revision)	The May Revision requests trailer bill language be adopted to change the accounting methodology for basic aid property taxes in the 2009-10 and 2010-11 fiscal years. This language is part of a legal settlement between the Department of Education and the Western Placer Unified School District.	Approve TBL, to be refined as necessary	TBL	

**CALIFORNIA DEPARTMENT OF EDUCATION
DISCUSSION/ VOTE**

I. Child Care						
	Item	Issue	Description	Staff Recommendation	Language	Comments
1	6100-194-0890 (Issue 806)	Federal Child Care and Development Block Grant Determination and Funding Priorities (May Revision)	The May Revision requests provisional language be added to this item to clarify the state's funding intent should federal Child Care and Development Block Grant funding received in 2015-16 differ from the amount identified in the enacted 2015-16 Budget.	Reject, without prejudice.	BBL	<p>If the federal grant amount is higher than anticipated, the language directs the SDE to request that funds be allocated first to fulfill any federally required quality activities, and secondly to increase access in child care voucher programs. The language also indicates the intent of the state to protect program access and reimbursement rates to the extent possible if the grant amount is lower than anticipated.</p> <p>The LAO recommends rejecting the proposal because it is premature and unnecessarily limits future legislative decision-making.</p>

**CALIFORNIA DEPARTMENT OF EDUCATION
DISCUSSION/ VOTE**

	Item	Issue	Description	Staff Recommendation	Language	Comments
2	6100-194-0890 (Issue 807)	Infant and Toddler Quality Rating and Improvement System Grant (May Revision)	The Administration proposes language to identify that, beginning October 1, 2016, it is the intent of the state to use targeted infant and toddler quality funds subject to the requirements of the federal Child Care and Development Block Grant Act to create an Infant and Toddler Quality Rating and Improvement System Block Grant.	Reject, without prejudice.	BBL	Staff recognizes that the State Plan is due on March 2016. The LAO recommends rejecting, so the Legislature can prioritize additional funds become available.
3	6100-194-0001 (Issue 804)	Adjust CalWORKs Child Care Caseload Funding (May Revision)	The May Revision increases by \$43,585,000 General Fund to reflect revised cost estimates for the CalWORKs Stage 2 and Stage 3 child care programs. Specifically, it is requested that Schedule (5) of this item be increased by \$43,125,000 and Schedule (6) of this item be increased by \$460,000.	Hold open.		The LAO notes that the Stage 1 caseload estimate may be overstated due to (1) individuals coming out of a welfare-to-work exemption in 2014, and (2) other policy changes. In addition, the LAO notes that the CalWORKs Stage 2 may also be overstated by 1,280 slots.

**CALIFORNIA DEPARTMENT OF EDUCATION
DISCUSSION/ VOTE**

	Item	Issue	Description	Staff Recommendation	Language	Comments
4	6100-194-0001 (Issue 805)	Adjust Cost of Full-Year Regional Market Rate Update Implementation (May Revision)	The May Revision requests that this item be increased by \$6,121,000 General Fund to reflect revised cost estimates for the full-year implementation of the update made to the Regional Market Rate in the 2014 Budget Act for the CalWORKs Stage 2 and Stage 3 child care programs and the Alternative Payment Program.	Approve as proposed		These adjustments reflect updates in caseload, distribution of slots by county, and characteristics of children receiving care.
5	6100-194-0001 (Issue 830)	Adjust 4,000 Full-Day State Preschool Wraparound Slots for Change in Cost-of-Living Adjustment (May Revision)	The May Revision requests that requested that Schedule (1) of this item be decreased by \$115,000 General Fund to reflect a decrease in the cost-of-living adjustment, which decreases rates and the cost of providing slots in the General Child Care program.	Approve as proposed		This adjustment aligns the cost of 4,000 full-day State Preschool slots (with wraparound care in the General Child Care program) established in the 2014 Budget Act with the updated cost of providing slots.
6	6100-196-0001 (Issue 829)	Adjust 4,000 Full-Day State Preschool Slots for Change (May Revision)	The May Revision proposes to decrease by \$87,000 Proposition 98 General Fund to reflect a decrease in the cost-of-living adjustment, which decreases rates and the cost of providing slots in the State Preschool program. This adjustment aligns the cost of 4,000 full-day State Preschool slots established in the 2014 Budget Act with the updated cost of providing slots.	Approve as proposed		

**CALIFORNIA DEPARTMENT OF EDUCATION
DISCUSSION/ VOTE**

II. K-12 Local Assistance						
	Item	Issue	Description	Staff Recommendation	Language	Comments
7	6100-161-0890 (058)	Special Education - Early Intervention Funding (May Revision)	The May Revision includes \$30 million in ongoing Proposition 98 funds to expand the number of districts providing services to infants and toddlers with disabilities.	Approve as proposed	BBL	
8	6110-196-0001 (Issue 828)	Special Education - Part-Day State Preschool Slots (May Revision)	The May Revision increases by \$12,103,000 Proposition 98 General Fund to serve 2,500 additional children in part-day State Preschool, with priority for children with exceptional needs. Also include proposed language to conform to proposal.	Approve as proposed	BBL	
9	6100-196-0001 (Issue 809)	Special Education - Preschool Professional Development and Parent Information (May Revision)	The May Revision requests \$6.025 million in ongoing Proposition 98 funds to increase the rate for part-day State Preschool by 1 percent. Providers would have to increase their professional development activities around training teachers on behavioral strategies and targeted interventions to improve kindergarten readiness. Additionally, they would be required to provide parents with information about accessing local resources for the screening and treatment of developmental disabilities.	Approve as proposed	BBL	

**CALIFORNIA DEPARTMENT OF EDUCATION
DISCUSSION/ VOTE**

	Item	Issue	Description	Staff Recommendation	Language	Comments
10	6110-001-0890 (Issue 046)	Special Education - Office of Administrative Hearings (May Revision)	The May Revision requests \$1,890,000 million in ongoing federal funds to cover increased workload for the Office of Administrative Hearings (OAH), with which CDE contracts to conduct hearings, mediation, and settlement services between districts and families who disagree about special education services.	Approve proposal amended to provide one-time funding of \$1.89 million and conforming BBL to reflect this change. (See attachment A)	BBL	Staff agrees with LAO concern that more information is needed to support an ongoing augmentation.
11	6100-161-0890 (Issues 054, 065, 045)	Special Education - Alternative Dispute Resolution (May Revision)	The May Revision requests \$1.65 million in ongoing federal funds to expand grants for SELPAs to hire mediators or conduct other strategies to try to resolve disputes (typically between districts and families) regarding special education services without going to trial. This includes technical adjustments related to this proposal, including federal grant alignment and federal carryover adjustments.	Approve as proposed.	BBL	
12	6100-161-0890 (047, 045)	Special Education - State Level Improvement Activities (May Revision)	The May Revision requests \$500,000 in ongoing federal funds for CDE to contract with another entity (such as a COE) to develop resources and provide technical assistance to districts around implementing the federally required State Systemic Improvement Plan for students with disabilities.	Approve as proposed.	BBL	

**CALIFORNIA DEPARTMENT OF EDUCATION
DISCUSSION/ VOTE**

	Item	Issue	Description	Staff Recommendation	Language	Comments
13	6110-795-0001, (Issue 373)	Use of One-Time Funding/ Outstanding Mandate Claims (January Proposal and May Revision)	<p>The Administration proposes trailer bill legislation to appropriate an additional \$2,530,566,000 for outstanding K-12 mandate claims. Specifically, \$98,315,000 is applicable to 2013-14 and \$2,414,765,000 is applicable to 2014-15. An additional \$17,486,000 in settle-up funding is applicable to 2015-16. The funding will be allocated on an average daily attendance basis and will first satisfy any outstanding mandate claims for reimbursement of state-mandate local program costs. This nets a total of \$3.6 billion with the January proposal. Staff Suggested Amendment:</p> <ul style="list-style-type: none"> • Modify this proposal to reduce the amount of one-time funds used for additional outstanding mandate claims and instead provide \$800 million in one-time Proposition 98 funds to support the development of a high-quality educator workforce for purposes of increasing educator effectiveness and outcomes for students. o Funds are to be utilized for: <ul style="list-style-type: none"> • Professional development for teachers and administrators that is aligned to recently adopted math and ELA standards; • Beginning teacher and administrator support; • To promote educator quality, including training on mentoring and coaching and training to measure effective teaching; and • Provide continuous support for struggling teachers. • Allocate the funds to local educational agencies using an equal rate per certificated staff based on the prior year count. 	<p>Amend to provide one-time Proposition 98 funding of \$3 billion for mandates. Conform proposed TBL to be refined as necessary. Remove professional development from intent language for use of mandate funds in TBL. Approve \$800 million in one-time Proposition 98 funds for Educator Effectiveness and placeholder TBL as described. Remove reference to teacher induction from intent language in Administration's proposed TBL describing use of settle-up funds. Conform to Proposition 98 Package</p>	TBL	<p>Staff notes that the amount of funds provided for mandates will be a "balancer" issue in the final package and adjusted if needed to tie to total Proposition 98 one-time funding available in the final Proposition 98 package. The amended amount provided in staff recommendations assumes LAO revenues are adopted.</p>

