Senate Budget and Fiscal Review—Mark Leno, Chair

SUBCOMMITTEE NO. 1 on Education

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

Tuesday, February 1, 2011
1:30 p.m.
Room 3191, State Capitol

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6120 California State Library

ISSUE 1. California State Library Proposed Budget

Speakers:

- State Librarian Stacie Aldrich, California State Library
- Debbie Newton, California State Library
- Steve Boilard, Legislative Analyst's Office
- Lenin Del Castillo, Department of Finance
- Lisa Mierczynski, Department of Finance

Issue. The issue before the Subcommittee is the Governor's proposed budget reduction to the State Library budget.

California State Library Background. The California State Library provides library and information services to the legislative and executive branches of state government, members of the public, and California public libraries. In addition, the State Library: (1) administers and promotes literacy outreach programs; (2) develops technological systems to improve resource sharing and enhance access to information; and (3) administers the Public Library Foundation, which, via a statutory formula, distributes state funding to support basic services at local libraries.

BUDGET:

State Library Budget - General Fund Only

(dollars in thousands)

	2010-11	2011-12 Proposed)
State Operations		
Operating Budget	$ 10,547	$ 11,181
Library Development Services	$ 1,106	$ 1,101
Information Technology Services	$ 989	$ 985
Subtotal	*$ 2,642*	*$ 13,267*
Local Assistance		
Public Library Foundation	$ 12,924	$ -
California Library Services Act	$ 12,908	$ -
English Acquisition and Literacy Program	$ 4,558	$ -
Civil Liberties Public Education Program	$ 450	$ 450
California Newspaper Project	$ 216	$ 216
Subtotal	*$ 31,056*	*$ 666*
Total	**$ 43,698**	**$ 13,933**

Governor's Budget. The Governor's budget proposes to eliminate all state General Fund support for local libraries, with the exception of two small programs (the California Civil Liberties Public Education Program and the California Newspaper Project). The programs that would lose all state funding are the Public Library Foundation Act, the California Library Services Act, and the English Acquisition and Literary Program. This reduction provides the state with a $30.4 million General Fund savings.

THE PROGRAMS:

Public Library Foundation. This program provides core operational assistance to local libraries and is used to support library staffing; maintain hours of operation; develop and expand library-based programs such as after-school reading programs and homework assistance centers; and purchase books and materials. The Public Library Foundation Act is a funding formula under which the state contributes funding for basic local library services under specified conditions. At its peak (in 2000-01), the state appropriated $56.9 million to the Public Library Foundation. The Governor's budget would eliminate state funding for this program.

California Library Services Act. The California Library Services Act (CLSA) promotes resource sharing and reimburses public libraries for loans to people living outside their jurisdiction. The Governor's budget would eliminate state funding for this program.

English Acquisition and Literacy Program. The California Library Literacy and English Acquisition Services Program provides community-centered literacy assistance to English-speaking adults who have missed the opportunity to learn to read English in traditional learning settings. This program includes funding for the mobile library program. Combined, these literacy programs serve 42,497 adults and 46,983 children in 105 different local library jurisdictions. The Governor's budget would eliminate state funding for this program.

MOE:

Federal Maintenance of Effort. During the 2011-12 fiscal year, California will receive about $19.7 million in federal funds for the State Library. These funds require a state match. The amount of the federal grant is calculated based on the past three years of state funding support. If California discontinues state support for local libraries, in 2012-13 the state will begin losing federal funds for libraries and by 2014-15 the federal government will no longer provide library grants to California.

However, some of the State Library programs that will continue to receive funding can count toward the federal maintenance of effort (MOE) requirement. The State Library calculates that by providing **$3.9 million General Fund** above the Governor's proposed level for 2011-12, California would meet its federal MOE and receive the full grant for 2012-13.

STAFF COMMENTS:

Local Library Reliance on State Funds. Some local libraries are far more reliant on state funds than others. California has 181 local library jurisdictions that receive some state funds, of which only 14 get more than ten percent of their total funding from the state (and another 35 get more than five percent of their total funding from the state). Those local libraries that receive a greater share of their funding from the state rely of state support heavily and may be forced to close or take drastic measures (such as charging patrons for book loans) if they lose state funding.

Once Funding Eliminated, Difficult to Restore. Staff notes that once funding for a program is completely eliminated, it is difficult to bring those programs back. The Legislature may wish to consider a small restoration of the local funding in order to keep programs going. Also, the Legislature may wish to allocate the restored funds based on local poverty rates rather than strictly on a per-capita basis.

Suggested Questions:

1. What happens when the state cannot meet the federal MOE to receive federal funds? If those federal funds are lost, what happens to the State Library programs?
2. How many local libraries would have to close if the Governor's budget is adopted?

6110 CALIFORNIA DEPARTMENT OF EDUCATION

ISSUE 2. Governor's Budget Proposal – Statewide Education Data Systems

DESCRIPTION: The Governor proposes to continue the veto of **$6.5 million** in federal funds from the 2010-11 budget bill for support of two statewide education data systems -- the California Longitudinal Pupil Achievement Data System (CALPADS) and the California Teacher Integrated Data Education System (CALTIDES).

While vetoed by the last Administration, the Governor does not propose to restore funding for CALPADS and CALTIDES in 2010-11 or 2011-12. Instead, the Governor proposes that any future funding decisions are pending a review of these programs. Specifically, the Governor proposes an interagency working group – convened by the Governor's Office -- to conduct this review prior to any further funding of either CALPADS or CALTIDES.

BACKGROUND: Current law, established by SB 1453 (2002) and SB 257 (2003), requires that the California Department of Education (CDE) contract for the development of a statewide data system to collect, maintain, and report longitudinal student assessment and other data required to meet federal No Child Left Behind (NCLB) reporting requirements, to evaluate education programs, and to improve student achievement. This system is known as California Longitudinal Pupil Achievement System (CALPADS). Senate Bill 1453 and SB 257 identify five basic goals for the state's longitudinal data system:

- To provide school districts and CDE access to data necessary to comply with federal NCLB reporting requirements;
- To improve evaluation of education progress and investments over time;
- To provide Local Education Agencies (LEAs) with information that can be used to improve pupil achievement;
- To provide an efficient, flexible, and secure means of maintaining longitudinal statewide pupil level data; and
- To promote good data management practices for pupil data systems and issues.

CALPADS is envisioned as the foundation of California's K-12 education data system. It will maintain longitudinal, individual-level data including student demographic, program participation, grade level, enrollment, course enrollment and completion, discipline, state assessment, teacher assignment, and other data required to meet state and federal reporting requirements. Education data will be linked longitudinally using a unique, non-personally identifiable Statewide Student Identifier.

