

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



**Tuesday May 19, 2015
1:30 pm
Room 2040**

Consultants: Anita Lee, Elisa Wynne

Agenda Part A

OUTCOMES

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Issue 3	Proposed Vote-Only Items	
	Items 1 and 2: Adopt Staff Recommendations Vote: 2-1 (Moorlach)	
	Items 3 and 4: Adopt Staff Recommendations Vote: 3-0	
Issue 4	Teacher Credential Fee/ Commission Operations	
	Motion: Approve request to increase teacher credential fees to \$100 and provide an increase of expenditure authority of \$4.5 million from the Teacher Credentials Fund. Adopt implementing trailer bill language as proposed, to be refined as necessary.	
	Vote: 3-0	
Issue 5	Educator Misconduct	
	Motion: Adopt Governor's proposed trailer bill language, to be refined as necessary.	
	Vote: 3-0	
	Public Comment	

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**6110 CALIFORNIA DEPARTMENT OF EDUCATION
6870 CALIFORNIA COMMUNITY COLLEGES**

Issue 1: PROPOSITION 98 OVERVIEW

Panelists: Department of Finance
Legislative Analyst's Office
Department of Education
Community College Chancellor's Office

GOVERNOR MAY REVISION PROPOSALS

Proposition 98 Overall Funding—K-12 and Community Colleges

California's Proposition 98 guarantees minimum funding levels for K-12 schools and community colleges. The guarantee, which went into effect in the 1988-89 fiscal year, determines funding levels according to multiple factors including the level of funding in 1986-87, General Fund revenues, per capita personal income, and school attendance growth or decline.

Driven by significant growth in General Fund revenues, the estimated Proposition 98 funding obligations included in the May Revision for the three-year period of 2013-14 to 2015-16, increases by a total of \$6.1 billion over the Governor's budget. More specifically, the revised Proposition 98 minimum guarantee levels for the 2013-14 through 2015-16 fiscal years are \$58.9 billion, \$66.3 billion, and \$68.4 billion, respectively. Compared to January, this reflects the following yearly changes, due to strong General Fund revenue growth:

- o An increase of \$241 million to the 2013-14 guarantee.
- o An increase of approximately \$3.1 billion to the 2014-15 guarantee.
- o An increase of approximately \$2.7 billion to the 2015-16 guarantee.

The Proposition 98 minimum guarantee is determined by comparing the results of three "tests" or formulas that are based on specific economic and fiscal data. The factors considered in these tests include growth in personal income of state residents, growth in

General Fund revenues, changes in student enrollment, and a calculated share of the General Fund. Very generally, Test 1 is based on a percentage of General Fund; Test 2 on growth in personal income; and Test 3 on General Fund Growth. The May Revision assumes that in 2015-16, Proposition 98 is calculated using Test 3, including the payment of the required Test 3B supplement. Previously, in the January budget, the Governor had estimated that 2015-16 would be a Test 2 year. The May Revision continues to estimate that 2014-15 is a Test 1 year, and because of significantly higher revenue, includes a larger maintenance factor payment (\$5.4 billion rather than \$3.8 estimated in January). However, because of higher revenue, 2013-14 is now estimated to be a Test 2 year, rather than a Test 3 year, eliminating the \$241 million in maintenance factor that was created in this year under the January budget proposal.

These proposed funding levels reflect a remaining Proposition 98 Maintenance Factor balance of \$772 million, down from almost \$11 billion in 2011-12.

Proposition 98 funding by segment and by General Fund and local property taxes is shown in the table below:

Changes in Proposition 98 Funding			
<i>(In Millions)</i>			
	January	May	Change
2013-14 Minimum Guarantee	\$58,673	\$58,914	\$241
By Segment:			
Schools	51,675	51,898	223
Community colleges	6,413	6,431	18
Preschool	507	507	0
Other*	78	78	0
By Fund Source:			
General Fund	42,824	42,996	171
Local property taxes	15,849	15,918	70
2014-15 Minimum Guarantee	\$63,153	\$66,303	\$3,150
By Segment:			
Schools	55,506	58,321	2,814
Community colleges	6,902	7,238	336
Preschool	664	664	0
Other*	80	80	0
By Fund Source:			
General Fund	46,648	49,608	2,960
Local property taxes	16,505	16,695	190
2015-16 Minimum Guarantee	\$65,716	\$68,409	\$2,693
By Segment:			
Schools	57,348	59,744	2,396
Community colleges	7,630	7,914	283
Preschool	657	671	14