**CALIFORNIA DEPARTMENT OF EDUCATION
DISCUSSION/ VOTE**

	Item	Issue	Description	Staff Recommendation	Language	Comments
14	6100-630-0001 (Issue 252)	Career Technical Education Incentive Grant Program (January Proposal and May Revision)	The Governor proposes (amended at May Revision) a Career Technical Education (CTE) Incentive Grant program to provide one-time Proposition 98 funding in the amounts of \$400 million, \$300 million, \$200 million for 2015-16, 2016-17, and 2017-18 respectively. These funds would be provided through competitive grants and would be available for local educational agencies that met program requirements, including criteria for a high quality CTE program and accountability measures. Applicants must provide matching funds of 1:1 in 2015-16, 1.5:1 in 2016-17, and 2:1 in 2017-18. Career Pathways Trust Funds may not be used as a match. Applicants administering programs located in rural school districts or regions with high student dropout rates are prioritized. Staff Suggested Alternative: Approve proposed funding amounts of \$400 million, \$300 million, \$200 million for 2015-16, 2016-17, and 2017-18 respectively. Remove matching fund requirements. Provide funds on a per ADA basis and require, as a condition of receiving these funds, recipients to: (1) develop a plan that includes a sequence of courses for high-quality CTE aligned to state standards, articulation of CTE courses with CCC or apprenticeship prgms and a system for specified data collection to be reported to CDE; (2) certify plan development with industry-based advisory cmte; (3) certify each course within a CTE sequence is aligned with the CTE Model Curriculum Standards and, where applicable, the Common Core State Standards; (4) certify CTE instructors have the appropriate authorization; and (5) collect and report data as necessary.	Approve proposed staff alternative. Adopt placeholder TBL to implement as described in staff alternative. Conform to Proposition 98 Package	TBL	Staff notes that the Administration's proposal, while addressing many of the concerns raised by the Legislature and stakeholders, provided a complex competitive grant program that would provide CTE funds to a limited pool of districts. The staff alternative would provide these funds on a per ADA basis, but still ensure recipients provide high quality CTE.

**CALIFORNIA DEPARTMENT OF EDUCATION
DISCUSSION/ VOTE**

	Item	Issue	Description	Staff Recommendation	Language	Comments
15		Charter School Facilities Grant Program (January Budget and May Revision Proposal)	The Governor's Budget proposes an additional \$50 million in ongoing Proposition 98 funding for the Charter School Facilities Grant Program and a lowering of the eligibility threshold to 55 percent of free or reduced price lunch enrollment. The May Revision amended the proposal to provide any remaining funds be apportioned to eligible charter schools on a pro rata basis, such that no charter school receives in total an amount that exceeds \$1,000 per Average Daily Attendance or 100 percent of the annual facilities rent and lease costs. It is further requested that trailer bill language be amended to eliminate the second review of data on pupils eligible for free or reduced-price meals when determining eligibility. Current law requires the use of prior year data on pupil eligibility for free or reduced-price meals for the charter schoolsite when determining the initial grant apportionment until current year data is available. To the extent that charter schools no longer meet the free or reduced-priced meal eligibility threshold using current year data, the initial apportionment is adjusted and funds are returned to the program.	Reduce augmentation to \$15 million. Adopt proposed TBL, to be refined as necessary and amended to remove language providing additional funds on a pro-rata basis.	TBL	Staff notes that \$15 million is a more reasonable cost estimate for the change in threshold eligibility.

**CALIFORNIA DEPARTMENT OF EDUCATION
DISCUSSION/ VOTE**

Item		Issue	Description	Staff Recommendation	Language	Comments
16	6100-203-0001 (Issues 366 and 367)	Local Assistance, Child Nutrition Program (May Revision)	<p>The May revision requests that this item be decreased by \$921,000 Proposition 98 General Fund to reflect the revised cost-of-living adjustment applied to the per-meal reimbursement rates for the state child nutrition program at public school districts, county offices of education, and Proposition 98-eligible child care centers and homes.</p> <p>It is also requested that this item be decreased by \$1,278,000 Proposition 98 General Fund to reflect the revised estimate of meals served through the state child nutrition program at public school districts, county offices of education, and Proposition 98-eligible child care centers and homes. The resulting appropriation would fully fund, at the specified rates, all meals projected to be served in 2015 16.</p>	Approve as proposed.	BBL	
17	6100-608-0001 (Issue 487)	Local Assistance, "Tools for Tolerance", Professional Development and Leadership Training (May Revision)	The May Revision requests that the LCFF apportionment amount for the Los Angeles County Office of Education be increased by \$2 million in ongoing Proposition 98 General Fund to allow the county office to contract with the Simon Wiesenthal Center to support anti-bias education, inclusion, and leadership training for educators in California.	Approve with amendments to proposed TBL to specify that funds are to support anti-bias education, inclusion, and leadership training for educators, to be refined as necessary.	TBL	

**CALIFORNIA DEPARTMENT OF EDUCATION
DISCUSSION/ VOTE**

	Item	Issue	Description	Staff Recommendation	Language	Comments
18	6100-654-0001 (Issue 635)	Local Assistance, Evaluation Rubrics (May Revision)	The May Revision requests \$350,000 in in one-time Proposition 98 General Fund for the SPI to contract with the San Joaquin County Office of Education to support implementation of the Evaluation Rubrics, including supporting availability of state and local data, to align with a new state-wide accountability system and implementation of LCFF.	Approve as proposed.	TBL	
19	6100-652-0001 (Issue 057)	Local Assistance, Resources for Aligning Support Systems	The May Revision requests \$10 million in one-time Proposition 98 General Fund to the Superintendent of Public Instruction to implement a plan (due by June 30, 2016) for the provision of technical assistance and dissemination of resources to assist local educational agencies in establishing and aligning school-wide, data-driven, systems of learning and behavioral supports.	Approve, adopt TBL, to be refined as necessary, to specify that funds are provided to contract with COEs to develop statewide models, and develop and disseminate statewide resources, and for grants to local educational agencies, to be refined as necessary.	TBL	
20	6100-680-0001 (Issue 060)	Local Assistance, Quality Education Investment Act (QEIA) Transition Funding	The May Revision requests \$4,583,000 in one-time Proposition 98 General Fund to be allocated to Tier one and two school districts that received QEIA funding in 2013-14, but do not meet the threshold to receive concentration grants under the LCFF.	Reject, redirect one-time funds for professional development for educator effectiveness. See recommendation for Item 13 above.	TBL	Staff notes that the original purpose of QEIA was to ensure high quality and effective teachers.

**CALIFORNIA DEPARTMENT OF EDUCATION
DISCUSSION/ VOTE**

III. State Operations						
	Item	Issue	Description	Staff Recommendation	Language	Comments
21	6100-001-0001 (Issue 680)	Adult Education (May Revision)	The May Revision requests that \$335,000 General Fund is provided for three existing positions to support Department of Education workload related to implementing the proposed Adult Education Block Grant.	Approve as proposed		
22	Item 6100-001-0001 (Issue 251)	Career Technical Education Incentive Grant Program (May Revision)	The May Revision requests that this item be increased by \$350,000 General Fund for three years (Until June 30, 2018) and 2.0 positions added to support the Career Technical Education Incentive Grant Program.	Approve \$175,000 General Fund and 1.0 positions. Approve amended BBL (see attachment A).	BBL	Staff notes that adoption of a reduced state operations proposal reflects reduced workload related to proposed changes to the Career Technical Incentive Grant Program to provide funds per ADA, rather than through a competitive grant program.
23	6100-001-0001 (Issue 628)	State Operations, Instructional Quality Commission (May Revision)	The May Revision requests that Schedule (1) of this item be increased by \$274,000 General Fund to support curriculum framework activities of the Instructional Quality Commission. This funding will support the development of the history-social science, science, and health curriculum frameworks in 2015-16.	Approve as proposed	BBL	

**CALIFORNIA DEPARTMENT OF EDUCATION
DISCUSSION/ VOTE**

	Item	Issue	Description	Staff Recommendation	Language	Comments
24	6110-003-0001, 6110-001-0890 6110-491 (Issue 380, 381, 382, 384)	Standardized Account Code Structure (SACS) Replacement Project (January Budget and May Revision)	The January budget provides a total of \$6.1 million (\$3.6 million in General Fund and \$2.5 million in federal funds) for the SACS Replacement Project. The May Revision additionally proposes to reappropriate \$2.5 million federal funds and \$3.6 million in General Fund. These adjustments total \$12.2 million for the replacement of SACs in 2015-16. SACs is the system the state uses to collect and report financial data from school districts, county offices of education and some charter schools. SACs is currently a fragmented system that required considerable manual inputs and has many components that are not supported by current operating systems. CDE proposed a replacement SACs system to address these issues, and had an approved Feasibility Study Report in 2011 estimating costs of \$5.9 million. In 2014, CDE submitted a special project report that shows total project costs of \$21.2 million based on updated data needs and complexity. This proposal reflects the budgeted costs reflected in the special project report, needed to implement the project.	Approve as proposed.	BBL	Staff notes that this total funding of \$12.2 provides for the one-time costs of replacing the current SACs system, in future years, ongoing costs are estimated at \$1-\$2 million.

