

SUBCOMMITTEE NO. 1 on Education



Subcommittee No. 1
Chair, Marty Block
Member, Roderick Wright
Member, Mark Wyland

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Upon Adjournment of Session
Room 3191, State Capitol

Consultants: Keely Bosler & Kim Connor

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Public Testimony

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6360 Commission on Teacher Credentialing

ISSUE 1: Commission 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. This information is intended as background for consideration of the Governor's budget proposals in Issue #2 of the Subcommittee agenda.

PANELISTS: Commission on Teacher Credentialing

BACKGROUND:

Major Responsibilities. The CTC is responsible for the following major, state operations activities, which are wholly 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 addition, the CTC administers three local assistance programs which are funded with Proposition 98 General Funds and federal reimbursement from the California Department of Education.

Major Activities. The CTC currently processes **208,000 candidate applications** annually for 200 different credential and waiver documents. In addition, the CTC currently administers – largely through contract – a total of **5 different educator exams** for approximately **103,000 educators** annually. In addition, the CTC 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 2011-12, the CTC received new reports from all these sources and, upon review, opened 5,376 cases. During 2011-12, the CTC completed disciplinary review for 5,454 cases.

Lastly, the CTC is responsible for accrediting **261 approved sponsors of educator preparation programs**, including largely public and private institutions of higher education and, local educational agencies in California. (Of this total, there are 23 California State University programs; 8 University of California programs; 58 private college and university programs; 172 local educational agency programs; and 3 other sponsors.)

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Special Funds & Fees. The CTC is a “special fund” agency whose state operations are supported by two special funds -- the Test Development and Administration Account (0408) and the Teacher Credentials Fund (0407). Of the CTC’s \$18.9 million state operations budget in 2012-13, about 76 percent is supported by credential fees, which are a revenue source for the Teacher Credentials Fund and 22 percent is supported by educator exam fees, which fund the Test Development and Administration Account.

- **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 Commission plus a prudent reserve of not more than 10 percent. In 2012-13, the credential fee 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). No fee increases are anticipated for 2013-14.

In 1998-99, the credential fee was reduced in the budget act below statutory levels -- from \$70 to \$60 -- due to increases in the number of credential applications and resulting surpluses in the Teacher Credentials Fund. At this time, there was increased demand for teachers due to the new K-3 class size reduction program. The \$15 loss in fees since 2000-01 equated to an annual loss of approximately \$3 million for the CTC. (Every \$5 in fees equates to approximately \$1 million in revenues.)

In 2000-01, the fee was dropped further to \$55. The volume of credential applications grew substantially from 2000-01. However, as indicated by the following chart, applications began decreasing in 2007-08 as the state economy slowed. In 2011-12, the number of credential applications dropped below 2000-01. The number of credential applications is projected to drop further in 2012-13, but projected to increase in 2013-14.

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	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13 Est	2013/14 Est
Credential Applications Received	215,954	239,501	250,701	235,327	233,164	240,159	254,892	267,637	264,153	246,899	232,208	230,559	213,980	222,062
Waiver Applications Received	7,865	7,918	5,144	2,827	2,402	2,000	2,561	2,561	2,561	1,287	893	858	686	666
Total	223,819	247,419	255,845	238,154	235,566	242,159	257,453	270,198	266,714	248,186	233,101	231,417	224,825	222,728
Credential Processing Staff*	82.1	83.2	77.4	71.2	60.6	65.2	66.8	75.9	69.1	68.9	68.4	68.4	59.9	61.4
Credential Fees**	\$55	\$55	\$55	\$55	\$55	\$55	\$55	\$55	\$55	\$55	\$55	\$55	\$70	\$70

*Certification Assignment and Waivers Division Staff

**Individuals applying for a Certification of Clearance and then a first time Credential only pay one fee for the two documents, based on the current credential fee, i.e., \$70 credential fee, \$35 for Certificate of Clearance, \$35 First Time Credential, then at 5 year renewal pay the full fee of \$70.

- **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), and the California Subject Examination 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.

In recent years, the number of examinations have been falling in the exam program overall. The CTC projects continuing declines in the number of examinees for the exam program based on the trends identified in the Teacher Supply Report and enrollment data from the various educator preparation programs.

The CTC has made a number of adjustments in recent years based upon the demand for the various exams, as indicated by the following table. In 2005-06, the CTC raised fees by \$6 for all exams, except the CBEST. (Prior to this, fees had not been increased since 2001-02.) However, in 2007-08, the CTC reduced fees for most exams.

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Summary of Fee Adjustments					
Candidate Fee*	2005-06	2007-08	2011-12	2012-13	Change
CBEST					
<i>CBEST – Paper Based Test</i>	--	-\$10.00	--	--	-\$10.00
<i>CBEST – Computer Based Test</i>	--	--	-\$4.00	+\$1.00	-\$3.00
RICA					
<i>RICA – Written Examination</i>	+\$6.00	-\$10.00	+\$35.00	+\$6.00	+\$37.00
<i>RICA – Video Performance Assessment</i>	+\$6.00	-\$10.00	--	+\$41.00	+\$37.00
CTEL	--		-\$65.00	+\$22.00	-\$43.00
CSET	+\$6.00	-\$12.00	-\$12.00	+\$9.00	-\$9.00
<i>CPACE (Replaces the SLLA)</i>	--	--	-\$102.00	+\$44.00	-\$58.00

*No changes in Exam Fees are proposed in 2013-14.

Source: Commission on Teacher Credentialing.

In January 2011, the CTC reviewed and approved changes in the exam fee structure which resulted in fee adjustments (increases and decreases) that went into effect in 2011-12.

In March 2012, the CTC reviewed and approved additional fee increases for all of its major exams that were approved as a part of the 2012-13 budget. These fee increases achieved \$500,000 in new revenues from the Test Development and Administration Account in 2012-13. No exam fee adjustments are anticipated for 2013-14.

Update on Implementation of 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*”.

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.

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:

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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.

Of major importance, the BSA Audit found that the CTC Division of Professional Practices division – which is charged with investigation and discipline of misconduct for credential candidates and holders -- had a cumulative backlog of approximately 12,600 unprocessed reports in the summer of 2009. This backlog largely included Reports of Arrest and Prosecution (RAP) from by the California Department of Justice. The cumulative backlog of RAPs was completely addressed and there is no outstanding backlog of these RAP documents.

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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.

Status of New School District Misconduct Reports Beginning in 2012. From February 23 to June 30, 2012, the Los Angeles Unified School District (LAUSD) filed over 600 reports of educator misconduct with the CTC. As a result, in 2011-12, the CTC received a total of 765 school district reports, when typically the CTC received 200-250 reports per year from *all* school districts. The Commission redirected three staff to assist with this workload. Of the reports received from LAUSD between February 23 and June 30, 2012, 103 were determined to duplicate earlier LAUSD reports, 165 lacked facts establishing statutory jurisdiction to investigate and were closed, 251 are completed, and 87 are open. Of the 87 open cases, 75 are currently under review by the Committee of Credentials and in 12 cases the investigation has not commenced. To date, 72 of the LAUSD cases resulted in an adverse action taken by the Commission.

