

SUBCOMMITTEE NO. 1

Agenda

Senator Anthony J. Portantino, Chair
Senator Hannah-Beth Jackson
Senator John M. W. Moorlach



Thursday, May 10, 2018
9:30 a.m. or upon adjournment of session
State Capitol - Room 3191

Consultants: Anita Lee and Elisa Wynne

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VARIOUS DEPARTMENTS

Issue 1: Additional Budget Requests

1A. Visual and Performing Arts

Budget Request: Appropriate \$50 million in one-time Proposition 98 funding for a competitive grant program for school districts to provide visual and performing arts instruction. Special consideration would be given to socio-economically disadvantaged school districts with limited access to visual and performing arts education, and also to school districts with a demonstrated commitment to visual and performing arts education seeking a match to local funds. Additional consideration would be given to plans for funding to be used for high-quality curriculum and instruction aligned with the state's visual and performing arts content standards, offer professional learning for teachers, and utilization of community cultural and linguistic resources, among other criteria.

1B. Promise Program

Budget Request: Appropriate \$20 million for the continued operation of existing Promise Neighborhoods located in Los Angeles, San Francisco, Chula Vista, Hayward, and Corning. Under the Promise Neighborhood program, a lead non-profit agency is selected to coordinate services that include nutrition, health care, education, and employment support. Federal funding for these programs was previously provided under limited-term implementation grants, but has since expired.

1C. Summer Bridge Program

Budget Request: Appropriate up to \$200 million to fund a pilot program under which classified employees at pilot school districts would be able to opt-in to a program to contribute a portion of their earnings to a local fund, the Classified School Employees Summer Furlough Fund. A pilot school district would provide the retained earnings along with matching funds from the state grant to participating employees during months in which the employees do not receive a salary.

1D. Afterschool Education and Safety (ASES) program

Budget Request: Appropriate \$76.3 million ongoing Proposition 98 funding to raise the ASES daily rate to an average of \$9.25 per student and keep pace with increases in the state minimum wage and cost of living. In the 2017 Budget Act, an increase of \$50 million in ongoing Proposition 98 funding was provided for ASES to raise the daily rate from \$7.50 to \$8.19.

1E. Early Childhood Nutrition

Budget Request: Appropriate \$16.7 million ongoing funding (\$1 million Proposition 98 and \$15.7 million General Fund) to restore the Child and Adult Care Food Program to child care settings and to increase reimbursement rates for meals in child care settings under a K-12 school authority.

1F. Mental Health Partnerships

Budget Request: Add trailer bill language that would require the Mental Health Services Oversight and Accountability Commission, in consultation with the Department of Education and the Department of Health Care Services, to develop guidelines for the use of Prop 63 triage funds available for youth-centric mental health services for county innovative programs and prevention and early intervention programs to enter into and support partnerships between schools and mental health plans.

1G. Healthy Start

Budget Request: Appropriate up to \$20 million to reestablish the Healthy Start Initiative to coordinate comprehensive, school-community integrated services and activities to improve the health and wellness of youth, and families. The Department of Education would manage a grant program to provide two-year grants of up to \$250,000 for up to 25 LEAs. Funds would also be used to support staffing at the Department of Education and the Department of Managed Health Care to support the grant program, provide technical assistance, and provide for an evaluation.

1H. Distinguished After School Health Recognition Program

Budget Request: Appropriate \$60,000 in General Fund for Department of Education workload to continue the Distinguished After School Health Recognition Program (DASH) which recognizes existing after-school programs that are promoting good eating and exercise habits.

1I. California Grown Fresh School Meals

Budget Request: Appropriate \$1 million in Proposition 98 funding to extend the California Grown Fresh School Meals grant program established through the 2017 Budget Act to provide funding to school districts to increase California grown fresh fruits and vegetables and onsite preparation of school meals. Grantees may use funds to purchase California-grown foods, purchase equipment necessary to provide school meals to students, provide nutrition education to students, and provide professional development for relevant food service employees regarding the implementation of fresh and healthy school meals.

1J. Skirball Cultural Center

Budget Request: Appropriate \$1 million to fund educational activities at the Skirball Cultural Center in Los Angeles. The Skirball Cultural Center provides bus transportation to public schools in need, waives admission fees for schools unable to cover the costs, and provides free passes for students to return with their families. In addition, the center provides teacher professional development and partners with community organizations.