In 2006, SB 1614 was also enacted establishing CALTIDES to facilitate teacher assignment monitoring through automation and enable monitoring of Highly Qualified Teacher Requirements of NCLB. CALPADS will include teacher assignment data and will be linked to credential data and authorization data maintained by the Commission on Teacher Credentialing.

CALPADS Implementation. A chronology of major activities related to the CALPADS project is displayed in the table below. The Feasibility Report was completed in August 2004 and

conditionally approved in June 2005, with final approval in November 2005. The Request for Proposal was completed in June 2006 and approved in September 2006. Final Bids were released in June 2007. A first Special Project Report -- with all updated cost estimates, the selected proposed solution, and all changes to the project since approval of the Feasibility Study Report (FSR) -- was approved in November 2007; and the contract was awarded to IBM in late December 2007. Work on the contract began in January 2008. CALPADS implementation began in August 2009 and is scheduled to wrap-up in September 2011.

CDE has provided the following summary of CALPADS project and system development.

Project Development

Project Stage	Start	Completed	Approved/Released
Feasibility Study Report (FSR)	April 2004	August 2004	
FSR Submission 2	January 2005	April 2005	June 2005 – Conditional
Supplemental Report to FSR	June 2005	October 2005	November 2005
Request for Proposal (RFP)	December 2005	June 2006	September 2006
Final Bids Submission/Evaluation	April 2007	May 2007	June 2007
Final Bid Cost Opening		June 2007	
Special Project Report	July 2007	September 2007	November 2007
Section 11	November 2007	December 2007	December 2007
Contract Commences	January 2008		
Second Special Project Report			January 2011

System Development*

Project Stage	Start	Completed	Approved/Released
Phase 1: Project Initiation	January 2008	May 2008	
Phase 2: Design, Development, Conversion, Testing	April 2008	April 2009	
Phase 3: Pilot User Acceptance Test (UAT)	December 2008	July 2009	
Phase 4: System Implementation	August 2009	Sept 2011	
Phase 5: Warranty and Maintenance	September 2011	August 2012	
**Includes projected dates*			

CALPADS Funding. According to the LAO, the state has provided a total of **$214 million** over the last 13 years - since 1997-98 - on student data systems, as summarized below.

- **Pre-CALPADS (1997-2001) Funding.** A total of **$46.3 million** was appropriated to LEAs for data development before CALPADS was established in statute 2002. These funds were provided to help LEAs prepare (build capacity) for a state longitudinal data system. This funding helped LEAS improve their own data systems and data management processes and practices.

- **CALPADS Funding (2002-Present).** A total of **$166.2 million** has been appropriated for CALPADS since enactment of the program in 2002. This total includes **$115.5 million** in local assistance funding – including funding for CSIS – to support data collection and development for LEAs, and also includes **$50.6 million** in state operations funding appropriated to CDE for

CALPADS project costs, including the CALPADS contract. (The CALPADS contract began in January 2008.) The contract provides **$13.9 million** to IBM. CDE's contract with IBM is "deliverables" based, which means the vendor is not paid until required functionality is designed, built, implemented, and accepted by CDE.

Recent CALPADS Implementation Delays & Stabilization. In the Fall of 2009, CALPADS went online, but by February 2010, due to unacceptable system performance issues that occurred during the rollout of CALPADS, the Superintendent of Public Instruction delayed any new system development and directed IBM and CDE staff to focus all resources over the next two months on stabilizing the system. In December 2009, SABOT Technologies, an independent contractor hired by CDE, conducted an independent assessment of the CALPADS system architecture and technical processes.

SABOT asked IBM to develop a plan to stabilize the system. IBM contract executives developed a high level plan to stabilize the system by the end of March 2010. During this "stabilization period" IBM was required to both retest the entire system and fix all "severity 1 and 2" defects, and to hold off on developing new functionality. Throughout stabilization, the CALPADS system remained available to users.

On April 26, 2010 a stabilization software was released to the field to increase the efficiency of the CALPADS system. CDE required the system to demonstrate stability for 60 days. The goal was achieved and the system successfully exited the stabilization period in late June 2010.

CALTIDES Implementation & Funding. CALTIDES is in the procurement phase. Once developed**,** CALTIDES will be a new comprehensive data system that integrates existing databases to enable the retention of longitudinal teacher data to meet federal No Child Left Behind (NCLB) and other state reporting requirements, to facilitate assignment monitoring, and to conduct high quality program evaluations.

CDE has provided the following chronology of CALTIDES. The CALTIDES contract was last projected to commence in March 2010. However, due to delays in CALPADS implementation last year, the contract was delayed --an entire year --to March 2011. If a contract is successful then, system implementation is slated to begin in 2012-13.

CALTIDES Project Status

Project Stage	Start	Completed	Approved/Released
Feasibility Study Report (FSR)	September 2005	March 2006	May 2006
Request for Proposal (RFP)	January 2007	April 2009	April 2009
Final Bids Submission/Evaluation	May 2009	September 2009*	September 2009*
Special Project Report*	September 2009	November 2009	December 2009*
Contract Commences*	March 2010		

CALTIDES is being jointly developed by the CDE and CTC. To date, approximately **$4 million** has been spent on project development for CALTIDES, including assigning Statewide Educator Identifiers to all certificated staff, contracting for project management and project oversight

services, developing a Feasibility Study Report and Request for Proposal, and selecting a vendor. The contract, however, has not been awarded.

2010-11 Budget Vetoes: The previous Governor vetoed **$6.5 million** in federal funds for CALPADS and CALTIDES in 2010-11, as follows:

- **CALPADS.** The Legislature approved $5.6 million in federal funds to the California Department of Education (CDE) for the implementation costs associated with the California Longitudinal Pupil Achievement Data System (CALPADS) in 2010-11.

  However, the previous Governor vetoed $2.7 million, leaving $2.9 million in federal funds for CALPADS through December 6, 2010. The previous Governor stated intent that "reduced funding be set aside for future legislation that appropriates funds for an appropriate entity to complete the project and provide a data system that will successfully supply student-level achievement data to assist teachers, district administrators, and policy makers with reliable information."

- **CSIS.** The previous Governor vetoed $3.6 million in one-time Proposition 98 funds for California School Information Services (CSIS) administrative support activities for the CALPADS project to conform to this action, leaving $1.3 million for these CSIS activities. (Note: Due to technical errors, this veto was not operational. Consequently, the $3.6 million in funding for CSIS has continued in the budget.)