Credential Processing within Statutory Timeframes. Provisional language in the annual budget act requires the CTC to submit quarterly 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 vocational education certificates and child center 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. During this time, the credential processing time was at an all-time high of 210 working days to issue a credential. The Commission has been responsive to the request and has provided updates as required.

The CTC eliminated the credentialing backlog in 2007-08 due to substantial efficiencies achieved largely through the conversion of a paper application process to an on-line application process for both credential renewals and some new applications. In addition, past budgets redirected additional staffing resources to address the credentialing backlog. Chapter 133; Statutes of 2007, revised the application processing time from 75-working days to 50-working days, effective January 1, 2008. CTC has continued to maintain this processing within this time limit. According to CTC, approximately 80 percent of applications are being processed on-line within 10 working days. The other 20 percent of applications are processed within the required 50-working day processing time.

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Current Condition of Special Funds. The **Teacher Credentials Fund** (0407) has been experiencing a loss of revenues since 2007-08, which has contributed to a widening gap between annual revenues from credentials and expenditures for credential activities. The **Test Development and Administration Account** (0408) has also experienced declines in revenues in recent years, but has had healthy balances to cover expenditures.

Continuing revenue declines for CTC's two special funds, with some increased expenditure costs, resulted in a budget shortfall in 2011-12 that was addressed through a \$1.5 million fund transfer from the Teacher Credentials Fund to the Test Development and Administration Account.

The 2012-13 budget included credential fee and exam fee increases, as well as expenditure reductions, to avert another shortfall in the special funds. As a result, the CTC projects positive fund balances for both the special funds. No fund transfers are anticipated in 2012-13.

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ISSUE 2. GOVERNOR'S BUDGET PROPOSALS

DESCRIPTION: The Governor proposes an increase of **\$200,000** in the Teacher Credentials Fund to reflect institution of accreditation fees for new institutional reviews, new educator preparation program reviews, and extraordinary accreditation site visit activities beginning in 2013-14. The Governor also proposes a decrease of **\$26.2 million** in General Fund Proposition 98 funds to reflect the consolidation of two categorical programs -- the Alternative Certification Program and Paraprofessional Teacher Training Program -- into the Governor's proposed Local Control Funding Formula beginning in 2013-14.

PANELISTS: Department of Finance
Legislative Analyst's Office
Commission on Teacher Credentialing

GOVERNOR'S BUDGET SUMMARY:

The Governor's budget proposes **\$19.5** for the total CTC's budget in 2013-14, providing an overall decrease of **\$25.5 million**. This large year-to-year change reflects the Governor proposal to eliminate **\$26.2 million** from the General Fund (Proposition 98) to support two local assistance education programs administered by the CTC – the Alternative Certification Program (\$21.252 million) and the Paraprofessional Teacher Training Program (\$4.939 million). The Governor proposes to roll these funds into the Local Control Funding Formula beginning in 2013-14.

The Alternative Certification and Paraprofessional Teacher Training programs are currently included in the K-12 categorical flexibility program -- authorized through 2014-15 – that allows districts to use these funds for any educational purpose. The CTC does not receive any General Fund support for administration of these programs.

The Governor proposes to continue **\$308,000** in reimbursements from the Department of Education for support of the Teacher Misassignment Monitoring Program in 2013-14.

Summary of Expenditures (Dollars in Thousands)	2012-13	2013-14	\$ Change	% Change
General Fund, Proposition 98	\$26,191	0	-\$26,191	0.0
Teacher Credentials Fund	14,437	15,067	630	2.4
Test Development & Adm. Account	4,146	4,169	23	.1
	--	--	--	--
Reimbursements	308	308	0	0.0
Total	\$45,082	\$19,544	-\$25,538	-97.5
Full -Time Positions	149.1	151.1	2.0	0.1
Authorized Positions	152.4	152.4	0.0	0.0

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The Governor proposes **\$19.2 million** from the two special funds that support the CTC's state operations in 2013-14, reflecting an overall increase of **\$653,000** from 2012-13. Specifically, the Governor proposes funding of **\$15.1 million** from the Teacher Credentials Fund and **\$4.2 million** from the Test Development and Administration Account in 2013-14. The Governor proposes **152.4 authorized positions** for CTC in 2013-14, which reflects no change from 2012-13.

GOVERNOR'S ACCREDITATION FEE PROPOSAL:

The Governor's budget adopts a CTC proposal to institute fees for specified accreditation services beginning in 2013-14 in order to recover some of the costs associated with these services. More specifically, the CTC proposal would assess fees for three categories of accreditation activities:

- ✓ Initial accreditation for new institutions;
- ✓ Review of new educator preparation programs; and
- ✓ Extraordinary accreditation activities for any institutions and programs that do not meet the CTC's standards and therefore require additional visits.

The CTC proposal would assess fees ranging from \$500 to \$3,000 per review. Fees are intended to cover the non-salary, travel costs for new accreditation reviews and extraordinary accreditation activities. The Governor's budget assumes these new fees would generate additional revenue of **\$200,000** in 2013-14.

The Governor proposes trailer bill language to authorize the CTC to assess accreditation fees on teacher preparation programs and institutions. Under the Governor's proposal, the CTC would be required to notify the Legislature and the Department of Finance 30 days prior to establishing or adjusting the fees.

BACKGROUND:

The CTC is responsible for accrediting educator preparation programs and institutions. Currently there are **261 active sponsors of education preparation programs**. All sponsors participate in the CTC's cycle of accreditation activities, which include an on-site visit once during the seven-year cycle. The CTC does not currently levy fees for any accreditation activities.

In 2012-13, the CTC suspended accreditation activities due to budget constraints. The accreditation system was also suspended, from December 2002 through June 2007, due to both declining CTC budgets and because the Commission was developing a revised accreditation system.

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As a result of these suspensions, there is a group of educator preparation institutions that have not hosted a site visit in more than ten years. The CTC believes the lack of on-site visits has allowed some programs to stray from the Commission's standards, as it affects selecting quality instructors and placing intern teachers in appropriate supervised field instruction. As a result, CTC staff is preparing to restart accreditation activities in 2013-14.