1K. Clean Drinking Water

Budget Request: Appropriate \$10 million for the State Water Resource Control Board's Drinking Water for Schools Grant Program. This program supports school districts in removing lead and other harmful contaminants from school drinking water. This funding would build upon resources provided in the 2016 Budget Act (\$9.5 million for school grants, and \$500,000 for technical assistance).

1L. Brawley Union High School District Brawley Armory

Budget Request: Appropriate approximately \$420,000 for the Brawley Union High School District to purchase the Brawley Armory property, with a district match of \$200,000. This facility would be used for community activities, athletic purposes, and expanding alternative education programs.

1M. Sweetwater Union High School District Swimming Pool

Budget Request: Appropriate \$2 million for the Sweetwater Union High School District to construct a new swimming pool at the Mar Vista High School. These funds would match \$12 million raised locally by the high school district and the City of Imperial Beach. The swimming pool facility would replace a current aging swimming pool that is shared by five high school campuses and residents of surrounding communities.

1N. Sexual Health Education

Budget Request: Appropriate \$600,000 General Fund to the CDE to support two positions and workload related to school-based comprehensive sexual health education. Funding for these positions and efforts is provided by a federal grant from the Centers for Disease Control and Prevention (CDC), however CDE was recently notified that federal funding was ending effective July 31, 2018. The two positions are a Comprehensive Sexual Health Education Consultant who provides education and technical assistance and a School-Based Health Education Surveillance Consultant who provides monitoring of health behaviors and monitoring of health education. In addition, other activities include the development of resources related to sexual health and LGBTQ supports, collaboration with other health and education related agencies and initiatives, data collection, and monitoring.

1O. California State Pathways in Technology (P-TECH) Program

Budget Request: Establish the California State Pathways in Technology (P-TECH) Program as a public-private partnership for purposes of preparing California students for high-skill jobs of the future in technology, manufacturing, health care, and finance. Currently, Senate Bill 1243 (Portantino) does not include an appropriation or specify funding parameters such as the maximum grant size or the number of projects to be funded. To the extent that state funding is provided for purposes of P-Tech, the Chancellor's Office anticipates up to \$75,000 General Fund ongoing to fund one half-time position necessary to implement a competitive grant program and to provide ongoing technical assistance.

1P. Undocumented and Immigrant Legal Services

Budget Request: Appropriate \$2 million General Fund for UC, \$5 million for CSU, and \$10 million Proposition 98 General Fund for CCC ongoing to provide undocumented and immigrant legal services for students.

1Q. Community College Reentry Programs for Formerly Incarcerated

Budget Request: Appropriate \$5 million one-time to create a competitive grant program for colleges to establish programs to support formerly incarcerated individuals, and require a dollar-for-dollar matching grant of at least \$50,000. Funding would provide staff resources, direct access to community

college courses, and services for this population. The proposal would direct the Chancellor's Office to develop metrics to evaluate the programs, and report findings to the Legislature by July 31, 2022.

1R. California Institute for Aerospace at Antelope Valley College

Budget Request: Appropriate \$1 million General Fund to support coordinator and staff assistant positions at Antelope Valley College. Positions would direct, oversee and support the California Institute for Aerospace in Southern California's Antelope Valley. Senate Bill 1356 (Wilk), currently on Senate Appropriation suspense file, appropriates up to \$500,000 Proposition 98 General Fund to Antelope Valley College to match private contributions. At this point, an Aerospace Institute does not exist at the Antelope Valley College.

1S. Cal Grants for Foster Youth

Budget Request: Appropriate \$4.8 million pursuant to provisions in Senate Bill 940 (Beall), which expands eligibility for the Cal Grant B Entitlement award for students who are current or former foster youth by extending the window of time in which they can qualify for an award to up to age 26 and increasing the amount of time that they can receive an award from four years to up to eight years. This bill also authorizes a student who is a current or former foster youth to receive a Cal Grant B award in the amount equivalent to the award level for up to an eight year period of full-time attendance (current law allows a total of four years) in an undergraduate program provided that minimum financial need continues to exist. SB 940 is currently on the Senate Appropriation Committee's suspense file.