Other*	80	80	0
By Fund Source:			
General Fund	47,019	49,416	2,397
Local property taxes	18,697	18,993	296

*Includes funding for instructional services at the State Special Schools, Department of Corrections and Rehabilitation, and Department of Development Services.

Source: *Legislative Analyst's Office*

The May Revision overall funding plan for education builds upon the priorities in the January proposal and includes an additional \$2.1 billion in ongoing support for implementation of the Local Control Funding Formula and an additional \$2.5 billion to pay down mandate debt. The budget plan also includes an additional \$150 million over the January proposal for Career Technical Education Incentive Grants and \$42 million to support special education services for students with disabilities. For Community Colleges, the budget plan includes an additional \$142 million in unallocated base increase, \$75 million to increase the number of full-time faculty and \$60 million in one-time support for improving the delivery of basic skills instruction. There are some minor additional proposals for K-14 education, including adjustments to the proposed Adult Education program structure. Specific proposals are outlined in Issue 2, below:

Issue 2: MAY REVISION PROGRAM CHANGES – K-12 Education

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

GOVERNOR MAY REVISION PROPOSALS**Major Program Changes — K-12 Education**

Mandates. The May Revision includes a total of \$3.5 billion in one-time Proposition 98 General Fund to pay down the backlog of the state's obligations attributable to mandates, which are a component of the "Wall of Debt." This is an increase of \$2.4 billion over the January proposal to pay down approximately \$1.1 billion. Similar to last year's mandates payment, the Administration notes that this is discretionary one-time funding that schools could use to make investments in professional development, provide teacher induction to beginning teachers, and invest in instructional materials and technology, among other uses. Of this total, \$40 million will be provided to county offices of education.

Local Control Funding Formula (LCFF). The May Revision includes approximately \$6.1 billion in implementation investment in the LCFF formula, which eliminates around 53 percent of the remaining funding gap. This is an increase of \$2.1 billion over the January proposal of \$4 billion in ongoing investments in LCFF.

Career Technical Education. The May Revision provides an additional \$150 million in one-time funding for a January proposal to create a Career Technical Education Incentive Grant Program. With this increase, the grant program provides \$400 million, \$300 million, and \$200 million in one-time Proposition 98 General Fund in the 2015-16, 2016-17, and 2017-18 fiscal years, respectively. This program provides funding for school districts, charter schools, and county offices of education to develop and expand career technical education programs. Grantees would be required to provide increasing matching funds (one-to-one match in 2015-16, a 1.5-to-1 match in 2016-17, and a 2-to-1 match in 2017-18), and to demonstrate positive results on career technical education-related outcomes over time.

Adult Education. The May Revision maintains the January proposal to provide \$500 million in ongoing Proposition 98 General Fund for an Adult Education Block Grant. However, the Governor proposes notable changes to the program structure, including allowing each regional consortium to select a governance structure, adding a three year planning cycle, adding timelines for distribution of funds, and requiring a plan to distribute federal adult education funds through the regional consortia in future years.

Special Education. The May Revision includes the following major investments in supports for Special Education, based on recommendations of the California Statewide Special Education Taskforce:

- \$30 million in Proposition 98 General Fund to augment the Early Education Program for Infants and Toddlers with Exceptional Needs. These funds expand participation beyond local education agencies that currently participate in the program to provide early intervention for infants with special needs.
- \$10 million in one-time Proposition 98 General Fund for incentive grants and technical assistance to improve how districts provide instruction and manage behaviors.
- \$1.7 million in federal funds to provide additional alternative dispute resolution grants for all Special Education Local Plan Areas in the state, and \$500,000 in federal funds for implementation of the State Systemic Improvement Plan for students with disabilities. This use of federal funds is backfilled with ongoing Proposition 98 funds.
- Additional changes to support students with disabilities in the State Preschool Program.