**CALIFORNIA DEPARTMENT OF EDUCATION
DISCUSSION/ VOTE**

IV. K - 12 Trailer Bill Language						
	Item	Issue	Description	Staff Recommendation	Language	Comments
25	Language	Local Control Funding Formula - Home to School Transportation (January and May Revision Proposal)	The Governor proposes to shift transportation funding that has previously gone directly to a joint powers association to the agency's member districts, beginning in 2015-16. Each agency would determine the amount due to each member and funding received by members must continue to expend funds for transportation.	Approve TBL, to be refined as necessary	TBL	This aligns with LCFF.
26	Language	Amend LCFF Transition Funding Calculation (May Revision)	The May Revision requests language be adopted, beginning in 2015-16, to amend the LCFF to calculate each school district and charter school's transition funding entitlement by multiplying the state-adopted transition funding percentage by each local education agency's LCFF need.	Reject	TBL	Staff notes that, consistent with LAO's concerns, this proposal allows for increased uncertainty in the amount of funding provided in a given year for LCFF transition funding.
27	Language	Routine Restricted Maintenance (RRM)	School districts that participate in the new construction and modernization programs of the existing school facilities program were required to set aside at least three percent of their annual general fund budget for routine maintenance for 20 years after receiving state funds. This requirement was waived in 2008-09 when the state enacted categorical flexibility policies. Categorical flexibility is set to expire at the end of 2014-15 and the maintenance set-aside requirements will resume.	Approve placeholder TBL, to be refined as necessary, to allow for the phase in of the requirement (2% by 2017-18 and 3% by 2020-21), and add language to allow funds to be used for drought-related purposes.	TBL	Staff notes that this language would fully restore the requirement for routine restricted maintenance by the time LCFF is fully implemented.

**CALIFORNIA DEPARTMENT OF EDUCATION
DISCUSSION/ VOTE**

	Item	Issue	Description	Staff Recommendation	Language	Comments
28	Language	Adult Education	This language would ensure that Southern California Regional Occupational Center (SCROC) may continue to receive funds for providing adult education. It is the intent of the legislature that SCROC serve adult students in the same manner as other school districts.	Approve placeholder TBL, to be refined as necessary	TBL	No fiscal impact.

Attachment A: Proposed Budget Bill Language Amendments

Discussion Item #10

Budget Bill Item 6100-001-0890:

"5. Of the funds appropriated in this item, ~~\$9,206,000~~ \$12,751,000, of which \$1,890,000 is one-time funding, is for dispute resolution services, including mediation and fair hearing services, provided through contract for the special education programs. The State Department of Education shall ensure the quarterly reports that the contractor submits on the results of its dispute resolution services include the same information as required by Provision 9 of Item 6110-001-0890 of the Budget Act of 2006 (Chs. 47 and 48, Stats. 2006) and Section 56504.5 of the Education Code and reflect year-to-date data and final yearend data."

Discussion Item #:22

Budget Bill Item 6100-001-0001:

X. Of the funds appropriated in this item, ~~\$350,000~~ \$175,000 is provided until June 30, 2018 and ~~2-0~~ 1.0 positions are is provided, to support the Career Technical Education Incentive Grant Program as established by Chapter 16.5 (commencing with Section 53070) of Part 28 of Division 4 of Title 2 of the Education Code.

Vote Only Item # 26

Budget Bill Item 6100-001-0890:

X. Of the funds appropriated in this item, ~~\$289,000~~ \$612,000 is available to support training, technical assistance, and oversight of selected local educational agencies receiving the "Now is the Time" Project Advancing Wellness and Resilience in Education grants.

Vote Only Item #: 33

Budget Bill Item 6100-195-0890

X. Of the funds appropriated in Schedule (3), \$2,318,000 is provided in one-time carryover for ~~the Improving Teacher Quality Higher Education Grants Beginning Teacher and Administrator Induction Programs~~. None of these funds shall be used for additional indirect administrative costs.

Vote Only Item #: 9

Budget Bill Item 6100-170-0001

"1. Of the funds appropriated in this item, ~~\$810,000~~ \$310,000 reflects one-time reimbursement carryover funds. Specifically, \$220,000 is to complete unfinished projects of the CTE Online development, the California Partnership Academies Special Project, and the Leadership Development Institutes, ~~\$275,000 is to complete an evaluation of the pilot Linked Learning Program, and~~ \$90,000 is for two Linked Learning Regional Trainings.

SUBCOMMITTEE NO. 1

Agenda

Senator Marty Block, Chair
Senator Benjamin Allen
Senator John M. W. Moorlach



Wednesday, May 20, 2015
1:00 pm, Room 3191
Consultants: Elisa Wynne, Samantha Lui
OUTCOMES
Agenda Part A

Item Department

6110 California Department of Education

Proposed Vote-Only Calendar

- I. General Fund Local Assistance
- II. General Fund State Operations
- III. Federal and Other Funds
- IV. Trailer Bill Language

Proposed Discussion/Vote Calendar

- I. Child Care
- II. Local Assistance
- III. State Operations
- IV. Trailer Bill Language

Public Comment

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

CALIFORNIA DEPARTMENT OF EDUCATION

#	Item	Issue	Description	Staff Recommendation	Language	Comments
I. VOTE ONLY - GENERAL FUND - LOCAL ASSISTANCE						
1	6100-601-0001	K-12 Education Deferrals (January Proposal)	The Governor proposes to repay all K-12 inter-budgetary deferrals (\$897 million).	Approve as proposed, and conform to Proposition 98 package 3-0		
2	6100-161, 196, 203, 601, 608, 670 - 0001 (Issue 051, 055, 816, 367, 515)	Growth (January Proposal and May Revision)	The May Revision provides a growth adjustment of an increase of \$154 million for the Special Education, Preschool, and Child Nutrition programs and Charter School, School District, and County Office of Education LCFF ADA growth. This is in addition to \$75 million proposed in the January Budget.	Approve as proposed, and conform to Proposition 98 package 3-0	BBL	
3	6100-119, 150, 151, 161, 196, 203, 608, - 0001 (Issues 196, 197, 198, 052, 056, 818, 366)	Cost of Living Adjustment (COLA) (January Proposal and May Revision)	The May Revision provides a COLA adjustment of a decrease of \$25 million for the Foster Youth, American Indian Early Education Childhood Education, American Indian Education Centers, Special Education, Preschool, Child Nutrition, and County Office of Education LCFF. This is an adjustment in addition to \$71 million proposed in the January Budget and reflects a revised COLA percentage of 1.02 percent	Approve as proposed, and conform to Proposition 98 package 3-0	TBL/BBL	

CALIFORNIA DEPARTMENT OF EDUCATION

#	Item	Issue	Description	Staff Recommendation	Language	Comments
4	6100-295-0001 (Issues 371 and 372)	Mandate Reimbursement Funding (January Proposal and May Revision)	The May Revision requests that Absentee Ballots, Mandates Reimbursement Process I and II, and the \$1,000 budgeted for each mandated program be deleted because these mandates have been suspended. It is also requested that the Open Meetings/Brown Act Reform mandate and the \$1,000 budgeted be deleted because the Commission on State Mandates (Commission) determined that it is not a reimbursable state-mandated program beginning November 7, 2012 due the passage of Proposition 30 on November 6, 2012. It is also requested that the Race to the Top mandate and \$1,000 Proposition 98 General Fund be added to the mandate claiming process to reflect the Commission’s determination that it is state-mandated program. This includes January proposals in regards to the Pertussis Mandate and consolidation of claims.	Approve as proposed and conform to Proposition 98 package 3-0	BBL/TBL	
5	6100-296-0001 (Issue 370)	Mandates Block Grant (January Proposal and May Revision)	The May Revision requests that this item is increased by \$1,166,000 Proposition 98 General Fund to reflect increased school district participation in the Mandated Programs Block Grant. This additional funding is required to maintain statutory block grant funding rates assuming 100 percent participation. The Administration also proposed to add the Pertussis Mandate to the Block Grant and \$1.7 million in January.	Approve as proposed and conform to Proposition 98 package 3-0	BBL	
6	Items 6100-139-8080, 6100-640-0001, 6100-639-0001 and 6100-698-8080 (Issues 532, 533, 534, and 535)	Proposition 39 (January Proposal and May Revision)	<p>The May Revision requests that Item 6100-139-8080 be decreased by \$6,675,000 Clean Energy Job Creation Fund to reflect decreased projected revenues in 2015-16 tied to the corporate tax changes enacted by Proposition 39. It is further requested that Items 6100-639-0001 and 6100-698-8080 be adjusted to conform to this action.</p> <p>The May Revision also requests that Item 6100-640-0001 be increased by \$342,000 General Fund to align to the Proposition 39 allocation for the California Conservation Corps.</p>	Approve as proposed, and conform to Proposition 98 package 3-0		

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#	Item	Issue	Description	Staff Recommendation	Language	Comments
7	Control Section 6.10	State Special Schools Deferred Maintenance (January Budget)	The Governor proposes to provide \$3 million in one-time non-Proposition 98 General Fund to address deferred maintenance for the state special schools. This is part of the Governor’s recently released 2015 Five – Year Infrastructure Plan which prioritizes specific maintenance projects for existing state facilities, and proposes \$125 million in General Fund for projects. The funds are proposed to be appropriated through Control Section 6.10, and the Department of Finance would review and approve the lists of projects to be funded. The Department of Education has identified a list of 3 state special schools projects that would be submitted for the funds, with priority for critical deficiencies that could be completed within two years.	Approve \$3 million in one-time Proposition 98 funds for state special schools deferred maintenance. Adopt placeholder TBL to implement this action including language to require the state special schools to use these funds to supplement rather than supplant the existing base funding for deferred maintenance. Conform to Proposition 98 Package 3-0	TBL	Staff believes that deferred maintenance can be appropriately funded with Proposition 98. Including additional requirements on the base funding would ensure that the State Special Schools continue to make progress towards reducing the maintenance backlog. Senate Budget Subcommittee 4 will hear Control Section 6.10.