1T. Campus Climate Training

Budget Request: Appropriate \$1 million one-time to fund a two-year pilot program administered by a qualified entity to conduct programming and training at the University of California and California State University to conduct five regional trainings and six in-depth trainings for campus leaders on action plans, appropriate reporting mechanisms and programs to respond to and prevent hate, bias and bigotry. Funds will pay for program manager, team of facilitators and train-the-trainer program.

1U. University of California, San Francisco: Center for Cancer and Aging

Budget Request: Appropriate \$50 million one-time to create the Research Center for Cancer and Aging at the University of California, San Francisco - California Institute for Quantitative Biosciences.

1V. The Mervyn Dymally Institute

Budget Request: Appropriate \$665,000 General Fund ongoing to the Mervyn Dymally Institute, which is currently held at the California State University, Dominguez Hills. The proposal would fund (1) personnel (\$90,000), (2) faculty fellows program (\$230,000), (3) student fellowship program (\$80,000), (4) institute programming and outreach (\$175,000); (5) national events (\$50,000); and (5) equipment, operating and professional expenses (\$40,000). The institute is a non-partisan public policy center, which was the brainchild of Assemblymember Mervyn M. Dymally. The institute also offers a youth leadership training program, and post-doctoral research fellowship. The Budget Act of 2015 included \$250,000 of ongoing funds for the institute.

1W. Lunch at the Library

Budget Request: Appropriate \$1 million ongoing to expand the number of libraries participating in the federal United States Department of Agriculture (USDA) summer nutrition program. This program enables school districts and other eligible community-based organizations to alleviate the summer nutrition gap by offering free, healthy meals to children in youth in low-income neighborhoods. The Lunch at the Library program provides funds for libraries to deliver learning and enrichment programs along with the USDA meal service; training and support for library staff; project evaluation to ensure that the funds are used responsibly and have impact; teen internship opportunities that help teens develop workforce readiness and social emotional skills as they volunteer at Lunch sites; pop up libraries at community-based meal sites with no programming; targeted outreach to bring on board under-resourced libraries with a community need for a meal program; and will increase the number of meals served in California which improves California's federal USDA reimbursement opportunities. There are currently 160 Lunch at the Library sites, this proposal would add up to 30 additional sites.

1X. University of California Riverside (UCR) School of Medicine: Mental and Behavioral Health Care for Riverside County
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Budget Request: Appropriate \$37.8 million over five years as follows:

- \$24.5 million to provide additional telemedicine and mobile clinic mental health services and equipment for UCR providers
- \$1.77 million to provide two scholarships each year to cover mandatory university fees (\$175,000) with a commitment of practicing medicine in general psychiatry in Riverside county; and two stipends each year (\$5,000) for fourth year medical students doing research rotations in psychiatry and summer externships.
- \$11.5 million to create an accelerated education psychiatry program – this program would allow medical students interested in mental and behavioral health to complete medical school in three years, and enter into the psychiatry residency program one year earlier. This would fund space and clinic renovations, fellows, and program staff.

Staff Recommendation: Hold Open

6100 DEPARTMENT OF EDUCATION**Issue 2: K-12 School Facilities****Panel:**

- Jennifer Kuhn, Legislative Analyst's Office
- Cheryl Ide, Department of Finance
- Lisa Silverman, Office of Public School Construction
- Debra Brown, Department of Education

Background:

The State Facilities Program was created in 1998 for the purpose of allowing the state and school districts to share the costs of building new school facilities and modernizing existing facilities. Between 1998 and 2006 there were four voter-approved bonds for the school facilities program (totaling \$35.4 billion) which funded the program through 2012.