- **CALTIDES.** The Legislature approved nearly $4.0 million in federal funds to CDE, and $84,000 in Teacher Credentialing Funds to the Commission on Teacher Credentialing, for development of the California Teacher Information Data System (CALTIDES).

  However, the previous Governor vetoed $3.3 million in ongoing federal funds and $200,000 in one-time federal funds, leaving $563,000 in federal funds for CALTIDES through December 6, 2010.

  The previous Governor stated intent that " reduced funding be set aside for future legislation that appropriates funds for an appropriate entity to complete the project and provide a data system that will successfully supply student-level achievement data to assist teachers, district administrators, and policy makers with reliable information."

GOVERNOR'S BUDGET PROPOSALS:

2010-11 Proposal. The Governor's Budget does not propose to restore $6.5 million in federal funds vetoed by the last Administration in 2010-11 for support of CALPADS and CALTIDES. Instead, the Governor's Budget proposes to establish an interagency working group convened by the Governor's Office to review any further funding for CALPADS and CALTIDES. The Governor proposes to address the following issues as a part of the review:

- **Program Objectives**
- **Usefulness**
- **Longer Term Implications**
- **Compatibility with Growing Federal Requirements**

As a result of the Governor's action, the **$6.5 million** in vetoed federal funds remain available, but unauthorized for CALPADS and CALTIDES in 2010-11. These vetoed funds – as summarized in the table below – include $1.8 million for CDE State Operations; $1.1 million for CALPADS Project Implementation; and $3.5 million for CALTIDES.

I. CALPADS – CDE State Operations	**Amount**
Data Reporting Requirements	442,500
CALPADS Development	1,381,500
Subtotal, CALPADS CDE State Operations	**1,824,000**
II. CALPADS Implementation Costs	
Vendor Costs – System Integration	606,000
Vendor Project Management Costs	277,000
Independent Project Oversight Consultant and Independent Validation and Verification Costs	214,000
System Hardware Costs	4,000
System Software Costs	6,000
DGS Contract Revision Charges	15,000
Subtotal, CALPADS Implementation Costs	**1,122,000**
III. CALTIDES	
Support & Development	2,440,000
Support & Development	1,060,000**
Subtotal, CALTIDES	**3,500,000**
TOTAL	**6,446,000**

***Includes 2.0 existing positions. One-time carryover funds can be used for CALTIDES or CALPADS support, which may include a DPM III position).*
***Includes $200,000 in Title II one-time carryover funds.*

In conforming to these vetoes for CALPADS and CALTIDES, the previous Administration intended to veto another **$3.6 million** in one-time Proposition 98 funds for California School Information Services (CSIS) support activities for the CALPADS project in 2010-11. However,

due to a technical error in the Governor's veto action, the CSIS veto has not been operational. As a result, the $3.6 million for CSIS passed by the Legislature remains available in the 2010-11 budget act.

2011-12 Proposal. The Governor provides limited funding for CALPADS and CALTIDES in 2011-12, since the Governor proposes to base any further funding for these data systems on the outcomes of the Interagency Working Group. A summary of available funding for data systems is provided below.

- **CALPADS & CSIS.** The Governor currently proposes to continue **$2.5 million** in special funds for CSIS operations in 2011-12. The Governor's proposal does not contain any one-time Proposition 98 funds for base CSIS operations because of the uncertainty of CALPADS funding in 2010-12. The Governor proposes no additional federal funding for CALPADS state operations at CDE in 2011-12.

Budget Item/Funds	**2010-11**	**2011-12**
CSIS		
6110-101-0349*	1,225,000	1,225,000
6110-107-0349	242,000	242,000
6110-140-0001/6110-140-0349**	1,033,000	1,033,000
6110-488 (One-Time Prop 98)	5,224,000	0
Subtotal	**7,724,000**	**2,500,000**
CDE		
Item 6110-001-0890 **Provision 17(b) & 17(d).**	**2,506,000**	**0**
Provision 17 (a)	**287,000**	**0**
Provision 17 (e)	**38,000**	**0**
Provision 17 (c)	**115,000**	**0**
Subtotal	**2,946,000**	**0**
TOTAL, CALPADS & CSIS	**10,670,000**	**2,500,000**

**Includes $828,000 to support LEA SSID work that is not administered by CSIS.*
***Includes $500,000 for Student Friendly Services and $150,000 for oversight of CSIS, which are neither CSIS operational funds nor related to CALPADS.*

CDE has requested funding of $13.162 million in 2011-12 to support the full costs of CALPADS. This amount ties to amounts in the recently approved State Project Report (SPR). Of this total, CDE requests $3.405 million for ongoing CDE operations and $1.763 million in one-time costs. In addition, CDE requests a total of $7.994 million for CSIS ongoing operations

- **CALTIDES**. The Governor provides no additional funding for CALTIDES in 2011-12 due to uncertainty about the future for CALPADS and CALTIDES funding in 2010-11. The Governor does propose to continue $84,000 to the Commission on Teacher Credentialing (CTC) to provide funding for one limited term (two year) position to support subject matter expertise and support in the development of CALTIDES with CDE. It also continues $560,000 for CDE administration of CALTIDES, but specifies the funds cannot be used until CALPADS is able to transfer data reliably (this condition has been met) and upon approval of DOF.

Budget Item/Funds	**2010-11**	**2011-12**
CDE		
6110-001-0001/0890	563,000	560,000
CTC		
6360-001- 0408 (Provision 5)	84,000	84,0000
Total	**647,000**	**644,000**

CDE does not request restoration of the $3.5 million in vetoed federal funds for CALTIDES in 2010-11. Due to delays in resulting from the 2010-11 CALPADS vetoes, there have been delays in the certification of data needed for the CALTIDES project. For this reason, CDE does not believe it can sign a CALTIDES contract before June 30, 2011. Instead, CDE requests an augmentation of $2 million in federal IES grants funds in 2011-12 for the CALTIDES contract.

CDE COMMENT.

Status/Impact of Data Systems Following 2010-11 Veto:

- **CALPADS.** CALPADS currently involves four data collection phases, also referred to as functionalities. According to CDE, there are four basic data collection phases (or functionalities), as follows:

  1. **Fall 1** – This phase is completed and consists of student enrollment counts and exit records that are used to calculate graduation and dropout rates. This phase also includes a collection of other student data -- grade level, gender, race/ethnicity, English learner status and some

program designations, such as special education and migrant. This data was collected last year and is currently being collected for the second time.

2. **Fall 2** – This is phase is also completed and consists of collecting information about certificated staff and their assignments, the courses students are taking and the courses that teachers are assigned to teach. In addition, information is collected about some characteristics of these courses (AP, independent study, EL services, whether a teacher is highly qualified to teach a course, etc.). This data is currently being collected for the first time.