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#	Item	Issue	Description	Staff Recommendation	Language	Comments
8	6110-005-0001 or 6110-006-0001	State Special Schools Capital Outlay (January Budget)	The Governor proposes to provide \$1.749 million in non-Proposition 98 General Fund to construct a new building for the middle school activity center at the California School for the Deaf in Fremont. The project would replace the old modular 1,920 square foot building with a new 2,160 square foot permanent building. The Administration did not revise its January proposal.	Reject 3-0		Staff agrees with LAO concerns that other health and safety capital outlay proposals should be higher priority and recommends the State Special School for the Deaf Fremont report back next year on the use of other buildings for this purpose.
9	6110-170-0001 (Issue 282)	Career Technical Education (April Letter)	The April Letter requests to increase reimbursements by \$810,000 to reflect one-time reimbursement carryover funds for the Career Technical Education (CTE) program. The Administration proposes to spend these funds as follows: \$220,000 for completion of three projects that were delayed in 2014-15; \$275,000 for an evaluation of the Linked Learning Pilot Program; and \$315,000 for allocation to existing participants of the Linked Learning Program.	Approve \$220,000 for completion of the three projects; and \$90,000 for two county offices of education to provide regional Linked Learning trainings. Adopt BBL to implement these actions (See Attachment A) 3-0	BBL	SDE notes that after the April Letter was released, they encumbered an additional \$500,000, leaving \$310,000 available for reappropriation. This action would align to the updated amount.

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#	Item	Issue	Description	Staff Recommendation	Language	Comments
10	Various	Williams - Emergency Repair Program (January and May Proposals)	The Governor proposed to pay off the remaining balance (\$273.4 million) owed to the Emergency Repair Program as a result of the Williams v. California lawsuit. Of this total, the May Revision proposes \$127.9 million is from Proposition 98 savings and the remaining \$145.5 million is from one-time Proposition 98 funds and counts towards meeting settle-up obligations.	Approve, conform one-time funding source to Proposition 98 package. Adopt placeholder TBL to be refined. 3-0	TBL	
11	6110-182-0001	Local Assistance, K-12 High Speed Network Operating Reserve (January Budget)	The January budget proposes to use \$8.8 million from the K-12 High Speed Network (HSN) reserve funds to provide additional Broadband Infrastructure Improvement Grants (BIIG) in 2015-16. This would reduce the HSN reserve from \$14.3 to \$5.5 million (38 percent of the annual budget). The Governor proposes to retain the remaining reserve to cover uncertainties in the timing of federal Internet subsidies and for anticipated replacement of equipment in 2018-19.	Reject Governor's proposal to provide \$8.8 million for network infrastructure. Approve LAO recommendation to reduce HSN reserve by \$8.3 million and use these funds for HSN operations in 2015-16 instead of Proposition 98 ongoing funds. Include BBL to require a separate annual financial audit of HSN expenditures and operations. Conform to Proposition 98 Package. 3-0	BBL	Staff notes that both the LAO and Department of Finance are in agreement about reducing the HSN reserve, however it is unclear that the funds are needed in a new BIIG program. Staff recommends that the Department of Education and Department of Finance pursue plans to reconsider and resize workload for the HSN for the 2016-17 fiscal year. The addition of the audit and the reduction in reserve will support this movement towards appropriate technology funding for K-12 education.

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#	Item	Issue	Description	Staff Recommendation	Language	Comments
12	6110-182-0001	Local Assistance, K-12 High Speed Network BIIG (January Budget)	The January budget proposes to provide \$100 million in one-time Proposition 98 funding to support Internet connectivity and infrastructure for schools. This funding would go out through the same BIIG program from the current year and would use the same eligibility and priority ranking criteria as last year to address the remaining sites and any newly-identified sites. Staff proposes an alternative of \$75 million, of which: \$25 million is for the HSN to provide network connectivity grants to be provided pursuant to BIIG criteria. Require the HSN to provide a report on "middle mile" connectivity needs, including costs and potential partnerships with other state and private entities. \$5 million to the HSN to provide training and professional development to LEAs on technology, including network management, system evaluation, and access to subsidies. \$45 million provided to the SPI to provide grants to LEAs on a per ADA basis for technology needs.	Approve alternative proposal of \$75 million and adopt placeholder Trailer bill to implement the program as described. Conform to Proposition 98 Package. 3-0	TBL	Staff notes that the Administration's proposal lacked detail on the use of the \$100 million, beyond the use of these funds to build fiber connectivity. In addition the HSN had noted that all sites identified at this point could be served with other solutions (microwave or satellite) within the existing BIIG grant funds.
13	6110-209-0001 (Issue 291) 6110-619-0001 (Issue 292)	Commission on Professional Competence hearing expense claims appropriation (January Proposal and May Revision)	The Governor proposes language and an appropriation of \$50,000 in one-time Proposition 98 General Fund in 2014-15 and \$40,000 in 2015-16 for district claims for reimbursement of teacher dismissals. The state is required to pay half the cost of teacher dismissal hearings and the costs of members of the Committee on Professional Competence pursuant to Education Code 44944.	Approve as proposed. 3-0	TBL	

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#	Item	Issue	Description	Staff Recommendation	Language	Comments
14	Items 6100-113-0001, 6100-113-0890, 6100-491, 616, 619, 631, 632, 633, 634, 636)	Student Assessment Program (January and May Revision)	The May Revision adjusts funding for student assessment contracts to reflect the full cost of statewide student assessment implementation and development of new assessments as required by current statute. The May Revision also includes language that allows CDE to provide \$1.5 million of the amount provided to the California Assessment of Student Performance and Progress to support training and resources for the California Assessment of Student Performance and Progress. The May Revision also requests that trailer bill language is adopted to allow the California Department of Education to extend the contract for the California High School Exit Exam (CAHSEE) and the CAHSEE independent evaluation, contingent upon the continuation of the CAHSEE requirement.	Approve as proposed, Adopt placeholder TBL to extend the contract for the CAHSEE and alternatively allow for the expenditure of CAHSEE savings pursuant to a plan approved by JLBC and the Department of Finance, priority for the primary language assessment and california alternative assessment. Conform to Proposition 98 Package 3-0	BBL/TBL	Staff notes that legislation is pending that would suspend the CAHSEE. Proposed TBL would provide flexibility for CDE to adjust activities to respond to legislation.
15	6100-172-0001 (Issue 880)	Local Assistance, Student Friendly Services	The May Revision requests that \$500,000 ongoing Proposition 98 General Fund be provided for the Riverside County Office of Education to support a college planning and preparation website. These funds have previously been appropriated to the Board of Governors of the California Community Colleges.	Approve as proposed, Conform to Proposition 98 Package 3-0	BBL	
16	6100-602-0001 and 6100-488 (Issue 059, 061)	California Student Information Services (CSIS) (January and May Revision)	Revises January proposal to fund CSIS with Proposition 98 reappropriation funding to reflect corrected amount.	Approve as Proposed 3-0		Technical Adjustment
17	6100-161-0001 (Issues 013 and 014)	Special Education Technical Items (May Revision)	Technical Adjustment to reflect an interagency agreement to serve infants and toddlers with special needs.	Approve as Proposed 3-0		