Key Components of School Facilities Program

- ***New Construction Eligibility Based on Enrollment Projections.*** Districts submit specific new construction projects for approval and receive a grant based on their number of current and projected unhoused students. The state awards funding on a first-come, first-served basis. The state and school districts share project costs on a 50–50 basis. Districts are required to submit progress reports, expenditure reports, and project information worksheets. Districts that receive grants also are required to set aside three percent of their annual budget for routine maintenance.
- ***Modernization Eligibility Based on Age of Building.*** Districts submit specific modernization projects for approval and receive a grant based on the number of students housed in buildings that are at least 25 years old. The state awards funding on a first-come, first-served basis. The state and school districts share costs on a 60–40 basis. Districts are required to submit progress reports and expenditure reports. Districts that receive grants also are required to set aside three percent of their annual budget for routine maintenance.
- ***Financial Hardship Program Targeted to School Districts With Inadequate Local Resources.*** The state covers part or all of project costs for districts unable to meet the local match requirement for new construction and modernization projects. Districts have to levy the maximum developer fee allowed (typically 50 percent of project costs), demonstrate local effort (typically through placing a bond measure on the ballot), and certify they are unable to contribute the full match.
- ***Several Categorical Programs Targeted to Specific State Priorities.*** The four state bond measures enacted since 1998 have authorized various categorical facility programs. These have included programs for reducing class sizes; alleviating overcrowding; building and renovating charter schools; integrating career technical education into high schools; mitigating seismic safety issues; and promoting projects with “high performance attributes” such as energy efficiency, enhanced natural lighting, and use of recycled materials.

In 2016, voters passed Proposition 51, which authorized the state to sell \$7 billion in general obligation bonds to fund the existing school facilities program (the bond total was \$9 billion, with \$2 billion designated for community colleges facilities.) Of this total, \$3 billion is for new construction projects, \$3 billion is for modernization projects, and the remaining \$1 billion is split between charter school and career technical education projects. After bond funds are approved by the voters, the State Treasurer sells the bonds and the state repays the general obligation bonds using General Fund dollars. The state generally times the sale of bonds to coincide with the amount of shovel-ready projects to avoid paying interest on funds that are not immediately used.

LEAs have other options for financing school facilities related projects, the most common of which are local general obligation bonds, which can be passed with 55 percent of voter approval and are repaid by increasing local property tax rates. LEAs can also levy developer fees that may cover up to a portion of the cost to build a new school, or use other local funding sources.

Project Funding and Accountability.

The process for an LEA to apply for funding through the school facilities program is complex and involves multiple state agencies. LEAs building new schools must work with CDE on selecting an appropriate site. LEAs who are building new schools or modernizing old schools must also have their plans approved by the Division of the State Architect (DSA) to ensure they are field act compliant and meet all other required standards. These steps must be done whether or not a LEA is applying for state funding. With approved plans, a LEA can apply to the Office of Public School Construction (OPSC) who will calculate the LEA's eligibility and check approvals, including certifying local matching funds are available and the project is shovel ready, before moving the project to the State Allocation Board (SAB) for approval and a release of cash.

Prior to funds released in 2017-18 there were approximately \$370 million in unfunded projects (had already been through the approval process and were waiting for state financing) at the SAB. In addition, there were over \$2 billion worth of projects that were on an acknowledged list (had not gone through the approval process with OPSC). This backlog accumulated as funding from prior bond sales was exhausted in 2012.

The 2017-18 budget agreement included \$594 million in Proposition 51 bond funds, less than 10 percent of Proposition 51 bond funding, for K-12 projects and \$61 million in prior year bond funding. In the meantime, the acknowledged list (includes both modernization and new construction) has grown to \$3.6 billion (as of March 31, 2018). The current pace of submittals to the list is over \$100 million per month.

As workload at OPSC reduced when bond funding was exhausted, the state reduced staffing at the OPSC. OPSC historically has averaged around 130 staff, and today is at a low point of approximately 52 staff. OPSC staffing has not been increased since the new bond was authorized. Of the current staff, the LAO estimates that approximately seven OPSC employees were used to process facilities applications in the current year, and OPSC notes they will redirect 3 positions, for a total of 10 positions processing applications in 2018-19. The remainder of the positions are working on facility appeals, conducting outreach activities, and completing other work.

Governor's Proposal:

The 2018-19 Governor's budget includes \$640 billion in bond authority (\$594 million from Proposition 51 and \$59 million in prior years unused bond funding). The Governor's budget summary notes that this is based upon OPSC's processing of applications and the State Allocation Board's approval of these projects.

Legislative Analyst's Office Analysis:

The Legislative Analyst's Office (LAO) recently released an analysis of the Governor's proposals for facilities funding. The LAO notes that at the pace the Governor is currently proposing to sell bonds, Proposition 51 funds would be spread across a ten year period.