Repayment of Deferrals. The May Revision continues to include the repayment of all inter-year budgetary deferrals, a total of \$992 million for K-12 programs and community colleges.

K-12 High Speed Network. The May Revision continues to propose an investment of \$108.8 million in one-time Proposition 98 General Fund for the (K-12) High Speed Network to provide grant funding to school districts to improve network connectivity. This is in addition to the approximately \$26.7 million provided in 2014-15 through the Broadband Infrastructure Improvement Grant (BIIG).

Other Technical Adjustments. The May Revision also includes the following adjustments:

- **Local Property Taxes.** A decrease of \$123.3 million in 2014-15 and a decrease of \$224 million in 2015-16 in Proposition 98 General Fund for school districts, special education local plan areas, and county offices of education, as a result of higher offsetting property tax revenues.
- **Average Daily Attendance.** An increase of \$94.4 million in 2014-15 and an increase of \$173.5 million in 2015-16 for school districts, charter schools and county offices of education as a result of higher LCFF costs related to increases in projected attendance in both years.

- **Categorical Program Growth.** A decrease of \$18.4 million Proposition 98 General Fund for selected categorical programs based on updated estimates of projected attendance growth.
- **Cost-of-Living Adjustments.** A decrease of \$22.1 million Proposition 98 General Fund to selected categorical programs based on a revised cost-of-living factor of 1.02 percent for 2015-16.

6360 COMMISSION ON TEACHER CREDENTIALING

Issue 3: Proposed Vote Only Items

COMMISSION ON TEACHER CREDENTIALING - VOTE ONLY ITEMS					
#	Item	Issue	Description	Staff Recommendation	Language
1	6360-001-0001	Assessments (January Proposal)	The Governor proposes to provide \$5 million in non-Proposition 98 General Fund to the CTC to update the Cal TPA and develop an Administrator Performance Assessment (APA). The funding would be provided over a two-year period, with \$4 million appropriated in the 2015-16 budget.	Approve as proposed	BBL
2	6360-001-0001	Accreditation (January Proposal)	The Governor proposes to provide \$5 million in non-Proposition 98 General Fund to the CTC to fund a data system for accreditation, with \$3.467 million appropriated in the 2015-16 budget. This is aligned with the CTC's approved FSR.	Approve as proposed	BBL
3	6360-001-0407 and 6360-001-0408 (Issue 003)	Scheduling of Administration and Distributed Administration (May Revision)	The May Revision requests that Schedule (1) of Item 6360-001-0407 be decreased by \$465,000, Schedule (3) be increased by \$179,000, and Schedule (4) be increased by \$286,000 to reflect a correction to the scheduling of administration and distributed administration. Additionally, it is requested that Schedule (1) of Item 6360-001-0408 be decreased by \$124,000, Schedule (2) be increased by \$48,000, and Schedule (3) be increased by \$76,000 to reflect a correction to the scheduling of administration and distributed administration. This redistribution does not change the total appropriation.	Approve as proposed	

4	6360-001-0407	Beginning Teacher Induction (January Proposal)	<p>The Governor requests provisional language requiring a working group to produce a report identifying options for streamlining and reforming beginning teacher induction.</p> <p>Staff suggests the following amendments to the language:</p> <p>“7. The Commission on Teacher Credentialing (CTC) shall work with the Superintendent of Public Instruction, the State Board of Education, Legislative Staff, the Department of Finance, and beginning teacher induction stakeholders the CTC deems appropriate, to <u>evaluate any burdens of the existing induction requirements and identify options for streamlining and reforming beginning teacher induction.</u> The CTC shall submit a report that discusses the identified options, <u>findings, and funding recommendations, including state, local educational agency, and teacher candidate responsibilities,</u> to the chairpersons and vice chairpersons of the budget and policy committees of each house of the Legislature, the Legislative Analyst’s Office, and the Department of Finance by September 1, 2015.</p>	Approve BBL with staff amendments as described.	BBL
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Vote:

Items 1 and 2: Adopt Staff Recommendation 2-1 (Moorlach)