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#	Item	Issue	Description	Staff Recommendation	Language	Comments
18	6100-194-0001 (815)	Adjust Child Care Programs for Growth (May Revision)	The May Revision proposes to decrease by \$1,417,000 General Fund to reflect a revised growth adjustment of 0.37 percent and corresponding amendments to provisional language	Approve as requested. 3-0	BBL	At the Governor's Budget, demographic information indicated a 0.57 percent increase in the 0-4 year old population.
19	6100-194-0001 (Issue 817)	Adjust Child Care Programs for Cost-of-Living (May Revision)	The May Revision proposes a \$4,130,000 General Fund decrease to reflect a decrease in the cost-of-living adjustment and proposed provisional language.	Approve as requested. 3-0	BBL	
II. VOTE ONLY - GENERAL FUND - STATE OPERATIONS						
20	6110-001-0001	State Operations, Funding for Legal Representation in <i>Cruz v. California</i>	The January budget provides \$3.675 million in one-time funding non-Proposition 98 General Fund for the second year of a contract with a legal firm to represent the California Department of Education, State Board of Education, and the Superintendent of Public Instruction in the <i>Cruz v. California</i> case.	Approve as proposed 3-0	BBL	
21	Item 6100-001-0001 (Issue 496)	State Operations, (Schedule Correction)	The May Revision requests that Schedule (2) of this item be decreased by \$250,000 General Fund and that Schedule (3) be increased by \$250,000 General Fund to correct a scheduling error included in the Governor's Budget.	Approve this technical adjustment 3-0		Technical Correction

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III. VOTE ONLY - FEDERAL AND OTHER FUNDS

#	Item	Issue	Description	Staff Recommendation	Language	Comments
22	6100-102-0231 (Issue 390)	Local Assistance, Tobacco-Use Prevention Education Program (May Revision)	The May Revision requests that this item be decreased by \$2,171,000 Health Education Account to reflect declining revenues from the Cigarette and Tobacco Products Surtax Fund (Proposition 99). These funds are used for health education efforts aimed at the prevention and reduction of tobacco use.	Approve as proposed 3-0		
23	Item 6100-197-0890 (Issue 819)	Local Assistance, Federal Funds - 21st Century Community Learning Center (May Revision)	The May Revision requests that this item be increased by \$9,896,000 federal Title IV, Part B funds to reflect an increase in one-time federal carryover funds available from prior years to support existing program activities and provisional language:	Approve as proposed 3-0	BBL	
24	Item 6100-201-0890 (Issues 362 and 363)	Local Assistance, Federal Child Nutrition Program (May Revision)	<p>The May Revision requests that Schedule (1) of this item be decreased by \$124 million Federal Trust Fund to remove excess authority and to more closely align program funding to expected program participation. The Child Nutrition Program is a federally assisted meal program that provides reimbursement to schools that serve nutritionally balanced low-cost or free meals.</p> <p>It is further requested that Schedule (2) of this item be increased by \$4 million Federal Trust Fund to reflect projected growth in the Summer Food Service Program (SFSP). The SFSP was developed to provide nutritious meals in lower-income areas during the summer months to children who would normally be eligible for free and reduced-price meals during the regular school year.</p>	Approve as proposed 3-0		

CALIFORNIA DEPARTMENT OF EDUCATION

#	Item	Issue	Description	Staff Recommendation	Language	Comments
25	Item 6100-201-0890 (Issue 365)	Local Assistance, Federal Child Nutrition Program Equipment Assistance Grants (May Revision)	The May Revision requests that this item be increased by \$3,096,000 Federal Trust Fund to reflect the availability of one-time funds to provide grants for food service equipment. Qualifying LEAs receiving funding can purchase equipment needed to serve healthier meals, meet nutritional standards, and improve food safety.	Approve as proposed 3-0	BBL	
26	Items 6100-001-0890 and 6100-104-0890 (Issues 194 and 195)	State Operations and Local Assistance, Federal "Now is the Time" Project Advancing Wellness and Resilience in Education (AWARE) Grant Program (May Revision)	The May Revision requests that Schedule (1) of Item 6100-001-0890 be increased by \$289,000 Federal Trust Fund to reflect a new federal grant for training, technical assistance, and oversight of mental health programs at selected local educational agencies (LEAs). It is also requested that Item 6100-104-0890 be added in the amount of \$1,661,000 Federal Trust Fund to provide grants to selected LEAs for programs and activities that increase access to mental health services for students and families. Project AWARE is a five-year grant program that provides funding for the SDE and LEAs to increase awareness of mental health issues among school-aged youth, provide Mental Health First Aid training to teachers and other school personnel, and ensure students with signs of mental illness are referred to appropriate services.	Amend to provide \$612,000 in state operations and \$1,338,000 in local assistance. Amend BBL to reflect this action. See attachment. 3-0	BBL	Staff notes that the this grant requires significant state level activities workload and the proposed amended funding would fully fund the approved grant application.

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#	Item	Issue	Description	Staff Recommendation	Language	Comments
27	6100-001-0890 and 6100-200-0890 (Issues 802 and 803)	State Operations and Local Assistance, Race to the Top—Early Learning Challenge Grant (May Revision)	The May Revision requests an increase of \$2,915,00 in Federal Trust Fund to reflect grant carryover available from fiscal year 2014-15, as well as provisional language to conform to this action.	Approve as proposed. 3-0	BBL	Staff notes no concerns have been raised.
28	6100-001-0890 and 6100-294-0890 (Issues 800 and 801)	State Operations and Local Assistance, Early Head Start—Child Care Partnership Grant (May Revision)	The May Revision proposes an increase of \$916,000 Federal Trust Fund to support the Early Head Start—Child Care Partnership Grant awarded to California in December 2014, as well as provisional language to conform to this action.	Approve as proposed. 3-0	BBL	These funds will be expended for positions and travel supporting training and technical assistance to partnership agencies. This funding is the last 12-months' allocation of the original 18-month grant awarded in 2014
29	6100-194-0890 (Issue 808)	Federal Child Care and Development Fund One Time Quality Carryover (May Revision)	The May Revision requests an increase in \$3,192,000 Federal Trust Fund to reflect an increase in available one-time federal child care quality funds from prior years, as well as provisional language that conforms to this action.	Approve as requested. 3-0	BBL	

CALIFORNIA DEPARTMENT OF EDUCATION

#	Item	Issue	Description	Staff Recommendation	Language	Comments
30	6100-194-0890 and 6100-194-0001 (Issues 811 and 813)	Adjust Federal Child Care Funds (May Revision)	The May Revision requests an increase in \$14,506,000 Federal Trust Fund to reflect \$9 million in ongoing federal funds, and an increase of \$5.5 million in one-time federal carryover funds available from prior years.	Approve as requested. 3-0	BBL	The increased federal funds will offset an identical amount of non-Proposition 98 General Fund in the CalWORKs Stage 3 child care program. The Governor's Budget identified \$12,923,000 one-time Federal Trust Fund carryover available in 2015-16 and this adjustment will increase the total available carryover funds to \$18,469,000.
31	Item 6100-001-0890 and 6100-112-0890 (Issues 530 and 531)	State Operations and Local Assistance, Public Charter Schools Grant Program (PCSGP) (May Revision)	The May Revision requests that Schedule (1) of Item 6100-001-0890 be decreased by \$396,000 Federal Trust Fund and Item 6100-112-0890 be increased by \$4 million Federal Trust Fund to reflect the available grant carryover for the PCSGP. The PCSGP awards planning and implementation grants up to \$575,000 to new charter schools.	Approve as proposed 3-0		

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#	Item	Issue	Description	Staff Recommendation	Language	Comments
32	Item 6100-125-0890 (Issue 192)	Local Assistance, English Language Acquisition Program (May Revision)	The May Revision requests that Schedule 3 of this item be increased by \$1,836,000 federal Title III one-time carryover funds to support existing program activities. This program provides services to help students attain English proficiency and meet grade level academic standards.	Approve as proposed 3-0	BBL	
33	6110-195-0890 (Issues 287, 288, 289, and 290)	Local Assistance, Improving Teacher Quality (April Letter)	The April letter requested the following adjustments to this item: It is requested that Schedule (1) of this item be decreased by \$846,000 federal Title II funds to align to the federal grant award. It is also requested that Schedule (2) be decreased by \$157,000 to align to the federal grant award. It is also requested that Schedule (3) of this item be increased by \$2,270,000 federal Title II funds to reflect the availability of \$2,318,000 in one-time carryover and a \$48,000 reduction to the federal grant award. The Improving Teacher Quality Higher Education Grants provides funds for teacher professional development in core academic subjects at institutions of higher education. It is also requested that Schedule (4) be decreased by \$22,000 federal Title II funds to align to the federal grant award.	Approve funding, Amend BBL to provide funds in Schedule (3) to be instead used for Beginning Teacher and Administrator Induction Programs (See attachment A) 3-0	BBL	
34	6110-001-0890 (Issue 623)	State Operations, California Longitudinal Pupil Achievement Data System Provisional Language (April Letter)	The Administration proposed in the April Finance letter to amend Provision 16 of this item to remove outdated provisional language.	Approve as proposed 3-0	BBL	No fiscal impact.