The LAO notes that OPSC dedicates a relatively small share of staff to processing applications (between 13 and 19 percent) and seems to be processing at a slow rate (1.4 applications per full-time employee per month). The LAO believes even without increasing staff, the OPSC could increase processing, by identifying and implementing efficiencies in their process and redirecting staff from other activities.

The LAO also notes that the acknowledged list does not represent a backlog of projects that are awaiting completion. Many LEAs have gone ahead with completing facilities construction projects and are waiting on reimbursement from the state. The OPSC believes this is the case for roughly half of the projects on the acknowledged list. Often these LEAs have available local funding, sometimes through local general obligation bonds. Those LEAs who are unable to find sufficient local funds to complete projects are generally smaller school districts and county offices of education.

The LAO provides two alternatives. If the Legislature is not concerned with the pace of bond funds since a large portion of LEAs are already completing projects with available local funds, it could approve the Governor's proposal. If the Legislature is concerned with the growing backlog, language could be adopted to 1) establish a five-year Proposition 51 expenditure plan requiring OPSC to process \$1.5 billion per year over the next four years, with any remaining funding allocated in year five; 2) direct OPSC to task additional existing staff with processing applications; and 3) direct OPSC to identify and implement ways to shorten processing times.

Under either alternative, the LAO notes the Legislature could request that OPSC submit a workload report by November 1, 2018 to identify how many full-time employees are dedicated to 1) processing applications; 2) responding to appeals; and 3) completing audits. This information could be used to help right size the agency in future years.

Staff Comments:

Many LEAs are operating with aging infrastructure, and the list of projects waiting for OPSC review and fund approval provides an indication that there is real need in the state for facilities funding. The Legislature may wish to consider the LAO's proposal for increasing application processing of applications by OPSC and working to move bond funding to a five year schedule rather than the ten year track the state is currently on.

Suggested Questions:

- When will the Administration provide an estimate of planned bond sales in future years?
- Has the Administration considered increasing staffing at the OPSC given the impending bond sales?
- Has the OPSC considered redirection of additional staff to application processing? What current workload could be shifted or reprioritized to accomplish this?

Staff Recommendation: Hold open.

Issue 3: High Speed Network**Panel:**

- Debra Brown, Department of Education
- Ken Kappahn, Legislative Analyst's Office
- Keith Nezaam, Department of Finance

Background:

California's K-12 school system relies on access to the internet for a variety of educational, communication, and administrative needs. Over the past few years, particularly as statewide student testing transitioned to a computer-based system in 2013-14, the need for reliable internet access has increased significantly for the K-12 education system. Most K-12 school sites connect to their school district office or county office of education which then connects to a high-speed internet backbone (a series of fiber-optic cables that run across large distances) operated by the Corporation for Education Network Initiatives in California (CENIC). The K-12 High Speed Network (HSN) grant pays for Internet connections from the district or county office of education (COE) to the CENIC backbone. CENIC is a non-profit organization that provides Internet services to educational agencies in California.

According to the HSN, the ability of schools to access to the Internet varies across the state for a variety of reasons; available infrastructure is often the biggest barrier – both remote, rural areas and low-income, urban areas face issues related to lack of infrastructure. Other barriers include limited technical capacity in school staff, limited dedicated state funds in recent years, and geographic diversity. While the HSN has been working to increase Internet access across the state for the past decade, recent state policies have made this access a greater priority than ever before.

The HSN was established in 2004-05, when the state provided funding for a HSN grant, which was awarded to the Imperial County Office of Education (ICOE). The HSN's primary activities include (1) overseeing contracts with CENIC to manage the COEs' connections and claim state and federal Internet subsidies on their behalf, (2) planning and communicating with COEs about Internet upgrades and other requirements for their sites, and (3) coordinating other contracts and serving as a point of contact for COEs' and schools' HSN and Internet-related needs. In the past few years, the state has charged the HSN with implementing two new initiatives—the Broadband Infrastructure Improvement Grant (BIIG) program and the Technical Assistance and Professional Development Initiative; funding for these activities was provided separately from the normal operations of the HSN.