3. **Spring** – This phase is currently being tested by LEAs and is scheduled for release to all LEAs on March 1. This is a collection of CDE's annual Language Census of English learners and immigrants.

4. **End-of-Year** – This phase is currently in development and involves a collection of the courses students have completed and the grades/credits they have earned (in grades 7-12 departmentalized classes in traditional schools). This phase also includes some student program participation information (such as Title I counts or Homeless student counts).

Aside from these four data collections (or functionalities), IBM is also contracted to provide for some functionalities CDE refers to as "data exchanges", which do not require data to be submitted by LEAs. One functionality includes the loading of three years of student assessment data results for STAR, CAHSEE, and CELDT, and the development of related reports. Another functionality includes the creation of reports that CDE is required to send to the U.S. Department of Education (USDE).

According to CDE, the loss of funding from vetoes in 2010-11 has had an impact on all of these functionalities. For those that are finished (Fall 1 and 2), CDE is unable to implement fixes or enhancements. For those that are in testing or development (Spring and Assessments), CDE may not be able to oversee the finishing of these functions and risk that IBM does not implement these as we need them. For those functionalities that have not started development (End-of-Year and federal reports), CDE cannot oversee the work of IBM to design these functions in the manner needed to meet requirements.

- **CALTIDES.** While CALTIDES is currently in the procurement phase, the contract most recently planned for March 2011, is currently on hold because of vetoed funds.

  CALTIDES is designed to link and leverage the teacher and course information that districts submit to CALPADS in Fall 2. According to CDE, most districts are still submitting Fall 1 data to CALPADS and they have not started to focus on submitting Fall 2 data.

  Per CDE, only 17 LEAs have certified their Fall 2 data through CALPADS. CDE believes this is not sufficient to determine that Fall 2 has been successfully implemented. IBM still has to meet some contractual obligations related to Fall 2 before CDE considers it completed and IBM is paid.

CDE does not want to enter into a contract with a vendor that still has to prove that it can successfully deliver the product, especially if Fall 2 is a cornerstone to CALTIDES. Due to these problems, even if funding is back on track soon, CDE does not believe it will be able to enter into the contract for CALTIDES before June 30.

Current Federal Data Commitments: The implementation of CALPADS and CALTIDES is critical to California's ability to meet federal data reporting requirements for a number of major federal acts, most notably:

- **No Child Left Behind (NCLB) of 2001**. California currently receives approximately **$2.6 billion** in ongoing NCLB funding annually. NCLB requires states to hold all schools and districts accountable for making "Annual Yearly Progress" (AYP) on specified indicators, including statewide assessments and graduation rates. CALPADS and CALTIDES were created to meet these needs.

  For example, CALPADS will allow California to produce a four year student graduation and dropout rate for purposes of NCLB Title I programs. This four year rate can only be calculated with a longitudinal data system.

  As another example, CALTIDES is required for the CDE to comply with its Highly Qualified Teacher reporting and monitoring requirements under NCLB. These requirements are specified in our state's "Plan of Activities to Meet NCLB Teacher Quality Requirements" submitted to the U.S. Department of Education in April 2006.

- **American Recovery and Reinvestment Act (ARRA).** California has received approximately **$6.0 billion** in one-time federal ARRA funds for K-12 schools over the last three years, including: **$3.6 billion** in State Fiscal Stabilization Funds; **$1.2 billion** in Special Education funds; and **$1.1 billion** in Title I funds. As a condition of receiving these ARRA funds, the previous Governor signed a set of data assurances and reporting requirements. The state must comply with these assurances and requirements, primarily that our state establish a longitudinal data system that includes data elements described in the America Competes Act. Failure to comply with these ARRA requirements could result in the loss of federal funds to our state.

- **Education Jobs Funds.** California received **$1.2 billion** in one-time funding under the federal Education Jobs Fund.

- **Institute of Educational Science (IES) Grants**. CDE has received federal IES grants to support development of both CALPADS and CALTIDES.

STAFF COMMENTS:

- **Governors Concerns and Goals Unclear; More Information Needed to Evaluate Proposals**. A student level data system has been envisioned for more than ten years in California. CALPADS is now operational and very close to being fully implemented. The Governor has

paused continued funding for CALPADS (and CALTIDES) and has raised fundamental questions about the system's usefulness and has challenged some of the original goals, for example to meet federal requirements. Given the seriousness of these questions – the Governor must have serious concerns. However, those concerns cannot be identified by the Administration at this time. It is difficult to evaluate the fix, when the underlying problems are not known.

- **Scope and Timing of Governor's Proposals Makes Contingency Planning Difficult.** The Governor conditions any further funding for CALPADS or CALTIDES on the outcome of an Interagency Working Group to address these issues. Is the Governor interested in building upon the CALPADS systems as currently developed, but allowing the existing system to finish out? Or is the Governor interested in halting final development of the system in order to making final changes? The scope and timeframe for both these activities is quite different and makes it difficult for the state to make contingency plans for meeting data commitments to the federal government.

- **Governor's Problems Do Not Appear Fiscal**.

    - **Federal Funds Available for CALPADS & CALTIDES – No General Fund Pressure from Projects.** All **$6.5 million** in funds vetoed in 2010-11 were federal funds and remain available. There is no pressure on the General Fund for support of CALPADS or CALTIDES at this time.
    - **State Spending on Student and Teacher Data Systems Miniscule Portion of Education Spending**. The **$6.5 million** vetoed to continue development and support of state's primary state and teacher data systems – both CALPADS and CALTIDES – represents **0.01 percent** of the **$45.6 billion** in programmatic funding for K-12 schools in 2010-11 It does not appear that the state has over-invested in data systems.

- **IBM Problems from Last Year Appear Resolved**. CDE reported that all implementation problems were fixed by IBM by late June 2010 and the system was stabilized. As a precaution, the 2010-11 budget act includes provisional language – recommended by the last Administration – that conditioned funding upon resolution of all problems. Neither the Department of Finance nor CDE can identify any remaining problems for CALPADS. In addition, the California Technology Agency has no outstanding issues with the CALPADS project at this time.

- **State May be at Risk if It Cannot Meet Federal Data Assurances.** While CALPADS is operational and almost fully implemented, without continued CDE funding, the state cannot certify data and develop state reports promised to the federal government**.** The state has made data commitments for several major federal programs – NCLB, ARRA, Ed Jobs Funds, IES grants, etc. Some of these data commitments appear to be due in September 2011. According to CDE, failure to comply could result in a loss of funding for our state. More information is needed from CDE to identify specific federal data commitments and risks of noncompliance.