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#	Item	Issue	Description	Staff Recommendation	Language	Comments
35	6110-156-0890 (Issue 681)	Local Assistance, Audit of Federal Title II Funds (April Letter)	The May Revision requests that subdivision (b) of Provision 2 of this item be amended to cite provisions of federal law that are currently applicable to funds received pursuant to Title II of the federal Workforce Investment and Opportunity Act of 2014.	Approve as proposed 3-0	BBL	
36	6100-001-0890 (Issue 046), 6100-161-0890 (Issues 050, 056)	Special Education Technical Adjustments (May Revision)	The May Revision requests provisional language in Item 6110-001-0890 be amended to expand the use of federal IDEA funds to meet new requirements of the federal State Performance Plan. Also adjust items 6100-161-0890 for federal carryover.	Approve as proposed 3-0	BBL	
IV. VOTE ONLY - TRAILER BILL LANGUAGE						
37	Language	Ed Telecom (Amends EC 10554) (January Budget)	The Governor's Budget proposes trailer bill language to remove the transfer of audit findings to the California School Information Services unit (CSIS). This is part of changes the Governor's Budget makes to simplify funding for CSIS.	Approve TBL, to be refined as necessary. 3-0	TBL	
38	Language	Independent Study (Amends EC 51745.6) (January Budget and May Revision)	The Governor's Budget proposes trailer bill language (amended in the May Revision) to allow Independent Study Programs to calculate a pupil-to-teacher ratio based on the average daily attendance of their total students, rather than by grade span.	Approve TBL, to be refined as necessary. 3-0	TBL	This reverses a change made in LCFF statute to the way independent study pupil-to-teacher ratio is calculated.
39	Language	History Social Science Instructional Materials (Adds EC 60212) (January Budget)	The May Revision proposes trailer bill language to specify the process for state adoption of history-social science instructional materials.	Approve TBL, to be refined as necessary. 3-0	TBL	This language is consistent with adoption of instructional materials in other subject areas.

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#	Item	Issue	Description	Staff Recommendation	Language	Comments
40	Language	Special Education GF Backfill due to Redevelopment Agency (RDA) Variances (Uncodified) (January budget)	RDA revenues offset General Fund (GF) revenues in the calculation of special education apportionments. This section provides a mechanism for backfilling or reducing the special education GF appropriation should RDA revenue estimates change.	Approve TBL, to be refined as necessary 3-0	TBL	The costs or savings of Proposition 98 GF resulting from these changes are not yet known.
41	Language	Special Education Maintenance of Effort (May Revision)	The May Revision proposes trailer bill language to specify that \$35,721,493 provided in the 2012 Budget Act will count toward fully funding the federal Special Education maintenance of effort requirements in 2010-11 and 2011-12, \$16,548,538 and \$19,172,955 respectively.	Approve TBL, to be refined as necessary. 3-0	TBL	
42	Language	California Career Pathways Trust (May Revision)	The May Revision requests trailer bill language to extend the encumbrance period of the \$250 million Proposition 98 General Fund appropriated in the 2014 Budget Act for the second cohort of the California Career Pathways Trust to three years, consistent with funding for the first cohort.	Approve TBL, to be refined as necessary 3-0	TBL	
43	Language	San Francisco Individualized County Child Care Subsidy plan pilot project	The proposal seeks to repeal to the pilot's sunset.	Approve placeholder TBL, to be refined as necessary, to repeal the sunset date for the pilot program and retain existing specified reporting and outcome requirements. 3-0	TBL	

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#	Item	Issue	Description	Staff Recommendation	Language	Comments
44	Language	Transitional Kindergarten Enrollment	This language would allow local educational agencies, including charter schools, to enroll students in transitional kindergarten who do not meet the current age requirements. The language specifies that the local educational agency would not be able to claim average daily attendance for serving these students until the student reaches five years of age.	Approve placeholder TBL, to be refined as necessary 2-1 (Moorlach)	TBL	
45	Language	Local Control Funding Formula - Various Technical Clean-up (January Proposal and May Revision)	The Administration proposes a variety of technical LCFF-related clean-up language, specifically to correct references, remove obsolete references and education code sections, align budget and LCAP approval deadlines, and other technical changes.	Approve TBL, to be refined as necessary 3-0	TBL	This language provides additional clarity in the education code on the calculation of LCFF.

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46	Language	Inglewood Exemptions (May Revision)	The May Revision requests trailer bill language be adopted to extend, by three years, the authority for Inglewood Unified School District to reduce its outstanding emergency loan debt to the state with proceeds from the sale of district property.	Approve TBL, to be refined as necessary 3-0	TBL	
47	Language	Basic Aid District Property Tax Accounting (May Revision)	The May Revision requests trailer bill language be adopted to change the accounting methodology for basic aid property taxes in the 2009-10 and 2010-11 fiscal years. This language is part of a legal settlement between the Department of Education and the Western Placer Unified School District.	Approve TBL, to be refined as necessary 3-0	TBL	

**CALIFORNIA DEPARTMENT OF EDUCATION
DISCUSSION/ VOTE**

I. Child Care						
	Item	Issue	Description	Staff Recommendation	Language	Comments
1	6100-194-0890 (Issue 806)	Federal Child Care and Development Block Grant Determination and Funding Priorities (May Revision)	The May Revision requests provisional language be added to this item to clarify the state's funding intent should federal Child Care and Development Block Grant funding received in 2015-16 differ from the amount identified in the enacted 2015-16 Budget.	Reject, without prejudice. 2-1 (Moorlach)	BBL	<p>If the federal grant amount is higher than anticipated, the language directs the SDE to request that funds be allocated first to fulfill any federally required quality activities, and secondly to increase access in child care voucher programs. The language also indicates the intent of the state to protect program access and reimbursement rates to the extent possible if the grant amount is lower than anticipated.</p> <p>The LAO recommends rejecting the proposal because it is premature and unnecessarily limits future legislative decision-making.</p>

**CALIFORNIA DEPARTMENT OF EDUCATION
DISCUSSION/ VOTE**

	Item	Issue	Description	Staff Recommendation	Language	Comments
2	6100-194-0890 (Issue 807)	Infant and Toddler Quality Rating and Improvement System Grant (May Revision)	The Administration proposes language to identify that, beginning October 1, 2016, it is the intent of the state to use targeted infant and toddler quality funds subject to the requirements of the federal Child Care and Development Block Grant Act to create an Infant and Toddler Quality Rating and Improvement System Block Grant.	Reject, without prejudice. 3-0	BBL	Staff recognizes that the State Plan is due on March 2016. The LAO recommends rejecting, so the Legislature can prioritize additional funds become available.
3	6100-194-0001 (Issue 804)	Adjust CalWORKs Child Care Caseload Funding (May Revision)	The May Revision increases by \$43,585,000 General Fund to reflect revised cost estimates for the CalWORKs Stage 2 and Stage 3 child care programs. Specifically, it is requested that Schedule (5) of this item be increased by \$43,125,000 and Schedule (6) of this item be increased by \$460,000.	Hold open. 3-0		The LAO notes that the Stage 1 caseload estimate may be overstated due to (1) individuals coming out of a welfare-to-work exemption in 2014, and (2) other policy changes. In addition, the LAO notes that the CalWORKs Stage 2 may also be overstated by 1,280 slots.

**CALIFORNIA DEPARTMENT OF EDUCATION
DISCUSSION/ VOTE**

	Item	Issue	Description	Staff Recommendation	Language	Comments
4	6100-194-0001 (Issue 805)	Adjust Cost of Full-Year Regional Market Rate Update Implementation (May Revision)	The May Revision requests that this item be increased by \$6,121,000 General Fund to reflect revised cost estimates for the full-year implementation of the update made to the Regional Market Rate in the 2014 Budget Act for the CalWORKs Stage 2 and Stage 3 child care programs and the Alternative Payment Program.	Approve as proposed 3-0		These adjustments reflect updates in caseload, distribution of slots by county, and characteristics of children receiving care.
5	6100-194-0001 (Issue 830)	Adjust 4,000 Full-Day State Preschool Wraparound Slots for Change in Cost-of-Living Adjustment (May Revision)	The May Revision requests that requested that Schedule (1) of this item be decreased by \$115,000 General Fund to reflect a decrease in the cost-of-living adjustment, which decreases rates and the cost of providing slots in the General Child Care program.	Approve as proposed 3-0		This adjustment aligns the cost of 4,000 full-day State Preschool slots (with wraparound care in the General Child Care program) established in the 2014 Budget Act with the updated cost of providing slots.
6	6100-196-0001 (Issue 829)	Adjust 4,000 Full-Day State Preschool Slots for Change (May Revision)	The May Revision proposes to decrease by \$87,000 Proposition 98 General Fund to reflect a decrease in the cost-of-living adjustment, which decreases rates and the cost of providing slots in the State Preschool program. This adjustment aligns the cost of 4,000 full-day State Preschool slots established in the 2014 Budget Act with the updated cost of providing slots.	Approve as proposed 3-0		

**CALIFORNIA DEPARTMENT OF EDUCATION
DISCUSSION/ VOTE**

II. K-12 Local Assistance						
	Item	Issue	Description	Staff Recommendation	Language	Comments
7	6100-161-0890 (058)	Special Education - Early Intervention Funding (May Revision)	The May Revision includes \$30 million in ongoing Proposition 98 funds to expand the number of districts providing services to infants and toddlers with disabilities.	Approve as proposed 3-0	BBL	
8	6110-196-0001 (Issue 828)	Special Education - Part-Day State Preschool Slots (May Revision)	The May Revision increases by \$12,103,000 Proposition 98 General Fund to serve 2,500 additional children in part-day State Preschool, with priority for children with exceptional needs. Also include proposed language to conform to proposal.	Approve as proposed 3-0	BBL	
9	6100-196-0001 (Issue 809)	Special Education - Preschool Professional Development and Parent Information (May Revision)	The May Revision requests \$6.025 million in ongoing Proposition 98 funds to increase the rate for part-day State Preschool by 1 percent. Providers would have to increase their professional development activities around training teachers on behavioral strategies and targeted interventions to improve kindergarten readiness. Additionally, they would be required to provide parents with information about accessing local resources for the screening and treatment of developmental disabilities.	Approve as proposed 3-0	BBL	