Expenditures and Fund Sources. The HSN primarily incurs costs for (1) CENIC's services, (2) salaries and benefits for the HSN's employees, and (3) equipment purchases. In addition, the HSN grantee has various other types of expenditures, including travel and contracts with entities other than CENIC. The Proposition 98 General Fund provided to the HSN typically comprises about half of its total revenue. The remaining revenue primarily comes from E-Rate and the California Teleconnect Fund (CTF). E-Rate is a federal telecommunications subsidy that provides reimbursements of up to 90 percent for Internet service. The CTF is a state special fund that provides reimbursements of 50 percent for Internet service, after all E-Rate discounts are applied. Both subsidies are funded by telecommunication user surcharges.

According to the LAO, prior to 2015-16, the HSN received about \$8 million annually in Proposition 98 General Fund and also receives about \$6 million per year in subsidies for Internet services purchased from commercial providers. However, by the end of 2014-15, the HSN had a reserve of almost \$15 million. The 2015-16 budget year did not include state resources for the HSN and required the HSN to draw down on reserves for its planned operations in that year, ultimately reducing the reserve to under \$6 million by the end of the year. The 2016-17 budget included \$22 million in expenditure authority, with \$11 million in E-rate and CTF reimbursements, \$3 million from reserves, \$3.5 million in reappropriated funds, and \$4.5 million in Proposition 98 General Fund.

High Speed Network Audit.

The State Auditor released an audit in May of 2017 that made the following observations:

- Excess reserves at the HSN were likely due to inadequate budgeting by the ICOE and a lack of state oversight. The ICOE has taken some steps to improve its budgeting process, but concerns remain about its accuracy and transparency. The HSN reserves have been reduced, due to budget actions.
- The ICOE needs to improve its planning processes in order to manage network development at the lowest possible cost to the State. ICOE lacks a detailed methodology for determining when and by how much it should increase network bandwidth (capacity). Currently, ICOE is pursuing expensive capacity increases to the network's circuits—the individual connections between network sites or those sites and the rest of the network—even though less expensive options have been available. The Auditor's review of those circuits' usage levels and ICOE's process for determining necessary levels for circuit capacity increases found that ICOE cannot justify the costs associated with some of these increases.
- Measurement of the program's effectiveness has omitted key information, and oversight has been inconsistent. State law sets forth specific responsibilities and goals for ICOE in administering the HSN program and assigns responsibility for measuring the program's success to the CDE. However, ICOE has not reported on some key measures associated with the network's performance, such as its reliability, and the CDE has not required ICOE to do so. As a result, some aspects of the network's performance and cost-effectiveness remain unclear.

The audit also included the following recommendations:

- To help ensure continuous network operations while preserving state resources, the Legislature should appropriate to the HSN program an amount that does not exceed \$10.4 million for fiscal year 2017–18. If the Legislature wishes to appropriate a lower amount for the program, it should direct ICOE to modify one or more of the planned network upgrades by delaying the upgrade to a subsequent fiscal year or by pursuing a less expensive option.
- To better inform decision makers at the state level about the amount of funding necessary to operate and maintain the network, ICOE should formally amend its annual budget documents by November 2017 to specify multiple potential levels of network expenditures for the coming year, and it should detail the specific network upgrades and project costs included in each scenario. To better guarantee that network upgrades are necessary and are achieved at the

lowest possible cost to the State, ICOE should develop a formal methodology for reviewing circuit capacity needs.

- To increase transparency in the HSN program and help ensure that the State has sufficient information to measure the program's effectiveness, CDE should direct ICOE to report annually on specific performance measures. These performance measures should include cost, network bandwidth, and the frequency and duration of network outages and interruptions.

Response to Audit:

The CDE and ICOE responded to the audit with agreement with the audit's findings and plans to improve areas of weakness as referenced in the audit.

Although the audit was released in May of 2017, the 2017-18 budget was informed by the recommendations of the Auditor. The HSN was provided \$22.4 million in expenditure authority, of which almost \$12 million was in reimbursements from E-rate and the CTF, \$8 million was carryover from prior years, and \$2.5 million was from reserves. In addition, the 2017-18 budget agreement included statute requiring the ICOE as the lead agency for the HSN to develop a methodology for selecting and implementing network upgrade projects.