- **Veto Impacts CALPADS Data Quality, Data Exchanges, and Federal Reports by CDE.** The greatest impact of the CALPADS veto appears to on work provided by CDE to assure data

quality and certification, the development of reports to meet federal data assurances, and the development of data exchanges - some of which are needed for CALTIDES to advance. For example, the state is on track to provide the first four year cohort for high school graduation and dropout rates this spring. This data has been long awaited at the state level and is also required for federal reporting purposes.

- **Veto Results in Delays for CALTIDES.** The veto cut funding for the system integration contract that was projected to commence March 2011, with a system roll out in 2012-13. Even if funding is back on track soon, CDE believes it is too late to fund a contract in 2010-11. This will move roll-out of the program well beyond 2012-13. Depending upon the scope of the delays, the contract may have to be re-procured increasing project costs and adding further delays. In addition, CDE believes the veto seriously jeopardizes the $6 million in a federal IES competitive grant that was awarded to CDE.

STAFF RECOMMENDATION: Staff recommends that the Subcommittee restore the **$6.5 million** in federal funds vetoed for CALPADS and CALTIDES in 2010-11. Staff recommends that the Subcommittee take this action when it votes on the Proposition 98 package.

Staff further recommends that -- within the next week -- CDE provide the Subcommittee with a budget proposal for CALPADS and CALTIDES funding in 2011-12 that does not involve General Fund support.

SUGGESTED QUESTIONS:

1. What are the Governor's primary concerns with CALPADS, now in its final phases of implementation?

2. What is the status of the Interagency Working Group being convened by the Governor's Office? Is the working group intended to complete its work within the 60 day budget timeframe? If not, within the 2010-11 budget year?

3. In what specific ways has CALPADS been useful to LEAs, e.g., increased capacity, reduced workload of multiple submissions? How has CALPADS been useful to students/families, e.g., eligibility for free/reduced price lunches, records transfers? How will CALPADS be useful to the state?

4. Long term, will CALPADS save LEAs and the state time and money and result in higher quality data, i.e., result in more efficient and effective state and local education data systems?

5. How does the veto of CALPADS funding for the California Department of Education affect its authority to direct the work of IBM particularly with regard to technical fixes or enhancements to the system?

6. While CDE reports that CALPADS is currently operational, how does the veto affect CALPADS? How does it affect operations support to assure data quality?

7. Will lack of funding affect the calculation of new, accurate, CALPADS- derived, four year student graduation and dropout rates, which are scheduled to become available for the first four year cohort this spring?

8. If CALPADS funding is not restored, how will California be able to comply with federal data submissions required in September 2011? [Per CDE, California has made substantial assurances as a condition of receiving nearly $6.0 billion in federal ARRA funds appropriated over the last three fiscal years and the $1.2 billion in Education Jobs Funds appropriated in the current fiscal year.]

9. Does the Governor also have specific concerns about CALTIDES?

10. How does vetoed funding affect CALTIDES implementation specifically?

11. Why doesn't CDE support current-year restoration funding for the CALTIDES project?

ISSUE 3. Governor's Budget Proposal –Economic Impact Aid Adjustments (6110-128-0001)

DESCRIPTION: The Governor proposes to reduce funding for the Economic Impact Aid program by an additional **$54 million** in order to reflect anticipated savings for the program in 2011-12.

BACKGROUND:

Program: Economic Impact Aid (EIA) is the state's major compensatory education program intended to address the educational needs of low-income and English learner students. More specifically, EIA is a K-12 categorical program to support:

(1) Additional programs and services for English learners (limited English proficient LEP) and,
(2) State Compensatory Education (SCE) services for educationally disadvantaged students as determined by the Local Education Agency (LEA).

Districts may use funds for a variety of purposes benefitting low-income and English learner students, such as supplemental services and instruction; teacher training; and supplementary materials.

Funding. The EIA formula is based upon counts for economically disadvantaged and English learner students. The 2010-11 budget act provides **$942.4 million** for the EIA program in 2010-11. The federal compensatory education program is known as the Title I Basic Grant program. The Governor's budget provides **$1.7 billion** in federal Title I grants to schools statewide in 2010-11.

The EIA program is not included in the Categorical Flexibility Program, and therefore has been protected from categorical reductions in recent years. The EIA program budget has been adjusted annually to capture natural savings that had accumulated for the program as a result of declining student enrollment.

In 2010-11, the English Language Acquisition Program (ELAP) was consolidated into the EIA program. The ELAP program was previously included in the Categorical Cut-No Flexibility program, beginning in 2008-09 and continuing through 2011-12. The ELAP program provided funding that could only be used to provide services to English learner students in grades 4 through 8.

The consolidation of ELAP funds into EIA allows local educational agencies (LEAs) to use ELAP to use funds more flexibly for low-income and English learners. LEAs can now use ELAP funds for the same purposes as EIA funds – and direct funds to low-income and English learner students as most needed – without grade level restrictions

G**OVERNOR'S BUDGET PROPOSAL:** The 2010-11 budget act provides **$942.4 million** for the EIA program, as noted in the table below. The Governor proposes to reduce EIA funding in 2011-

12 to **$888.4 million**, a decrease of **$54.0 million.** This reduction is intended to reflect additional, anticipated savings for the program in 2011-12.

Dollars In Millions	**2009-10**	**2010-11**	**2011-12 (Proposed)**	**Change**
EIA	945,779	942,447*	888,447	-54,000
ELAP	50,549	0	0	-
TOTAL	**996,328**	**942,447**	**888,447**	**-54,000**

*****_Includes $3.1 million to cover EIA eligible students in County Court Schools and $50.549 million for ELAP._

In 2008-09 and 2009-10, the Legislature captured significant one-time savings from the EIA program. These natural savings resulted from differences between amounts budgeted and amounts earned by LEAs due to declining enrollment in these fiscal years. In 2010-11, the Legislature captured additional one-time savings and made the decision to continue these savings in the EIA program base – thereby converting one-time savings into ongoing savings. The Governor's 2011-12 budget proposal, scores an additional **$54 million** in ongoing savings – beyond those already included in the program base - for the EIA program in 2011-12.

LAO COMMENTS/RECOMMENDATIONS: According to the LAO, the 2010-11 budget appropriation of **$942.4 million** seems to be on track with estimated expenditures for the EIA program. To date, CDE reports only **$6.9 million** in excess funds for 2010-11, and while not final, CDE believes some of this excess funding will be needed for final revisions later in the year. In addition, the LAO notes that since student enrollment is starting to grow again statewide, it is unlikely there will be any additional savings for the EIA program in 2010-11.