Items 3 and 4: Adopt Staff Recommendations 3-0

6360 COMMISSION ON TEACHER CREDENTIALING (CTC)**Issue 4: Teacher Credential Fee/ Commission Operations****.Panel:**

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

May Revision Proposal:

(May Letter Issue 004)

The Governor proposes to increase the teacher credential fee to \$100 for initial and renewal credentials to provide the commission with additional revenue needed to support ongoing licensing and discipline workload, including a backlog of cases at the Office of the Attorney General. The Governor also proposes a corresponding adjustment to increase Item 6360-001-0407 by \$4.5 million Teacher Credentials Fund, as a result of the increased fee revenue.

Background:

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

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

In 2013-14, the CTC processed approximately 235,000 candidate applications for credential and waiver documents.

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

Teacher Credentials Fund (Credential Fees). The Teacher Credentials Fund is generated by fees for issuance of new and renewed credentials and other documents. Current law also requires, as a part of the annual budget review process, the Department of Finance to recommend to the Legislature an appropriate credential fee sufficient to generate revenues necessary to support the operating budget of the CTC plus a prudent reserve of not more than 10 percent. In 2012-13, the credential fee, paid every five years, was increased from \$55 to \$70 due to a projected budget shortfall and drop in credentials. This action restored the fee to the statutory maximum (Education Code §44235). Since 1998-99, credential fees had been below the statutory maximum, reaching a low of \$55 in 2001-02 based on high demand for applications. However, demand for applications has generally tracked with changes in the economy and began decreasing in 2007-08, as the state economy slowed. In addition to credential application fees, the Budget Act of 2014, and related trailer bill legislation, included authority for the CTC to begin assessing fees on teacher preparation programs to cover the cost of accrediting these programs. These fees were established through regulations and the CTC began assessing fees in 2013-14.

Staff Comments:

The Department of Finance notes that even with the proposed increase, teacher credential fees would remain lower than the renewal fees charged to professionals in a number of other occupational fields. The number of credentials processed by the commission has decrease by nearly 20 percent over the past five years, impacting the revenues available to support the commission's fixed operating costs. According to Department of Finance estimates, the \$30 increase in the credential fee is anticipated to generate up to \$5.5 million in new revenue, of which the May Revision proposal provides \$4.5 to fund the commission's operations and the remainder would accrue in the Teacher Credential Fund as a reserve.

Staff Recommendation: Approve request to increase teacher credential fees to \$100 and provide an increase of expenditure authority of \$4.5 million from the Teacher Credentials Fund. Adopt implementing trailer bill language as proposed, to be refined as necessary.

Motion: Approve request to increase teacher credential fees to \$100 and provide an increase of expenditure authority of \$4.5 million from the Teacher Credentials Fund. Adopt implementing trailer bill language as proposed, to be refined as necessary.

Vote: 3-0

Issue 5: Educator Misconduct**.Panel:**

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

May Revision Proposal:

The Governor proposes trailer bill language to improve educator misconduct reports in the following ways:

- 1) Identify minimal information that is to be included in current district reports of educator misconduct to the Commission. The Administration notes that although the same minimal information included in this proposal is currently required in regulations, the Administration proposes to elevate these requirements to statutes in an effort to emphasize the basic information needed in a district report of educator misconduct, thereby improving the quality and depth of information included in these reports to the Commission.
- 2) Provide the Commission jurisdiction to investigate a superintendent's or charter school administrator's failure to provide required information in reports of educator misconduct to the Commission. Specifically, this language would authorize the Commission to initiate a formal investigation for unprofessional conduct and report the incident to law enforcement. The Administration notes that while current law specifies that a refusal or unwillingness to report educator misconduct is unprofessional conduct for a credential holder and in all instances a misdemeanor subject to a fine of \$500 to \$1,000, the Commission has no authority to pursue superintendents or administrators who refuse to include statutorily-required information for a report of educator misconduct.

Staff Recommendation: Adopt Governor's proposed trailer bill language, to be refined as necessary.

Motion: Adopt Governor's proposed trailer bill language, to be refined as necessary.

Vote: 3-0