The ICOE and the HSN provided a methodology for evaluating proposed circuit upgrade projects in December of 2017 as required by statute. Under the methodology, the HSN will:

- Conduct data collection in the spring of each year, including current utilization peaks, number of devices in use at served schools, and the degree to which the school site relies on cloud-based (or off-premises) services. The HSN will compare data against prior years to complete a trend analysis.
- In May of each year, the HSN will translate the data collected, at the school and district level, as well as the node site peak utilization numbers into a ranking for proposed changes or upgrades. Any node site that is regularly reaching 50 percent of its capacity will be included in the bid process. Bid documents will include requests for replacement circuit pricing for multiple options in order to permit the program and the CDE the opportunity to consider various approaches to meeting the bandwidth needs of a node site.
- The Network Implementation Committee will be convened in June of each year for review and input on the proposed node site upgrades. CENIC will post these documents beginning in July and the process will close in late August or early September. The proposals received will be reviewed during September by CENIC and their core engineers, as well as by HSN staff members.
- During October, staff members of HSN will update their multi-year projection documents and, from these data, develop a budget request for the following year.
- In November, HSN will deliver to the CDE its annual budget request with multiple options reflecting a proposal for upgrades and at least one additional proposal that undertakes the most time-sensitive upgrades and excludes less essential projects. The HSN will take direction from the CDE and the request will be forwarded to the Department of Finance.

As this methodology was recently developed, the process for requesting funds for the 2018-19 year did not follow the above methodology and reflects a transition year. The HSN did provide the CDE a list of proposed project upgrades and based on the project costs submitted by the HSN, the CDE supports a budget request of \$10.4 million Proposition 98 funding for the program in 2018-19.

Governor's Proposal:

The Governor retained the 2017-18 funding structure for the HSN in the Governor's Budget for 2018-19, due to timing of budget information provided from HSN for 2018-19 costs. Department of Finance staff note that changes to the funding are under consideration for the May Revision of the budget.

Suggested Questions:

- What changes has CDE made in their contract oversight duties in response to the audit findings?
- How will the process for developing the HSN budget be different in 2019-20, than in 2018-19?
- How much in reserve funding does CDE estimate the HSN will have available at the end of the 2017-18 fiscal year?

Staff Recommendation: Hold Open.

0985 CALIFORNIA SCHOOL FINANCE AUTHORITY**Item 4: Charter School Facilities Grant Program****Panel:**

- Cheryl Ide, Department of Finance
- Ryan Anderson, Legislative Analyst's Office
- Katrina Johantgen, California School Finance Authority

Background:

The Charter School Facility Grant Program (CSFGP) helps provides funding for eligible charter schools to cover lease and related maintenance costs. In order to receive funding, a charter school must have at least 55 percent of its students qualify for Free or Reduced Price Meals (FRPM) or be located in an attendance area with at least 55 percent FRPM students.

Funding for the CSFGP has varied over the years and the program has been through several changes. From 2001-02 through 2016-17, grant recipients received \$750 per pupil or 75 percent of eligible facility expenditures (lease costs and other maintenance and improvement related expenses), whichever was less. Initially the program was provided \$10 million annually, increasing to \$18 million in 2007-08. Funding increased significantly over the next several years, reaching \$112 million in 2016-17. In 2016-17, the program was undersubscribed and the 2017-18 budget increased the per student award from \$750 to \$1,117 and provided an annual cost-of-living (COLA) to the rate in future years. The 2017-18 budget did not include additional funding for the program and the CSFGP currently remains funded at \$112 million annually. The California School Finance Authority, which administers the program, now estimates the program is about \$25 million short of full funding in 2017-18. Under current law, CSFGP awards are prorated when the program is oversubscribed.

Governor's Proposal:

The 2018-19 Governor's budget proposes to provide an additional \$28 million in ongoing Proposition 98 funding for the CSFGP. This would increase funding by 25 percent and bring total funding for the program to \$140 million in 2018-19. Additionally, the Governor's budget proposes to make the following changes to the program through trailer bill language:

- **Eliminates Automatic Backfill Language.** Prior to 2010-11, the CSFGP provided funding on a reimbursement basis. However, beginning in 2010-11, the program began transitioning to providing grants for current year costs. The Governor proposes deleting language requiring any new appropriations for the CSFGP to first pay any prorated prior year awards.
- **Prioritizes Lease Costs When Program is Oversubscribed.** The Governor's budget proposes to fund lease costs before funding maintenance and building improvements when the CSFGP is oversubscribed. Currently, when the program is oversubscribed, all facility costs are prorated at the same rate.
- **Caps Growth in Lease Costs.** The Governor proposes trailer bill language to cap the growth in lease costs for CSFGP awards at the K-12 COLA.