For these reasons, the LAO believes that the additional **$54 million** in EIA savings proposed by the Governor is fully overstated. The LAO does not anticipate any further savings for the program – beyond ongoing savings built into the program base -- in 2011-12. Therefore, the LAO views the Governor's proposal as a **$54 million** cut to the EIA program in 2011-12.

STAFF COMMENTS/RECOMMENDATION:

- **Governor's Estimated Savings Appear Overstated –Will Likely Result in Program Reduction Unless Revised by Administration.** As noted by the LAO, additional savings are not likely for the EIA program in 2011-12. Without additional savings to offset, the Governor's reduction of $54 million translates into a **$54 million** reduction for the EIA program in 2011-12. DOF has indicated a willingness to revisit its EIA savings estimates for 2011-12, but has not done so to date. If DOF confirms there is a shortfall for EIA, staff recommends that the Subcommittee consider restoring these funds when it acts on the Proposition 98 package.

SUGGESTED QUESTION:

1. Does the Department of Finance stand behind its January savings projection for EIA in 2011-12? If not, does the department plan to revise its EIA savings proposal soon – in time for the sixty day budget - or wait until May Revise?

ISSUE 4. Governor's Budget Proposal –Emergency Repair Program (6110-187-0001)

DESCRIPTION: The Governor proposes to add **$54 million** in Proposition 98 funding for the Emergency Repair Program (ERP) in 2011-12. This amount includes **$43 million** in ongoing Proposition 98 funds and **$11 million** in one-time Proposition 98 savings from prior years. The Governor proposes to use these new funds to provide funding for the next $54 million in approved projects on the ERP unfunded list.

BACKGROUND: Chapter 899, Statutes of 2004 (SB 6), which implements provisions of the *Williams* settlement agreement, requires that, commencing with the 2005-06 Budget Act, the state transfer at least $100 million, or 50 percent of the unappropriated balance of the Proposition 98 Reversion Account – whichever is greater – to the ERP. This level of funding must continue in the budget every year until the state has provided a total of $800 million for the program.

The ERP is administered by the State Allocation Board (SAB). Funds must be used for emergency repairs in low-performing schools, specifically schools in the lowest three deciles of the Academic Performance Index (API). Chapter 899 defines emergency repairs as repairs needed to mitigate conditions that pose a threat to the health and safety of pupils or staff.

Chapter 704/Statutes of 2006 authorized a grant-based ERP program, rather than a reimbursement-based program. Districts can now apply for funding for specific projects before undertaking the actual repair work. The new grant-based program became operational at the beginning of 2007-08. According to the SAB, the grant-based program has made it much easier for schools to access funding for emergency repairs, since school districts are no longer required to pre-pay for these projects. These changes have substantially increased the number of project requests received and approved by the ERP.

API Eligibility List. Education Code Section 1240 sets forth the process for renewing the list of API decile 1-3 schools every three years for purposes of the ERP program. The original list of decile 1-3 schools that were eligible for ERP was established effective 2004-05 through 2006-07 and was based upon the 2003 Base API.

The current list of decile 1-3 schools was established effective 2007-08 based on the 2006 Base API. This list will remain in place until the new list -- based upon the 2009 Base API -- becomes effective in 2010-11.

Projects Approved: To date**,** the SAB has approved and funded a total of **$338 million** in ERP projects. According to the SAB, there are an additional **$228 million** in approved-unfunded projects and **$234 million** in unapproved projects pending**.**

Types of Projects: Last year, ERP staff provided a list of approved, but unfunded projects to provide information about the types of projects approved. At that time, there were **$73 million** in approved projects on the unfunded list. (The Governor's 2011-12 proposal would fund the first **$54**

million of projects on the approved, unfunded list.) The **$73 million** covers 2,716 projects for 47 school districts and 396 schools. While ERP tracks 31 different types of projects, most funding ($64.2 million) from this sample was proposed for six project types: Heating Ventilation and Air Conditioning ($25.3 million); Roofing ($15.4 million); Structural Damage ($9.2 million); Paving ($6.6 million); Electrical ($4.3 million); and Fire Detection ($3.6 million).

Funding History. Annual appropriations and expenditures for ERP are summarized below. As mentioned earlier, current statute specifies that appropriations for the program come from one-time funds from the Proposition 98 Reversion Account, which has been the source of all appropriations to date. However, the Governor proposes **$43 million** in ongoing Proposition 98 funds, as well as **$11 million** in one-time funds in 2011-12.

In summary, the state currently has appropriated and expended a total of **$338 million** for ERP since 2005-06. Current law authorizes a total **$800 million** over the lifetime of the program, so there is **$462 million** in remaining authority for ERP.

Fiscal Year	Appropriations	Expenditures
2004-05	5,000,000	0
2005-06	196,024,000	3,500,000
2006-07	136,979,000	36,600,000
2007-08	200,000,000 -250,000,000	171,400,000
2008-09	101,000,000 -51,000,000	100,800,000
2009-10	0	25,703,000
2010-11	0	0
Subtotal	***338,003,000***	***338,003,000***
2011-12 (Proposed)	51,000,000	51,000,000
Total	***392,003,000***	***392,003,000***

In recent years annual appropriations for ERP were adjusted to respond to the state's budget shortfall and to better align appropriations with expenditures. The 2008-09 budget was adjusted on the natural when anticipated one-time funds did not materialize in the Proposition 98 Reversion Account. The 2009-10 budget did not appropriate any funding for the program in 2009-10, however, due to prior year fund balances for the program, a total of $25.7 million was allocated by ERP in 2009-10. As of September 2009, all available ERP funds had been allocated. No new funding has been appropriated since then for the any of the **$228 million** in remaining approved projects.

GOVERNOR'S BUDGET PROPOSAL: The Governor's Budget proposes to appropriate **$54 million** in Proposition 98 fund for ERP in 2011-12. This amount includes **$43 million** in ongoing

Proposition 98 funds and **$11 million** in one-time, Proposition 98 savings from various programs for ERP in 2010-11. These new funds will provide funding for the next $54 million of the **$228 million** in projects on the current ERP unfunded list. Projects would be funded based upon the date the project applications were received by the Office of Public School Construction.

LAO RECOMMENDATION. According to the LAO, the Legislature could take two reasonable approaches. The Legislature could meet the provisions of the *Williams* settlement for 2011-12 by providing funding for the Emergency Repair Program. Alternatively, given the state has provided maximum flexibility to school districts and relaxed several requirements related to facility maintenance, the Legislature may want to consider redirecting the funds proposed for the Emergency Repair Program to other programs that give districts more flexibility in making spending decisions.