2012-13 Budget Actions: The 2012-13 CTC budget included several actions intended to address a projected operating deficit of \$5 million for the agency. Specifically, the 2012-13 budget included the following budget changes:

- **Credentialing Fee Increases.** Teacher credentialing fees were increased by \$15 -- from \$55 to \$70 -- which will generate an estimated **\$3.0 million** in additional revenue for the Teacher Credential Fund in 2012-13.
- **Exam Fee Increases.** Testing fees were increased by five percent in 2012-13, which will generate an estimated **\$500,000** in additional revenue for the Test Development and Administration Account.
- **Staff Reductions and Other Savings.** State operations were reduced by **\$1.5 million** in 2012-13 as a result of: (1) eliminating 13 positions to reflect streamlining the teacher preparation and credentialing processes and (2) achieving operational savings from reduced information technology costs.

The 2012-13 budget act also included provisional language requiring the CTC to examine further efficiencies and identify additional sources of revenues. The CTC developed the accreditation fee option -- currently proposed by the Governor in 2013-14 -- in response to this budget provisional language.

Estimated Fund Conditions for 2013-14. The CTC has provided an updated Fund Condition Summary for each of the two special funds. As displayed below, these summaries reflect updated revenue projections (as of April 15, 2013) and the Governor's proposed accreditation fee increase, which has the effect of increasing fee revenues within the Teacher Credentials Fund by \$200,000 in 2013-14.

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FUND CONDITION
(As of April 15, 2013)
TEACHER CREDENTIALS FUND (TCF)

	2011-12 (Actual)	2012-13 * (Estimated)	2013-14 (Proposed)	2014-15 (Proposed)
Beginning Balance	\$1,820,000	\$588,000	\$1,778,000	\$1,943,000
Revenues	12,066,000	15,258,000	15,299,000	15,299,000
TDAA Transfer	1,500,000	0	0	0
GF Augmentation*	0	-540,000	0	0
Expenditures/ Appropriation	-14,798,000	-14,528,000	-15,134,000	-15,134,000
Ending Balance	<u>\$588,000</u>	<u>\$778,000</u>	<u>\$943,000</u>	<u>\$1,108,000</u>
Reserve %	4.0%	5.4%	6.2%	7.3%

*The General Fund Augmentation authorized by the 2009 -10 Budget Act per Item 6360-011-0407 was not processed by the State Controller's Office (SCO) as of June 30, 2012. As a result, the pending adjustment recorded on the year-end statements reverted \$540,000 to the TCF Fund Reserve. As of February 6, 2013, SCO is working on scheduling this adjustment.

As a result of the fund transfer in 2011-12 and budget actions in 2012-13, the Teacher Credentials Fund (TCF) projects a positive fund balance of \$778,000 in 2012-13. Assuming the \$200,000 in new accreditation fees per the Governor's budget proposal, these fund balances are projected to remain positive at \$943,000 in 2013-14 and \$1,108,000 in 2014-15. However, reserves are low, 6.2 percent and 7.3 percent respectively in 2013-14 and 2014-15.

For the Test Development and Administration Account, the CTC projects both positive fund balances and healthy reserves of \$3,102,000 (74.1 percent) in 2013-14 and \$3,378,000 (80.7 percent) in 2014-15.

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FUND CONDITION
(As of April 15, 2013)
TEST DEVELOPMENT AND ADMINISTRATION ACCOUNT (TDAA)

	2011-12 (Actual)	2012-13* (Estimated)	2013-14 (Proposed)	2014-15 (Proposed)
Beginning Balance	\$6,882,000	\$4,463,000	\$2,825,000	\$3,102,000
Revenues	3,751,000	4,699,000	4,465,000	4,465,000
TCF Transfer	-1,500,000	0	0	0
GF Augmentation		-2,161,000		
Expenditures/ Appropriation	-4,670,000	-4,177,000	-4,188,000	-4,188,000
Ending Balance	<u>\$4,463,000</u>	<u>\$2,825,000</u>	<u>\$3,102,000</u>	<u>\$3,378,000</u>
Reserve %	95.6%	75.0%	78.3%	84.9%

*The General Fund augmentation authorized by the 2009-10 Budget Act per Item 6360-011-0408 was not processed by the State Controller's Office (SCO) as of June 30, 2012. As a result, the pending adjustment recorded on the year-end statements reverted \$2.160 million to the TDAA Fund Reserve. As of March 6, 2013, the SCO is working on scheduling this adjustment.

LAO COMMENTS AND RECOMMENDATIONS.

Does CTC Have Sufficient Resources to Resume Accreditation Activities? Per the LAO, it is unclear whether CTC will have sufficient resources, even if the CTC's new fee option is adopted, to restart accreditation unless the commission reorders its priorities for the 2013-14 budget. To date, CTC has not explicitly identified the activities it would suspend in 2013-14 in order to be able to restart accreditation activities. If CTC lacks the willingness or ability to redirect resources from other activities to accreditation, then the commission would need to take action to suspend accreditation for an additional year.

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Governor's Proposal Assumes CTC Accreditation Process Is Necessary. By proposing that CTC establish accreditation fees, the Governor's proposal assumes that accreditation is an important state service which should resume. Suspending accreditation multiple times over the last decade without significant negative repercussions suggests, however, that accreditation might not be an essential state activity. Moreover, many institutions are accredited not only by CTC but also by Western Association of Schools and Colleges (WASC) and National Council for the Accreditation of Teacher Education (NCATE), suggesting that state accreditation could be redundant in light of the requirements of other regional and national forms of accreditation. Furthermore, in addition to the accreditation process, CTC evaluates teacher quality through the credentialing process. Thus, under the current system, CTC is evaluating both the inputs (accreditation) and the outputs (credentialing) of teacher preparation. For all these reasons, the LAO recommends the Legislature carefully consider whether CTC accreditation needs to be restarted.

Governor's Proposal Assumes Existing Accreditation Process Is Well Designed. The Governor's fee proposal also assumes that the current accreditation system is designed as cost-effectively as possible. The LAO is concerned, however, that the current process remains heavily input-based—requiring a significant amount of CTC staff time to conduct extensive interviews and document reviews. The LAO is also concerned that the existing accreditation process provides little publicly accessible information about the quality of teacher preparation institutions and programs—particularly on key performance measures such as subsequent teacher employment and retention. In addition, the LAO is concerned that the existing accreditation system does not sufficiently target CTC services to those teacher preparation institutions and programs that show signs of poor performance.

If the Legislature were to determine that CTC accreditation is a vital state service, the LAO recommends the Legislature consider various modifications to the state accreditation process to make it more cost effective, including annual reviews of a relatively small set of meaningful performance data and more targeted interaction with poor performers.

Governor's Proposal Helps Address Budget Shortfall . . . If accreditation activities are resumed and the accreditation process is redesigned to be as cost-effective as possible, then the LAO thinks the Governor's proposal to raise fees to cover associated accreditation costs is reasonable. Allowing CTC to raise new revenue through accreditation fees would put CTC in a more viable funding position and help it address its ongoing budget challenges.