**CALIFORNIA DEPARTMENT OF EDUCATION
DISCUSSION/ VOTE**

	Item	Issue	Description	Staff Recommendation	Language	Comments
10	6110-001-0890 (Issue 046)	Special Education - Office of Administrative Hearings (May Revision)	The May Revision requests \$1,890,000 million in ongoing federal funds to cover increased workload for the Office of Administrative Hearings (OAH), with which CDE contracts to conduct hearings, mediation, and settlement services between districts and families who disagree about special education services.	Approve proposal amended to provide one-time funding of \$1.89 million and conforming BBL to reflect this change. (See attachment A) 3-0	BBL	Staff agrees with LAO concern that more information is needed to support an ongoing augmentation.
11	6100-161-0890 (Issues 054, 065, 045)	Special Education - Alternative Dispute Resolution (May Revision)	The May Revision requests \$1.65 million in ongoing federal funds to expand grants for SELPAs to hire mediators or conduct other strategies to try to resolve disputes (typically between districts and families) regarding special education services without going to trial. This includes technical adjustments related to this proposal, including federal grant alignment and federal carryover adjustments.	Approve as proposed. 3-0	BBL	
12	6100-161-0890 (047, 045)	Special Education - State Level Improvement Activities (May Revision)	The May Revision requests \$500,000 in ongoing federal funds for CDE to contract with another entity (such as a COE) to develop resources and provide technical assistance to districts around implementing the federally required State Systemic Improvement Plan for students with disabilities.	Approve as proposed. 3-0	BBL	

**CALIFORNIA DEPARTMENT OF EDUCATION
DISCUSSION/ VOTE**

	Item	Issue	Description	Staff Recommendation	Language	Comments
13	6110-795-0001, (Issue 373)	Use of One-Time Funding/ Outstanding Mandate Claims (January Proposal and May Revision)	<p>The Administration proposes trailer bill legislation to appropriate an additional \$2,530,566,000 for outstanding K-12 mandate claims. Specifically, \$98,315,000 is applicable to 2013-14 and \$2,414,765,000 is applicable to 2014-15. An additional \$17,486,000 in settle-up funding is applicable to 2015-16. The funding will be allocated on an average daily attendance basis and will first satisfy any outstanding mandate claims for reimbursement of state-mandate local program costs. This nets a total of \$3.6 billion with the January proposal. Staff Suggested Amendment:</p> <ul style="list-style-type: none"> • Modify this proposal to reduce the amount of one-time funds used for additional outstanding mandate claims and instead provide \$800 million in one-time Proposition 98 funds to support the development of a high-quality educator workforce for purposes of increasing educator effectiveness and outcomes for students. o Funds are to be utilized for: <ul style="list-style-type: none"> • Professional development for teachers and administrators that is aligned to recently adopted math and ELA standards; • Beginning teacher and administrator support; • To promote educator quality, including training on mentoring and coaching and training to measure effective teaching; and • Provide continuous support for struggling teachers. • Allocate the funds to local educational agencies using an equal rate per certificated staff based on the prior year count. 	<p>Amend to provide one-time Proposition 98 funding of \$3 billion for mandates. Conform proposed TBL to be refined as necessary. Remove professional development from intent language for use of mandate funds in TBL. Approve \$800 million in one-time Proposition 98 funds for Educator Effectiveness and placeholder TBL as described. Remove reference to teacher induction from intent language in Administration's proposed TBL describing use of settle-up funds. Conform to Proposition 98 Package</p> <p>2-1 (Moorlach)</p>	TBL	<p>Staff notes that the amount of funds provided for mandates will be a "balancer" issue in the final package and adjusted if needed to tie to total Proposition 98 one-time funding available in the final Proposition 98 package. The amended amount provided in staff recommendations assumes LAO revenues are adopted.</p>

**CALIFORNIA DEPARTMENT OF EDUCATION
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	Item	Issue	Description	Staff Recommendation	Language	Comments
14	6100-630-0001 (Issue 252)	Career Technical Education Incentive Grant Program (January Proposal and May Revision)	The Governor proposes (amended at May Revision) a Career Technical Education (CTE) Incentive Grant program to provide one-time Proposition 98 funding in the amounts of \$400 million, \$300 million, \$200 million for 2015-16, 2016-17, and 2017-18 respectively. These funds would be provided through competitive grants and would be available for local educational agencies that met program requirements, including criteria for a high quality CTE program and accountability measures. Applicants must provide matching funds of 1:1 in 2015-16, 1.5:1 in 2016-17, and 2:1 in 2017-18. Career Pathways Trust Funds may not be used as a match. Applicants administering programs located in rural school districts or regions with high student dropout rates are prioritized. Staff Suggested Alternative: Approve proposed funding amounts of \$400 million, \$300 million, \$200 million for 2015-16, 2016-17, and 2017-18 respectively. Remove matching fund requirements. Provide funds on a per ADA basis and require, as a condition of receiving these funds, recipients to: (1) develop a plan that includes a sequence of courses for high-quality CTE aligned to state standards, articulation of CTE courses with CCC or apprenticeship prgms and a system for specified data collection to be reported to CDE; (2) certify plan development with industry-based advisory cmte; (3) certify each course within a CTE sequence is aligned with the CTE Model Curriculum Standards and, where applicable, the Common Core State Standards; (4) certify CTE instructors have the appropriate authorization; and (5) collect and report data as necessary.	Approve proposed staff alternative. Adopt placeholder TBL to implement as described in staff alternative. Conform to Proposition 98 Package Held Open	TBL	Staff notes that the Administration's proposal, while addressing many of the concerns raised by the Legislature and stakeholders, provided a complex competitive grant program that would provide CTE funds to a limited pool of districts. The staff alternative would provide these funds on a per ADA basis, but still ensure recipients provide high quality CTE.

**CALIFORNIA DEPARTMENT OF EDUCATION
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	Item	Issue	Description	Staff Recommendation	Language	Comments
15		Charter School Facilities Grant Program (January Budget and May Revision Proposal)	The Governor's Budget proposes an additional \$50 million in ongoing Proposition 98 funding for the Charter School Facilities Grant Program and a lowering of the eligibility threshold to 55 percent of free or reduced price lunch enrollment. The May Revision amended the proposal to provide any remaining funds be apportioned to eligible charter schools on a pro rata basis, such that no charter school receives in total an amount that exceeds \$1,000 per Average Daily Attendance or 100 percent of the annual facilities rent and lease costs. It is further requested that trailer bill language be amended to eliminate the second review of data on pupils eligible for free or reduced-price meals when determining eligibility. Current law requires the use of prior year data on pupil eligibility for free or reduced-price meals for the charter schoolsite when determining the initial grant apportionment until current year data is available. To the extent that charter schools no longer meet the free or reduced-priced meal eligibility threshold using current year data, the initial apportionment is adjusted and funds are returned to the program.	<p>Reduce augmentation to \$15 million. Adopt proposed TBL, to be refined as necessary and amended to remove language providing additional funds on a pro-rata basis.</p> <p>Amended Staff Recommendation: Reduce augmentation to \$15 million. Adopt proposed TBL, to be refined as necessary and amended to remove language providing additional funds on a pro-rata basis.</p> <p>2-1 (Moorlach)</p>	TBL	Staff notes that \$15 million is a more reasonable cost estimate for the change in threshold eligibility.