STAFF COMMENTS:

- **Dimensions and Impact of the Governor's Proposal.** The Governor's proposal would provide **$54 million** for approximately 125 school projects. Projects range in size from $8.0 million to a low of $485. Approximately 55 percent of projects are grant-based; the remaining 45 percent are reimbursement based. In spite of this diversity, at least $40 million of the total proposed by the Governor goes to about 20 school projects – that exceed $500,000 each – in less than ten school districts statewide.
- **Alternative Schools and State Special Schools Ineligible for ERP Grants.** The Emergency Repair Program makes funds available for schools in the lowest three deciles of the Academic Performance Index (API). In order to be eligible, decile 1-3 schools must have valid API scores. This definition excludes most of the state's 1,000 alternative schools, serving between 225,000 to 300,000 students per year, from eligibility for these program funds. In addition, while two of the State Special Schools are ranked in decile 2 of the API, they are also excluded from ERP, in spite of the fact that these schools have some projects that might otherwise be eligible for these funds.

STAFF RECOMMENDATIONS: The Legislature did not approve any new funding for the ERP program in 2010-11 – given ongoing revenue limit cuts for K-12 education. Consistent with this action, staff does not support the Governor's proposal to provide additional funding for ERP in 2011-12. The **$54 million** in funds proposed by the Governor would provide additional funding to a very small number of school districts in the state. While these projects would presumably stimulate their local economies, most of the benefit would be concentrated in fewer than ten school districts in the state.

Therefore, staff recommends that -- when the Subcommittee takes action on Proposition 98 issues -- the Subcommittee deny the **$54 million** for ERP proposed by the Governor in 2011-12.

Staff further recommends that the Subcommittee redirect the savings to offset other categorical program shortfalls in the 2011-12 budget with greater statewide benefit, i.e., benefit for more or all school districts in the state.

QUESTIONS:

1) Why does the Governor utilize ongoing Proposition 98 funding for the Emergency Repair Program, when the authorizing statute specifies one-time funds?

2) What is the outlook for one-time funds in 2011-12 and what is the likelihood these funds will be needed to fund other program shortfalls?

6110 CALIFORNIA DEPARTMENT OF EDUCATION

ISSUE 5. Governor's Budget Proposal –K-12 Mandates (6110-295)

DESCRIPTION: The Governor proposes ongoing funding of **$89.9 million** for reimbursement of K-14 mandates in 2011-12, including **$80.4 million** for K-12 mandates and **$9.5 million** for community college mandates. This action continues reimbursements for all K-14 mandates that were funded in 2010-11. In addition, the Governor continues to suspend those mandates suspended in 2010-11. The Administration intends to continue to participate in the working group on mandate reform established pursuant to Chapter 724, Statutes of 2010.

BACKGROUND:

State Mandate History. The California Constitution requires the state to reimburse local governments, including school districts, for certain state mandates. Section 6 of Article XIII B of the Constitution – added by Proposition 4 in 1979 -- provides that, with certain exceptions, whenever the Legislature or any state agency mandates a new program or higher level of service on any local government, the state shall reimburse the local government for the costs of the new state-mandated activity.

State statute establishes the process for determining the existence of state mandates and providing local government reimbursements. Specifically, state law authorizes the Commission on State Mandates to hear and decide local government reimbursement claims and establishes procedures for making mandate determinations.[1] State law also establishes procedures for the State Controller's Office to make annual payments to local governments for activities the Commission on State Mandates has deemed reimbursable state mandates.

In November 2004, state voters approved Proposition 1A, which requires the Legislature to appropriate funds in the annual budget to pay outstanding mandate claims, "suspend" the mandate, or "repeal" the mandate. However, these provisions apply to local governments only and – by definition – do not include school districts or community colleges.

Mandates Approval Process. For K-14 education, the mandate process begins when a K-14 local education agency --K-12 school district/county office of education or community college district -- files a test claim with the Commission on State Mandates. Local education agencies are required to submit claims within one year of the effective date of the statute (or executive order). The Commission hears the test case and issues a "Statement of Decision" determining whether a claim is a reimbursable state mandate. If a mandate is determined, the Commission begins the process determining mandate costs based upon mandate claims. In so doing, claimants propose "Parameters and Guidelines (Ps and Gs)" for determining mandate costs. Ps and Gs identify the mandated program, eligible claimants, period of reimbursement, reimbursable activities, and other necessary

[1] The Commission on State Mandates is composed of seven members: the State Controller; State Treasurer; Director of the Department of Finance; Director of the Office of Planning and Research; and a public member and two local elected officials appointed by the Governor, subject to Senate confirmation. Members serve four year terms.

claiming information. The Commission then adopts the Ps and Gs, which are sent to the State Controller's Office in order to develop claiming instructions for K-14 local agencies. At this point, K-14 local agencies can file claims. In the end, the Commission estimates the costs of paying claims and reports the amount to the Legislature as the "Statewide Cost Estimate," for inclusion in the annual budget.

If either the K-14 claimants or the State disagree with the Commission's decisions during the mandate process, they can seek judicial review.

Problems with the Mandates Process: According to the LAO, the mandates process has significant, longstanding shortcomings. Test claims can take many years to be resolved. During this time, state fiscal liabilities increase and K-14 education agencies are not reimbursed for mandated activities. In addition, the LAO identifies the following major problems with the current K-14 mandate system.

Problems with Current K–14 Mandate System

» Mandates often do not serve a compelling purpose.
» Costs can be higher than anticipated.
» Recent court ruling likely to make containing costs even more difficult.
» Reimbursement rates can vary greatly without justification.
» Reimbursement process can reward inefficiency.
» Reimbursement process ignores effectiveness.

Annual Budget Appropriations for Mandates. Once approved by the Commission, ongoing and new education mandates are identified (listed) in the annual budget.

- ***Fund.*** The Legislature may appropriate funding for each mandate based upon the State Controller's Office Statewide Cost Estimate Report.

- ***Suspend.*** Alternatively, the Legislature may choose to "suspend" a mandate by eliminating funding in the budget and adding provisional language stating the mandate is suspended. When a mandate is suspended, local responsibilities for providing the mandate and state obligations for funding the mandate are also suspended. In years prior to 2010-11, five mandates applying to school districts (three of which also apply to community colleges) were suspended.

- ***Repeal***. The Legislature may also choose to repeal a mandate by eliminating funding in the budget and repealing the underlying statute.