. . . But Does Not Cover the Entire Cost. The Governor's proposal, however, does not allow CTC to recover the entire cost of its accreditation activities per the LAO. That is, the proposed fees would cover only travel costs, not the ongoing accreditation activities of CTC staff. The LAO does not see a rationale for raising fees to cover only a portion of the cost. Moreover, in the case of CTC's credentialing and test-related activities, fees are set such that they cover the entire cost

of associated activities. For these reasons, the LAO recommends the Legislature authorize CTC to set fee levels sufficient to cover the entire cost of required accreditation activities.

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ISSUE 2. GOVERNOR'S BUDGET PROPOSALS

STAFF COMMENTS:

- **Fund Conditions Positive; No Fund Transfers Proposed in Short Term.** The Test Development and Administration Account projects positive and healthy, growing balances in 2012-13, 2013-14, and 2014-15. For example, the Test Development and Administration Account is projected to end the 2013-14 and 2014-15 fiscal years with reserves of **78.3 percent** and **84.9 percent** respectively.

The Teacher Credentials Fund projects a positive balance in 2012-13. Assuming an additional \$200,000 in fee revenues from the Governor's accreditation proposal, the Teacher Credentials Fund would end the 2013-14 and 2014-15 years with positive balances. While positive, fund balances in 2013-14 and 2014-15 are small, equating to reserves of **6.2 percent** and **7.3 percent** respectively. However, without the additional \$200,000 in accreditation fees proposed by the Governor, the Teacher Credentials Fund would face a structural imbalance in 2013-14 and 2014-15.

The CTC does not anticipate the need for any fund transfers in 2013-14. The Governor's budget continues annual budget bill language that allows the Department of Finance to authorize a fund transfer from the Test Development and Administration Account due to an operating deficit in the Teacher Credentials Fund. The Department of Finance must notify the Joint Legislative Budget Committee of its intent to authorize the fund transfer.

SUGGESTED QUESTIONS:

1. **Fund Conditions and Budget Outlook.** How do DOF and CTC assess the current special fund conditions? Have structural fund imbalances been achieved? While the funds project positive balances, how prudent are these balances? What do these fund condition statements indicate for the CTC budget in the coming years?
2. **Accreditation Fee Proposal.**
 - a. Why did the CTC suspend accreditation site visit activities in the current year? What is the impact?
 - b. Why were accreditation activities suspended during the 2002 to 2007 period? What is known about the impact of suspension during that period?
 - c. Given recent suspensions, does CTC believe that accreditation is an essential state activity? The LAO questions whether accreditation is an essential activity for the state.

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- d. Does CTC have the resources to resume accreditation site visit activities in the budget year, especially since the \$200,000 in new revenues under the CTC option only covers some travels costs and not the full costs of accreditation. How will CTC restart these activities with only partial funding?
 - e. If accreditation activities are resumed in the budget year, why doesn't the CTC assess fees to cover the full costs of accreditation activities? Did the CTC consider this option?
3. **Impact of Fee Increases.** What impact have current year increases in credential and exam fees had on the CTC's budget? Will additional fee increases be necessary in the near future?
4. **Credential Fee Authority.** Per current law, the Commission has authority to set exam fees, but not credential fees. What is the history for this different authority? Has the CTC ever considered a price inflator for credential fees to reflect annual cost increases for the statutory fees?
5. **Impact of Position Reductions.** What impact has the elimination of 13 positions (\$1.0 million) in the current budget had on the CTC's core functions? How did CTC allocate these reductions?
6. **Future Workload Efficiencies.** Does CTC see potential for future staff and operations savings from workload reductions or efficiencies?
7. **New Discipline Cases from School Districts.**
 - a. How is the Division of Professional Practices handling new discipline cases sent by LAUSD and other districts starting in 2012?
 - b. How many cases were ultimately received from LAUSD? How many cases were received from other school districts?
 - c. How involved were these cases? For example, how many of these cases merited further action – beyond an initial review?
 - d. Does the CTC believe there is ongoing workload associated with these cases, or is this more of a short-term workload issue?

6360 Commission on Teacher Credentialing

ISSUE 2. GOVERNOR'S BUDGET PROPOSALS

STAFF RECOMMENDATIONS: Staff recommends that the Subcommittee take the following actions:

1. Adopt the Governor's trailer bill language to allow the Commission on Teacher Credentialing to charge fees for accrediting teacher preparation institutions and programs.
2. Direct CTC to develop additional options for stabilizing the Teacher Credentials Fund. Require CTC to report back to the Administration and Legislature with these options no later than November 1, 2013.
3. Conform consolidation of \$26.2 million in General Fund Proposition 98 funding for the Alternative Credentialing Program and Paraprofessional Teacher Training Program with action on the Governor's Local Control Funding Formula.

6110 Department of Education

ISSUE 3. CHILD CARE OVERVIEW

PANELISTS: Rachel Ehlers, Legislative Analyst's Office
Parent

ISSUE 4. GOVERNOR'S CHILD CARE PROPOSALS

PANELISTS: Rachel Ehlers, Legislative Analyst's Office
Matthew Saha, Department of Finance
Erin Gabel, Department of Education

Background. The child care and early childhood education programs funded by the State are generally capped programs. This means that funding is not provided for every qualifying family or child, but instead funding is provided for a fixed amount of slots or vouchers. The exception is the CalWORKs child care program (Stages 1 and 2), which are entitlement programs in statute.

In general, Stage 1 child care is provided to families on cash assistance until they are "stabilized". After families are stabilized they are transferred to Stage 2, where they are entitled to child care while on aid and for two additional years after they leave aid. Stage 3 has been for those families that have exhausted their Stage 2 entitlement.

Historically caseload projections have generally been funded for Stages 1, 2, and 3 in their entirety – even though, technically speaking, Stage 3 is not an entitlement or caseload driven program. There has been considerable turmoil in the Stage 3 program since Governor Schwarzenegger first vetoed all of the funding for Stage 3 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. In the current fiscal year the State Assembly has provided \$13.5 million from their administrative budget to ensure all eligible families are covered in the Stage 3 program.

In 2012 funding for the State Preschool program and the General Child Care Programs were consolidated so that all funding for the part-day/part-year state preschool program is now budgeted under the State Preschool, 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.

Also in 2012 the Governor proposed a significant consolidation and realignment of the vast majority of the child care programs to the counties. This reorganization was not approved.

6110 Department of Education

ISSUE 4. GOVERNOR'S CHILD CARE PROPOSALS

Governor's Budget. The Governor's budget proposal includes **\$1.7 billion (\$791 million General Fund)** for all the child care programs (not including part-day part-year state preschool). Funding for each child care program is listed below.