- **Requires Independent Appraisal.** The Governor's budget requires all charter schools applying for CSFGP funding for the first time to have their lease appraised either at or below market rates. The Administration believes this proposal will help to address potential conflict of interest concerns.

LAO Analysis and Recommendations:

The LAO reviewed the Governor's proposals and provides the following recommendations:

- Provide funding for the CSFGP in one of two ways in 2018-19 to avoid pro-rata reductions: 1) Provide \$162 million total (\$50 million augmentation in 2018-19) to fully fund the program based on the maximum per-pupil grant amount or provide \$120 million (\$8 million augmentation in 2018-19) to rescind the per-pupil grant increase enacted last year and fully fund the program.
- Adopt the Governor's proposal to remove the automatic backfill of prior year's pro-rated awards before new awards are made.
- Reject the proposal to prioritize lease costs. The LAO notes concerns that the California School Finance Authority may not be able fully to determine lease costs separate from other facilities-related costs.
- Reject the proposal to cap the growth in lease costs. The LAO notes that under the existing program, participating charter schools must pay at least 25 percent of their facilities costs, which is already an incentive to keep costs low. The LAO notes that under the Governor's proposal new grantees would receive 75 percent of their lease costs, whereas existing grantees with capped growth in lease costs would receive less than 75 percent of their costs.
- Reject the proposal to require applicant leases to be appraised either at or below market value. The LAO notes this may be overly burdensome for applicants and recommends providing the California School Finance Authority the ability to require an independent appraisal of any applicant credibly suspected of a conflict of interest.

Finally, the LAO recommends that the state develop a more comprehensive approach to funding charter school facilities to create a more equitable approach statewide.

Staff Recommendation: Hold Open.

6100 CALIFORNIA STATE UNIVERSITY**Issue 5: Education Insights Center – Education Policy Fellowship Program****Panel**

- Daniel Hanower, Department of Finance
- Paul Steenhausen, Legislative Analyst’s Office

Background

Since 2016, CSU’s Center for California Studies (CCS) and the Education Insights Center, which are both housed at the Sacramento campus, have administered the Education Policy Fellowship Program. The purpose of the program is to strengthen the state’s education policymaking process by providing professional development and networking opportunities to working professionals. Program participants include government education analysts, K-12 and higher education practitioners, researchers, advocates, and other education professionals working throughout the state.

Cohorts of 20 Fellows Convene and Collaborate Throughout the Year. Fellows who are accepted into the program agree to attend three weekend-long meetings over the course of one year. These meetings typically are held at conference centers or other meeting sites in northern and southern California. At these meetings, fellows learn about and discuss policy issues related to education. Throughout the year, fellows work together on research projects and attend optional local and national meetings. The program’s first cohort of 20 fellows began in 2016-17. The program is currently in its second year with a new cohort of 20 fellows. CCS and the Education Insights Center intend to begin recruiting a 2018-19 cohort within a few months. CCS and the Education Insights Center report that a recent survey found that over 75 percent of first-year fellows rated the program as either above average or excellent.

Most Program Costs Have Been Covered by Foundations. The program’s total annual budget is about \$250,000, which covers staff time to administer the program as well as travel, lodging, meals, and other expenses for fellows and meeting facilitators. Since its inception, the program has received the vast majority of its funding from philanthropic organizations (including the William and Flora Hewlett Foundation and College Futures Foundation). Fellows are asked to pay \$875 in program fees, which the fellows’ employers typically cover. These fees cover about 5 percent of program costs.

Governor’s Budget Proposal. The Governor proposes to provide \$100,000 in ongoing General Fund support for the program. The Governor’s intent is that CCS and the Education Insights Center would continue to seek philanthropic funding to cover most of the remaining annual program costs.

Legislative Analyst’s Office Comments. The LAO recommends rejecting the proposal. The LAO does not believe that providing support for a program that serves highly educated working professionals is a sufficiently high state priority in 2018-19. The LAO also notes that the program is very expensive to operate, with an average cost of about \$10,000 per fellow—much of which supports travel, lodging, and food costs for the fellows and meeting facilitators.

Staff Recommendation: Hold Open