**CALIFORNIA DEPARTMENT OF EDUCATION
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Item		Issue	Description	Staff Recommendation	Language	Comments
16	6100-203-0001 (Issues 366 and 367)	Local Assistance, Child Nutrition Program (May Revision)	<p>The May revision requests that this item be decreased by \$921,000 Proposition 98 General Fund to reflect the revised cost-of-living adjustment applied to the per-meal reimbursement rates for the state child nutrition program at public school districts, county offices of education, and Proposition 98-eligible child care centers and homes.</p> <p>It is also requested that this item be decreased by \$1,278,000 Proposition 98 General Fund to reflect the revised estimate of meals served through the state child nutrition program at public school districts, county offices of education, and Proposition 98-eligible child care centers and homes. The resulting appropriation would fully fund, at the specified rates, all meals projected to be served in 2015 16.</p>	<p>Approve as proposed.</p> <p>3-0</p>	BBL	
17	6100-608-0001 (Issue 487)	Local Assistance, "Tools for Tolerance", Professional Development and Leadership Training (May Revision)	<p>The May Revision requests that the LCFF apportionment amount for the Los Angeles County Office of Education be increased by \$2 million in ongoing Proposition 98 General Fund to allow the county office to contract with the Simon Wiesenthal Center to support anti-bias education, inclusion, and leadership training for educators in California.</p>	<p>Approve with amendments to proposed TBL to specify that funds are to support anti-bias education, inclusion, and leadership training for educators, to be refined as necessary.</p> <p>3-0</p>	TBL	

**CALIFORNIA DEPARTMENT OF EDUCATION
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	Item	Issue	Description	Staff Recommendation	Language	Comments
18	6100-654-0001 (Issue 635)	Local Assistance, Evaluation Rubrics (May Revision)	The May Revision requests \$350,000 in in one-time Proposition 98 General Fund for the SPI to contract with the San Joaquin County Office of Education to support implementation of the Evaluation Rubrics, including supporting availability of state and local data, to align with a new state-wide accountability system and implementation of LCFF.	Approve as proposed. Adopt trailer bill to be refined as necessary. 3-0	TBL	
19	6100-652-0001 (Issue 057)	Local Assistance, Resources for Aligning Support Systems	The May Revision requests \$10 million in one-time Proposition 98 General Fund to the Superintendent of Public Instruction to implement a plan (due by June 30, 2016) for the provision of technical assistance and dissemination of resources to assist local educational agencies in establishing and aligning school-wide, data-driven, systems of learning and behavioral supports.	Approve, adopt TBL, to be refined as necessary, to specify that funds are provided to contract with COEs to develop statewide models, and develop and disseminate statewide resources, and for grants to local educational agencies, to be refined as necessary. 3-0	TBL	
20	6100-680-0001 (Issue 060)	Local Assistance, Quality Education Investment Act (QEIA) Transition Funding	The May Revision requests \$4,583,000 in one-time Proposition 98 General Fund to be allocated to Tier one and two school districts that received QEIA funding in 2013-14, but do not meet the threshold to receive concentration grants under the LCFF.	Reject, redirect one-time funds for professional development for educator effectiveness. See recommendation for Item 13 above. 2-1 (Moorlach)	TBL	Staff notes that the original purpose of QEIA was to ensure high quality and effective teachers.

**CALIFORNIA DEPARTMENT OF EDUCATION
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III. State Operations						
	Item	Issue	Description	Staff Recommendation	Language	Comments
21	6100-001-0001 (Issue 680)	Adult Education (May Revision)	The May Revision requests that \$335,000 General Fund is provided for three existing positions to support Department of Education workload related to implementing the proposed Adult Education Block Grant.	Approve as proposed 3-0		
22	Item 6100-001-0001 (Issue 251)	Career Technical Education Incentive Grant Program (May Revision)	The May Revision requests that this item be increased by \$350,000 General Fund for three years (Until June 30, 2018) and 2.0 positions added to support the Career Technical Education Incentive Grant Program.	Approve \$175,000 General Fund and 1.0 positions. Approve amended BBL (see attachment A). Held Open	BBL	Staff notes that adoption of a reduced state operations proposal reflects reduced workload related to proposed changes to the Career Technical Incentive Grant Program to provide funds per ADA, rather than through a competitive grant program.
23	6100-001-0001 (Issue 628)	State Operations, Instructional Quality Commission (May Revision)	The May Revision requests that Schedule (1) of this item be increased by \$274,000 General Fund to support curriculum framework activities of the Instructional Quality Commission. This funding will support the development of the history-social science, science, and health curriculum frameworks in 2015-16.	Approve as proposed 3-0	BBL	

**CALIFORNIA DEPARTMENT OF EDUCATION
DISCUSSION/ VOTE**

	Item	Issue	Description	Staff Recommendation	Language	Comments
24	6110-003-0001, 6110-001-0890 6110-491 (Issue 380, 381, 382, 384)	Standardized Account Code Structure (SACS) Replacement Project (January Budget and May Revision)	The January budget provides a total of \$6.1 million (\$3.6 million in General Fund and \$2.5 million in federal funds) for the SACS Replacement Project. The May Revision additionally proposes to reappropriate \$2.5 million federal funds and \$3.6 million in General Fund. These adjustments total \$12.2 million for the replacement of SACs in 2015-16. SACs is the system the state uses to collect and report financial data from school districts, county offices of education and some charter schools. SACs is currently a fragmented system that required considerable manual inputs and has many components that are not supported by current operating systems. CDE proposed a replacement SACs system to address these issues, and had an approved Feasibility Study Report in 2011 estimating costs of \$5.9 million. In 2014, CDE submitted a special project report that shows total project costs of \$21.2 million based on updated data needs and complexity. This proposal reflects the budgeted costs reflected in the special project report, needed to implement the project.	Approve as proposed. 3-0	BBL	Staff notes that this total funding of \$12.2 provides for the one-time costs of replacing the current SACs system, in future years, ongoing costs are estimated at \$1-\$2 million.

**CALIFORNIA DEPARTMENT OF EDUCATION
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IV. K - 12 Trailer Bill Language						
	Item	Issue	Description	Staff Recommendation	Language	Comments
25	Language	Local Control Funding Formula - Home to School Transportation (January and May Revision Proposal)	The Governor proposes to shift transportation funding that has previously gone directly to a joint powers association to the agency's member districts, beginning in 2015-16. Each agency would determine the amount due to each member and funding received by members must continue to expend funds for transportation.	Approve TBL, to be refined as necessary 3-0	TBL	This aligns with LCFF.
26	Language	Amend LCFF Transition Funding Calculation (May Revision)	The May Revision requests language be adopted, beginning in 2015-16, to amend the LCFF to calculate each school district and charter school's transition funding entitlement by multiplying the state-adopted transition funding percentage by each local education agency's LCFF need.	Reject 3-0	TBL	Staff notes that, consistent with LAO's concerns, this proposal allows for increased uncertainty in the amount of funding provided in a given year for LCFF transition funding.
27	Language	Routine Restricted Maintenance (RRM)	School districts that participate in the new construction and modernization programs of the existing school facilities program were required to set aside at least three percent of their annual general fund budget for routine maintenance for 20 years after receiving state funds. This requirement was waived in 2008-09 when the state enacted categorical flexibility policies. Categorical flexibility is set to expire at the end of 2014-15 and the maintenance set-aside requirements will resume.	Approve placeholder TBL, to be refined as necessary, to allow for the phase in of the requirement (2% by 2017-18 and 3% by 2020-21), and add language to allow funds to be used for drought-related purposes. 3-0	TBL	Staff notes that this language would fully restore the requirement for routine restricted maintenance by the time LCFF is fully implemented.

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	Item	Issue	Description	Staff Recommendation	Language	Comments
28	Language	Adult Education	This language would ensure that Southern California Regional Occupational Center (SCROC) may continue to receive funds for providing adult education. It is the intent of the legislature that SCROC serve adult students in the same manner as other school districts.	Approve placeholder TBL, to be refined as necessary 3-0	TBL	No fiscal impact.

Attachment A: Proposed Budget Bill Language Amendments

Discussion Item #10

Budget Bill Item 6100-001-0890:

“5. Of the funds appropriated in this item, ~~\$9,206,000~~ \$12,751,000, of which \$1,890,000 is one-time funding, is for dispute resolution services, including mediation and fair hearing services, provided through contract for the special education programs. The State Department of Education shall ensure the quarterly reports that the contractor submits on the results of its dispute resolution services include the same information as required by Provision 9 of Item 6110-001-0890 of the Budget Act of 2006 (Chs. 47 and 48, Stats. 2006) and Section 56504.5 of the Education Code and reflect year-to-date data and final yearend data.”

Discussion Item #:22

Budget Bill Item 6100-001-0001:

X. Of the funds appropriated in this item, ~~\$350,000~~ \$175,000 is provided until June 30, 2018 and ~~2-0~~ 1-0 positions ~~are~~ is provided, to support the Career Technical Education Incentive Grant Program as established by Chapter 16.5 (commencing with Section 53070) of Part 28 of Division 4 of Title 2 of the Education Code.

Vote Only Item # 26

Budget Bill Item 6100-001-0890:

X. Of the funds appropriated in this item, ~~\$289,000~~ \$612,000 is available to support training, technical assistance, and oversight of selected local educational agencies receiving the “Now is the Time” Project Advancing Wellness and Resilience in Education grants.

Vote Only Item #: 33

Budget Bill Item 6100-195-0890

X. Of the funds appropriated in Schedule (3), \$2,318,000 is provided in one-time carryover for ~~the Improving Teacher Quality Higher Education Grants~~ Beginning Teacher and Administrator Induction Programs. None of these funds shall be used for additional indirect administrative costs.

Vote Only Item #: 9

Budget Bill Item 6100-170-0001

“1. Of the funds appropriated in this item, ~~\$840,000~~ \$310,000 reflects one-time reimbursement carryover funds. Specifically, \$220,000 is to complete unfinished projects of the CTE Online development, the California Partnership Academies Special Project, and the Leadership Development Institutes, ~~\$275,000~~ is to complete an evaluation of the pilot Linked Learning Program, and \$90,000 is for two Linked Learning Regional Trainings.