Table 1: Child Care Budget Summary (in Millions)

Child Care	2011-12	2012-13	2013-14	Change from 2012-13	
	Actual	Revised	Proposed	Amount	Percent
CalWORKs Stage 1	\$309	\$390	\$417	\$27	6.92%
CalWORKs Stage 2	442	419	398	-21	-5.01%
CalWORKs Stage 3	152	162	173	11	6.79%
General Child Care	675	465	465	0	0.00%
Alternative Payment	213	174	174	0	0.00%
Other	30	28	27	-1	-3.57%
Total	\$1,821	\$1,638	\$1,654	\$16	0.98%
Funding					
General Fund (non-Proposition 98)	1,059	779	791	12	1.54%
Other State Funds	8	14	0	-14	-100.00%
Federal					
CCDF	533	549	536	-13	-2.37%
TANF	297	372	398	26	6.99%

The funding listed above will support approximately 212,000 slots in the programs as described in the following chart. This is about the same level of slots that were provided in the current year. CalWORKs Stage 1 and Stage 2 are both entitlement programs and the caseload will be updated in the May Revision.

6110 Department of Education

ISSUE 4. GOVERNOR'S CHILD CARE PROPOSALS

Child Care	2011-12	2012-13	2013-14	Change from 2012-13	
	Actual	Revised	Proposed	Amount	Percent
CalWORKs Stage 1	37,838	43,232	45,109	1,877	4.34%
CalWORKs Stage 2	67,547	64,627	59,440	-5,187	-8.03%
CalWORKs Stage 3	26,095	27,231	28,616	1,385	5.09%
General Child Care	72,244	46,816	46,791	-25	-0.05%
Alternative Payment	35,532	28,944	28,930	-14	-0.05%
Migrant	3,000	2,732	2,731	-1	-0.04%
Handicapped	184	168	168	0	0.00%
Total	242,440	213,750	211,785	-1,965	-0.92%

The Governor's budget proposal states that "the current subsidized child care system is fragmented by design". The budget documents also point out that the various programs operate under different rules and administrative structures that suggest potential efficiencies can be gained through closer examination of the system. The Governor's budget indicates that the Department of Social Services will convene stakeholder group meetings to assess the current child care structure and opportunities for streamlining and other improvements.

Also, the Governor's budget indicates that child care may be part of a much larger conversation related to health care reform and the state-based Medicaid expansion. However, no specific changes to the state-local relationship in the funding and delivery of health care were proposed in the January budget.

CalWORKs Caseload Reflect 2012 Program Changes. There were significant policy changes in 2012 related to the CalWORKs program. The Administration's caseload estimate for Stage 1 reflects the projected effects of the state phasing out short-term work exemption policies that curbed caseload rates in recent years. The Stage 2 caseload is expected to decrease due to a large cohort of families projected to "time out" of the CalWORKs program. However, the LAO notes that these projections do not account for midyear "diversion" cases where county welfare agencies can place eligible children back into Stage 2 for up to 24 months when no funded slot is available in Stage 3. Therefore, the Stage 2 projections may currently be understated.

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ISSUE 4. GOVERNOR'S CHILD CARE PROPOSALS

CalWORKs Stage 3 Caseload Boosted by Assembly in Current Year. In the 2012-13 budget deliberations most child care programs were reduced by nine percent across-the-board, including the Stage 3 program, which was reduced by \$14 million. Subsequent to the passage of the budget, the Assembly added \$13.5 million in one-time money from their administrative budget to supplement the funding provided for Stage 3. This action enabled additional families to retain child care slots in the current year and according to the LAO likely increased Stage 3 caseloads for the budget year beyond what the Governor assumed in his January budget. (The bulk of the allocation by the Assembly was made after the Governor's budget was released.) The LAO finds that the Legislature is now faced with either (1) backfilling the one-time funds in the budget year or (2) not backfilling the one-time funds, which could require disenrolling some families in the budget year.

Non-CalWORKs Program Caseload Adjusted Downward Slightly Despite Large Demand. Non-CalWORKs child care programs are capped programs and are not adjusted for caseload. However, historically, the caseload has been adjusted based on projected changes in the overall population of California children under the age of 5. This adjustment is intended to account for potential changes in demand for slots in these programs. In the budget year the population under the age of five is projected to decline very slightly by 0.05 percent and the Governor proposes a commensurate reduction of \$333,000 in non-Proposition 98 funds. While the Governor's population adjustment reflects current law, the LAO finds the underlying assumptions less applicable in the current context of the large unmet need for subsidized child care across the state. Since 2008-09, child care programs have been reduced by \$985 million or over 30 percent and one quarter of the slots have been eliminated over the past five years.

Stakeholder Group Never Convened. The stakeholder group mentioned in the Governor's January budget has never been convened. Staff understands that this stakeholder group was intended to address administrative issues related to the management of the different child care programs and attempt to harmonize some of the differences that exist.

Staff understands that a new stakeholder group is being convened by the Superintendent of Public Instruction to address many issues, including creating cross-program enrollment, making changes to eligibility reporting, consolidating contracts, and many other issues.

Staff finds that the current child care system is fragmented and in some places in the state difficult to navigate from a consumer's perspective. Consolidation of contracts and some programs could greatly improve the overall efficacy in reaching eligible families and connecting them to the program that best meets their needs. Staff finds that the administrative streamlining being suggested as topics for discussion by the workgroup important work that could lead to a less bureaucratic and more effective child care system.

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ISSUE 4. GOVERNOR'S CHILD CARE PROPOSALS

Suggested Question:

1. CDE. Please report on your stakeholder workgroup and planned activities.

Staff Recommendation.

- Hold CalWORKs caseload open pending receipt of May Revision.
- Reject Governor's small reduction to the non-CalWORKs child care programs pending receipt of May Revision and additional adjustments to the growth in the 0-4 population.

6110 Department of Education

ISSUE 5. GOVERNOR'S STATE PRESCHOOL PROGRAM PROPOSAL

DESCRIPTION: The Governor's budget proposes a small adjustment to the State Preschool program in order to reflect projected changes in the overall state population of children under age five in 2013-14. This adjustment results in a minor decrease for the State Preschool program of **\$242,000** in General Fund, Proposition 98 funding and 65 preschool slots in 2013-14. The LAO will present a proposal to utilize Proposition 98 growth to begin restoration of the State Preschool program – similar to the Governor's approach for other Proposition 98 programs beginning in 2013-14.

PANELISTS: Legislative Analyst's Office
Department of Finance
Department of Education

BACKGROUND: The California State Preschool Program provides center-based, early childhood education programs to low-income children, generally ages three and four years. The Department of Education administers the State Preschool Program through direct state contracts with local providers.

Until recently, all funding for this program came from Proposition 98 funds. However, in 2011-12, most all funding for child care and development programs – except some part-day/part-year preschool funding -- was shifted to state General Fund.