Audit Findings by State Controller's Office

The State Controller's Office (SCO) is required to conduct audits of education mandates within three years of mandate funding. Last year, the Senate Office of Oversights and Outcomes gathered information on education mandate audits of selected K-12 school districts from the SCO in prior years. This information covers State Controller audits for four education mandates: Habitual Truancy, Truancy Notification, Mandate Reimbursements, and Graduation Requirements. The audit period covers a several year period for each mandate and includes a small sample of school districts for each mandate. In summary, sample school districts claimed **$35.8 million** for the four mandates; however, as a result of district audits, **$20.4 million (57 percent)** of this amount was disallowed by the Controller's Office and returned to the state.

In August 2010, the SCO reported the outcomes of audits for K-14 mandate claims from 1994-95 through 2008-09. In summary, the SCO Audits Division audited $316,044,623 in mandate costs and identified $224,841,903 in overstated mandate costs, a **71.1 percent** disallowance **(**error) rate for K-14 audited claims.

Recent Court Decision on Deferrals. The court case described below influenced recent budget proposals and state budget actions to stop the practice of deferring annual payments for K-14 education mandates:

- **Mandates Deferral Decision – San Diego County Superior Court (December 2008).** In November 2007, five school districts and the California School Boards Association sued the Department of Finance and the State Controller seeking payment of past mandate claims and an end to mandate payment deferrals.

  The Court found that the practice of deferring payments for state-mandated programs is an unreasonable and unconstitutional restriction on school districts' rights. "Accordingly," the Court found, "the Legislature in the future is to comply with the Constitutional requirements of article XIII B section 6 by fully funding state mandated programs." This decision was not appealed by the previous Administration.

2010-11 Budget Actions: Adopted K-14 mandate reforms, as an alternative to the Governor's across the board, one-year suspension of K-14 mandates. These reforms include:

- Suspending six full mandates and two partial mandates for three years (through 2012-13) consistent with the timeframe for categorical flexibility;
- Modifying four mandates to preserve the underlying statute while reducing or eliminating mandate costs, including two of the most expensive mandates - Behavior Intervention Plans and High School Science Graduation Requirement;
- Updating statutes for one mandate program that is no longer fully operational;
- Requesting redetermination of one K-14 education mandate;
- Funding remaining K-14 mandates in 2010-11 with **$90 million** in Proposition 98 settle-up funds; and

- Creating a working group led by the LAO to examine K-14 mandates and make recommendations to the Legislature for future fiscal and policy action.

The 2010-11 budget act provided **$300 million** in Proposition 98 "settle-up" funds in 2010-11, which are attributable to revised minimum funding obligations for 2009-10.

Of this amount, **$210 million** is provided on a per pupil basis to K-12 schools (based upon average daily attendance) and community colleges (based upon full-time equivalent students). These funds will count as payment against prior-year mandates claims.

The remaining **$90 million** is appropriated to K-12 and community colleges for annual mandate claims in 2010-11.

New California School Boards Association (CSBA) Lawsuit. In addition to other litigation underway, CSBA has filed a new lawsuit challenging most of the mandates reforms implemented in the 2010-11 budget package. The lawsuit, which was filed in State Superior Court in January 2011, challenges the three following components of the 2010-11 mandate reforms:

1. **Mandate Redetermination Process.** The lawsuit challenges the redetermination process in general and specific language adopted for individual mandates.

2. **Statutory Changes to Clarify Mandate Costs.** This lawsuit challenges statutory changes utilized for the Behavior Intervention Plan mandate and High School Science Graduation requirement.

3. **Lack of Funding for Mandates Not Suspended**. Mandate payments for 2010-11 are based upon the most recent annual mandate claims costs. For some funded mandates, no funding was required because no claims were provided in the most recent year available (2008-09).

As a result of these grievances, CSBA is asking the courts to be relieved from the state mandate process in general.

RELATED LEGISLATION:

SB 64 (Liu). This bill is intended to addresses the underlying need to reform the process for mandate evaluation and reimbursement and designed to make the mandates system simpler, timely, and equitable. More specifically, the bill would:

1. Create a collaborative process for educators and state agencies to resolve most mandate questions without litigation or excessive delays.
2. Require routine reviews of mandated cost guidelines so that inequities or excessive costs are avoided.
3. Provide for timely audits, so that local schools can use state reimbursements to serve students.
4. Establish standards for mandated cost claim preparation firms, so that procedures and records are consistent and meet state criteria.

GOVERNOR'S BUDGET PROPOSAL: The Governor proposes ongoing funding of **$80.4 million** for K-12 mandates in 2011-12. This action continues reimbursements for all K-12 mandates that were funded in 2010-11. In addition, the Governor continues to suspend those mandates suspended in 2010-11. The Administration intends to continue to participate in the working group on mandate reform established pursuant to Chapter 724, Statutes of 2010.

LAO COMMENTS/RECOMMENDATION: Consistent with their previous position, the LAO recommends eliminating or reforming all but 11 K-12 mandates using the standard set of criteria their office has developed. That being said, the LAO continues to lead the Mandates Working Group that has been meeting regularly in recent months to review all K-14 mandates. The LAO notes that the costs of providing annual payment for K-12 mandates proposed by the Governor will need to be updated to reflect 2009-10 claims. The 2010-11 mandate costs reflect 2008-09 claims costs, the most recent available at that time.

STAFF COMMENTS:

- **Governor's Funding Level Reflect 2010-11 Budget Approach**. Consistent with actions taken in the 2010-11 budget, the Governor proposes to fund approximately 35 K-12 mandates and suspend most remaining mandates. The Governor provides **$80.4 million** in ongoing Proposition 98 funds for these annual K-12 mandate payments. The 2010-11 budget utilized one-time Proposition 98 funds to cover annual mandate costs.

- **Due to Working Group Process Underway, Better to Take Final Mandate Actions Later in Spring.** The mandate reforms package in 2010-11 created a working group on K-14 mandates convened by the LAO. (Chapter 724; Statutes of 2010) (The LAO will provide an update on the mandates working group.) The working group is required to develop recommendations by March 15, 2011. However, the timeframe for the working group does not fit into the short budget process currently underway. The recommendations of the working group can be considered in depth later this spring.

STAFF RECOMMENDATION: Staff recommends that - when the Subcommittee takes action on the Proposition 98 package - the Subcommittee approve **$80.4 million** in funding for K-12 mandates proposed by the Governor for 2011-12. This recommendation continues the approach enacted in the 2010-11 budget, but provides ongoing Proposition 98 funds instead of one-time funds. Staff further recommends that the Subcommittee reconsider the issue later in the spring in order to consider the specific recommendations of the mandates working group.

SUGGESTED QUESTIONS:

1. Can the LAO provide an update on the status of the mandates working group?

2. In years when mandates were funded in the budget act, what was the funding source - ongoing or one-time Proposition 98 funds?