In 2012-13, an additional **\$164 million** in part-day/part-year preschool funding that remained in General Child Care Programs was shifted back to Proposition 98 funding. As a result, the 2012-13 provides a total of **\$481 million** in Proposition 98 funding for part-day/part-year preschool programs.

State Preschool Budget Summary

<i>Dollars In Millions</i>	2011-12 Actual	2012-13 Revised	2014-15 Proposed	Change \$	Change %
Expenditures					
State Preschool Program*	\$368	\$481	\$481	--**	--***
Funding Source					
General Fund (Proposition 98)	\$368	\$481	\$481	--**	--***
Preschool Slots	97,741	129,126	129,061	-65	--***

*Reflects change beginning in 2012-13 to provide \$164 million for preschool slots within part-day State Preschool program rather than within General Child Care program.

** Reflects a reduction of less than \$1 million.

*** Reflects a reduction of 0.05 percent.

6110 Department of Education

ISSUE 5. GOVERNOR'S STATE PRESCHOOL PROGRAM PROPOSAL

GOVERNOR'S BUDGET PROPOSAL – PRESCHOOL POPULATION ADJUSTMENT:

The Governor's budget proposes to adjust funding for the State Preschool program in order to reflect projected changes in the overall state population of children under age five in 2013-14. This adjustment results in a minor decrease for the State Preschool program of **\$242,000** in General Fund, Proposition 98 funding in 2013-14. The Administration projects this funding reduction will result in a decrease of roughly 65 slots in the State Preschool program.

The Governor's adjustments for child care and preschool programs reflect statutory provisions and the Administration's caseload estimates. For 2013-14, the Administration projects the state's population of children under age five will decline very slightly—by 0.05 percent.

LAO Comments.

- **Background on Annual Statutory Adjustments.** According to the LAO, the state does typically make annual adjustments to existing funding levels for the State Preschool and non-CalWORKs child care programs based on projected changes in the overall population of California children under age five. These adjustments are intended to account for potential changes in demand for slots in these programs.
- The LAO further notes that in contrast to CalWORKs child care programs, which the state traditionally funds based on projections of total eligible caseload, the state typically does not provide sufficient funding to accommodate all eligible participants in the State Preschool program or other non-CalWORKs child care programs (General Child Care, Alternative Payment, and migrant child care). As such, waiting lists exist for these programs.
- **Questionable Rationale for Decreasing Funding State Preschool Programs.** The Governor's proposed minor population reductions for State Preschool programs reflect current law. The underlying assumption behind the adjustments, however, seems less applicable in the context of the large unmet need for preschool across the state. Given the thousands of children on waiting lists for slots in these programs, a slightly declining child population likely will not noticeably decrease demand for existing slots. The LAO similarly questions the Governor's rationale for decreasing non-CalWORKs child care programs to reflect current law population adjustments given significant reductions in child care programs since 2008-09.

6110 Department of Education

ISSUE 5. GOVERNOR'S STATE PRESCHOOL PROGRAM PROPOSAL

LAO Recommendation.

- **Reject Small Proposed Reductions for State Preschool Programs.** Given existing waiting lists, the LAO recommends rejecting the Governor's proposal to reduce funding for State Preschool programs by \$242,000 in 2013-14. (As indicated in the previous item, the LAO similarly recommends rejecting the Governor's proposal to reduce funding for non-CalWORKs child care by \$330,000 in 2013-14.)

LAO PROPOSAL -- PRESCHOOL RESTORATION

Background: The State Preschool program has experienced significant reductions in recent years, due to the state budget shortfalls. Reductions for the part-day/part-year program are estimated at about \$120 million since 2008-09.

While the Governor proposes to begin restorations to other Proposition 98 programs in 2013-14, the Governor does not apply any Proposition 98 increases to the State Preschool program.

Per the LAO, the Governor's proposed approach for funding the State Preschool program mirrors that for the non-CalWORKs child care programs. However, since the State Preschool program is funded with Proposition 98 monies, the LAO believes the Legislature has an opportunity to consider adopting a different approach without putting additional pressure on the state General Fund. This is because the Proposition 98 minimum guarantee is projected to increase by \$2.7 billion in 2013-14.

The Governor proposes to use these additional Proposition 98 funds to augment funding levels and provide COLAs for most K-12 and community college programs. More specifically, under the Governor's Local Control Funding Formula proposal, most K-12 programs would be merged into a new funding formula, and COLAs and increases would be applied to the new formula.

The State Preschool program is one of the few Proposition 98-funded programs the Governor does not propose to increase in 2013-14, despite the fact that it has experienced larger funding reductions than most other Proposition 98-funded programs in recent years.

The LAO notes that while the state did provide funding for a new Transitional Kindergarten program for four-year olds beginning in 2012-13, this program was not designed to accommodate children displaced by reductions to the State Preschool program. Specifically, Transitional Kindergarten is not targeted for children from low-income families and will ultimately serve only children born between September and December who previously would have been eligible for traditional kindergarten.

6110 Department of Education

ISSUE 5. GOVERNOR'S STATE PRESCHOOL PROGRAM PROPOSAL

LAO Recommendation:

- **For State Preschool Program, Use Portion of Proposition 98 Growth to Fund Additional Slots.** The LAO recommends the Legislature allocate a share of the projected increase in the Proposition 98 minimum guarantee to fund additional preschool slots.

The State Preschool program experienced disproportionately large funding reductions in recent years compared to other Proposition 98 programs. In addition, increasing funding would treat preschool comparably to other Proposition 98 programs, most of which the Governor proposes to increase.

Assuming the Legislature ultimately adopts the same Proposition 98 spending level as the Governor, spending more on preschool would require spending less on other Proposition 98 activities compared to the Governor's proposals.

Given the Proposition 98 minimum guarantee likely will change at the May Revision, the LAO recommends that the Legislature wait to determine how much additional preschool funding to provide within the context of its overall Proposition 98 package.

Staff Comments: According to the Department of Education, the part-day/part-year preschool program has lost an estimated ~~\$171.2~~ \$120 million in program cuts that began after 2009-10.

DOF APRIL LETTER REQUESTS

Budget Bill Language Adjustments

1. State Preschool Program – Require the Department to Update the State Preschool Program Contract (Issue 924).

Requests that provisional language be added to this item as follows to require the CDE to update the contractor funding terms and conditions to accurately reflect statute governing the California State Preschool Program. Currently, the contract fails to provide a clear distinction between the State Preschool Program and wraparound child care services.

X. The State Department of Education shall submit the California State Preschool Program funding terms and conditions and program requirements update prior to the issuance of the State Preschool Program contracts or the disbursement of funds in 2013-14. The Department of Finance will review and approve the funding terms and conditions prior to issuance of these contracts or disbursement of funds.

6110 Department of Education

ISSUE 5. GOVERNOR'S STATE PRESCHOOL PROGRAM PROPOSAL

Staff Comments: The 2012-13 budget shifted \$164 million in part-day/part-year State Preschool program appropriations back into General Fund, Proposition 98 funding. The Department of Finance wants to provide assurances that all such funding is used for the purpose of part-day/part-year State Preschool services.

Budget Trailer Bill Adjustments.

2. Trailer Bill Language -- Require the Department of Education to Report State Preschool Fee Data.

Requests that trailer bill language be adopted to require the California Department of Education to report the fees collected from families who have enrolled children in the State Preschool Program.

The Budget Act of 2012 required the CDE to collect fees from families who enrolled their children in state preschool. However, while the fees are being collected, the CDE does not isolate and cannot accurately report the amount of fees collected for this program. As a result, the Governor proposes the following language:

Section 8239 of the Education Code is amended to add subdivision (f) as follows:

“8239. The Superintendent shall encourage state preschool program applicants or contracting agencies to offer full-day services through a combination of part-day preschool slots and wraparound general child care and development programs. In order to facilitate a full-day of services, all of the following shall apply:

(a) Part-day preschool programs provided pursuant to this section shall operate between 175 and 180 days.

(b) Wraparound general child care and development programs provided pursuant to this section may operate a minimum of 246 days per year unless the child development contract specified a lower minimum days of operation. Part-day general child care and development programs may operate a full-day for the remainder of the year after the completion of the preschool program.

(c) Part-day preschool services combined with wraparound child care services shall be reimbursed at no more than the full-day standard reimbursement rate for general child care programs with adjustment factors, pursuant to Section 8265 and as determined in the annual Budget Act.

(d) Three- and four-year-old children are eligible for wraparound child care services to supplement the part-day California state preschool program if the family meets at least one of the criteria specified in paragraph (1) of subdivision (a) of Section 8263, and the parents meet at least one of the criteria specified in paragraph (2) of subdivision (a) of Section 8263.

6110 Department of Education

ISSUE 5. GOVERNOR'S STATE PRESCHOOL PROGRAM PROPOSAL

(e) Fees shall be assessed and collected for families with children in part-day preschool programs, or families receiving wraparound child care services, or both, pursuant to subdivisions (g) and (h) of Section 8263.

(f) The Superintendent shall report the fees collected from families who have enrolled children in the California state preschool program to the Department of Finance. The report shall distinguish between fees exclusively collected for part-day preschool programs and fees exclusively collected for wrap-around child care services. The report shall be provided annually by October 1.

~~(f)~~(g) For purposes of this section, "wraparound child care services" and "wraparound general child care and development programs" mean services provided for the remaining portion of the day or remainder of the year following the completion of part-day preschool services that are necessary to meet the child care needs of parents eligible pursuant to subdivision (a) of Section 8263. These services shall be provided consistent with the general child care and development programs provided pursuant to Article 8 (commencing with Section 8240).

Staff Comments: The 2012-13 budget authorized family fees for the part-day/part-year State Preschool program. Trailer bill language adopted in 2012-13 requires fees to be assessed and collected for families with children in part-day/part-year preschool programs. Under previous law, fees were only authorized for families with children in full-day or "wraparound" care.

STAFF RECOMMENDATIONS:

Staff recommends that the Subcommittee take the following actions:

1. Hold open DOF April Letter (Issue 924) to add provisional language regarding CDE child care contracts. This language may not be needed since activities are currently underway to address this issue in the current fiscal year.
2. Approve DOF April Letter proposal to add trailer bill to require CDE to report data on preschool fees.
3. Reject Governor's small reduction to the State Preschool Program to reflect statewide population estimates, thereby restoring \$245,000 in General Fund (Proposition 98) to hold the State Preschool Program at current-year levels.

Staff further recommends that the Subcommittee:

- At May Revise, begin a process of restoring about ~~\$171.2~~ \$120 million in Proposition 98 funding for the State Preschool (part-day/part-year) program that has been eliminated since 2008-09. As recommended by the LAO, the Subcommittee could phase in restorations over the a multi-year year period, thereby conforming to the Governor's approach for restoring reductions for some K-12 programs included in the Local Control Funding Formula.

6110 Department of Education

ISSUE 6. CHILD CARE – FEDERAL FUNDS
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Background. The federal Child Care and Development Fund (CCDF) is the main child development block grant provided to states by the federal government for the support of child care services to families who meet certain income and need criteria. The federal government requires that at least four percent of the block grant be used for activities to improve the quality of child care. Another portion – not to exceed five percent of the block grant amount – is used to pay for costs of administering CCDF. The State is required to submit a plan every two years detailing how the quality improvement funds will be allocated and expended. The California Department of Education (CDE) last submitted a plan to the federal government in May of 2011. This plan covers the period October 1, 2011 through September 30, 2013. The CDE has prepared a new two-year plan that will be submitted to the federal government and guide expenditures for a two-year period starting October 1, 2013.

There are several major categories of funding for the quality improvement projects under the current plan and the proposed plan. Each of the categories is supported by multiple projects and grants. The major categories are as follows:

- Support for the Resource and Referral Network and Agencies.
- Support for the Local Child Care and Development Planning Councils.
- License Enforcement for Child Care Programs.
- Training and Professional Development for Early Child Care Professionals.
- Grants, stipends, and other financial incentives to encourage professional development and licensure.
- Early childhood education curriculum development.

In addition to the CCDF, the State applied and received a \$53 million Race to the Top (RTT) Early Learning Challenge Grant in 2012. The grant will be used to develop locally-based quality rating systems for child care and development programs. This grant will be expended over four years. The Legislature requested regular reporting on the expenditure of this grant with the first report due to the Legislature on March 1, 2013.

Governor's Budget. The Governor's budget includes \$70.3 million in CCDF to support quality activities in the budget year. This is more than the four percent required by the federal government.

April Finance Letter - CCDF. The Governor has submitted a technical April Finance letter to request that Item 6110-194-0890 be increased by **\$1,587,000** to reflect the availability of one-time federal CCDF carryover funds to improve the quality of child care.

6110 Department of Education

ISSUE 6. CHILD CARE – FEDERAL FUNDS
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April Finance Letter - RTT. The Governor has submitted technical adjustments to state support and local assistance related to the RTT Early Learning Challenge (ELC) Grant. Specifically the April Letter requests that Item 6110-001-0890 be increased by **\$3,875,000** and Item 6110-200-0890 be decreased by **\$209,000** to more accurately reflect actual and projected expenditures for the federal RTT-ELC. This is necessary because without updating the budget of the grant, there is potential for further programmatic delays. It is further requested that Item 6110-001-0001 and 6110-200-0890 be amended to conform to this action.

Sequestration. The federal government and the debate in the US Congress over sequestration continue to pose an uncertainty relating to the CCDF. The CDE reports that the most recent information from the federal government suggests that the state could receive \$6 million fewer dollars in the current state fiscal year and \$15.8 million fewer in the state budget year. The CDE indicates that it regularly has at least \$6 million in unspent contracts that would revert and could be used to make up the difference in the current fiscal year. However, for the budget year, the Subcommittee may want to consider an adjustment in the budget year to ensure that there is not a built in deficiency budgeted for the 2013-14 fiscal year.

More than 4 Percent Provided for Quality. Staff finds that the Governor's budget proposal would provide more than four percent of the CCDF for quality projects. The Legislature may wish to consider reducing the quality projects, especially if the CCDF is reduced in order to prioritize funding for child care slots. The amount over the required four percent is around \$5 million and \$6.5 million if one-time funds are also included.

New CCDF Quality Plan Has New Goals, but Planned Activities Largely Unchanged. Staff finds that the CDE has updated the CCDF quality goals from its last submission and the goals are generally more outcome oriented. The federal government is now requiring that performance outcomes be tracked for the investments made with the quality dollars. This is a change from current practice. While staff finds that some work has been done by CDE to update the quality goals, very little work has been done to change the mix of activities being funded with the quality dollars. It remains difficult to map all of the activities that the CDE proposes to fund to the new goals.

6110 Department of Education

ISSUE 6. CHILD CARE – FEDERAL FUNDS
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Report to the Legislature on the RTT Grant Past Due. Staff finds that the first report to the Legislature on the implementation of the RTT Early Learning Challenge Grant has not been submitted. This report was due to the Legislature on March 1. Given the significant size of this grant from the federal government (\$53 million) the Legislature was interested in regular status reports of work being performed on this grant last year when it was approved through the budget process. The CDE has indicated that the federal government has recently announced an additional allocation will be made to our RTT Early Learning Challenge Grant application.

Questions:

- **CDE/DOF.** The budget has not been adjusted to account for sequestration. Are there plans to update this at May Revision?
- **CDE/DOF -** Why is more than four percent being provided for quality projects?
- **CDE.** Goals have been updated for the CCDF quality plan. Why have the activities that support this plan remained unchanged?

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Approve technical April Finance Letter on the Child Care Development Block Grant.
- Hold open April Finance Letter adjustment in the Race to the Top Early Learning Challenge Grant - pending receipt of report and additional explanation for the adjustment.

6110 Department of Education

ISSUE 7. DOF APRIL LETTER: VARIOUS K-12 STATE OPERATIONS AND LOCAL ASSISTANCE ADJUSTMENTS (Vote Only)

DESCRIPTION: The Governor proposes the following adjustments to various K-12 state operations (support) and local assistance budget items for the Department of Education in 2013-14. As proposed by the Department of Finance (DOF) April Letter, these adjustments either update federal budget appropriations so they match the latest estimates, or make other corrections to the budget. These adjustments are considered technical – given they are consistent with current programs. There is no known opposition to these adjustments.

Federal Funds Adjustments

1. Public Charter Schools Grant Program (PCSGP) – State Operations - Technical Adjustment to Add Carryover Funds (Issue 437).

Requests that Item 6110-001-0890 be increased by \$825,000 and that Item 6110-001-0001 be amended to reflect the availability of one-time carryover funds for the PCSGP. The PCSGP provides competitive grant awards of up to \$575,000 to newly-approved charter schools for planning and initial implementation. As part of the 2010 federal grant application, the California Department of Education (CDE) agreed to contract for an independent evaluation to measure the effectiveness of the PCSGP and to increase charter school technical assistance. These activities were previously funded by the Budget Acts of 2011 and 2012. However, due to concerns stemming from a reduction in the federal grant award and a change in the CDE contracting process, the CDE was unable to enter into contracts and fulfill its commitments. This request will allow the CDE to fulfill its stated activities from the 2010 federal grant application.

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

X. Of the funds appropriated in this item, \$825,000 is available on a one-time basis for the State Department of Education to contract for the independent evaluation of the Public Charter Schools Grant Program and for the development of charter school technical assistance contracts.

6110 Department of Education

ISSUE 7. DOF APRIL LETTER: VARIOUS K-12 STATE OPERATIONS AND LOCAL ASSISTANCE ADJUSTMENTS (Vote Only)

2. Special Education Compliance Monitoring – Local Assistance - Technical Adjustment to Update Provisional Language (Issue 773).

Requests that that Provision 4 of Item 6110-161-0890 be amended as follows to reflect current federal terminology. With the reauthorization of the federal Individuals with Disabilities Education Act and the development of the State Performance Plan and Annual Performance Report indicators, reference to “key performance indicators” is obsolete.

“4. Of the funds appropriated in this item, \$1,420,000 is available for local assistance grants to monitor local educational agency compliance with state and federal laws and regulations governing special education. This funding level is to be used to continue the facilitated reviews and, to the extent consistent with ~~key performance indicators~~ State Performance Plan/Annual Performance Report indicators developed by the State Department of Education, these activities shall focus on local educational agencies identified by the United States Department of Education's Office of Special Education Programs.”

General Fund and Other Adjustments

3. State Support Programs - State Operations – Technical Adjustment to Shift Funding between Budget Schedules (Issue 436).

Requests that Schedule (2) of Item 6110-001-0001 be decreased by \$959,000 and that Schedule (3) of Item 6110-001-0001 be increased by \$959,000 to accurately reflect program funding. This technical adjustment would address a discrepancy that largely resulted from removing current year one-time funding from the incorrect schedule/program when preparing the Governor’s Budget. This adjustment would have no effect on the total amount budgeted in the item.

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ISSUE 7. DOF APRIL LETTER: VARIOUS K-12 STATE OPERATIONS AND LOCAL ASSISTANCE ADJUSTMENTS (Vote Only)
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4. Career Technical Education (CTE) Program – Local Assistance - Technical Adjustment to Add Carryover Funds (Issue 241).

Requests that Item 6110-170-0001 be amended by increasing reimbursements by \$503,000 ~~\$491,000~~ to reflect one-time reimbursement carryover funds for the CTE Program. Specifically, the funds would be used to conduct additional University of California Curriculum Integration Institutes, develop a professional development component in conjunction with the California Subject Matter Projects, and expand delivery of the New Teacher Workshops and Leadership Development Institute.

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

X. Of the funds appropriated in this item, \$503,000 ~~\$491,000~~ reflects one-time reimbursement carryover funds to support the existing program.

STAFF RECOMMENDATION (VOTE ONLY): Staff recommends approval of all of DOF April Letter issues listed above (Items #1-4). No issues have been raised for any of these items.