

Senate Budget and Fiscal Review—Nancy Skinner, Chair

SUBCOMMITTEE NO. 1

Agenda

Senator John Laird, Chair
Senator Dave Min
Senator Rosilicie Ochoa Bogh



Tuesday, February 15, 2022
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State Capitol - Room 3191

Consultant: Yong Salas

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Public Comment

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6100 DEPARTMENT OF EDUCATION**Issue 1: School Transportation****Panel**

- Lina Grant, Department of Finance
- Ken Kappahn, Legislative Analyst’s Office
- Juan Mireles, Department of Education

Background

In California, state law does not require districts to transport students from home to school. However, federal law requires districts to provide transportation to three groups of students¹:

- **Students With Disabilities.** The federal Individuals with Disabilities Education Act requires that all districts take special steps to ensure students with disabilities receive a “free and appropriate public education.” If school officials determine transportation is necessary for a student to access his/her education, the district must provide it. (Depending on the disability and needs involved, these students may receive transportation between service providers during the school day as well as transportation to and from school.)
- **Students Attending Federally Sanctioned Schools.** The federal No Child Left Behind (NCLB) Act of 2001 requires schools to meet annual performance expectations. Schools receiving federal funding that do not meet these expectations are subject to sanctions that include allowing students to transfer to a higher-performing school within the district and paying to transport those students to the higher performing school.
- **Homeless Students.** The federal McKinney–Vento Homeless Assistance Act requires districts to provide transportation for homeless students.

When the state adopted the local control funding formula (LCFF), it retained the Home-to-School Transportation (HTST) program as a separate funding stream, and froze allocations at the 2012-13 levels. Since then, local educational agencies have funded their transportation costs out of the HTST funding pot and their unrestricted funds (some districts charge fees, but do so under certain conditions), in addition to some federal funds. According to the LAO, in 2019-20, local educational agencies spent approximately \$1.8 billion on home-to-school transportation. The LCFF add-on related to transportation has been \$496 million per year; on a statewide basis it covered an average of 28 percent of transportation expenditures, with the remaining costs covered primarily by a district’s unrestricted funds. On the district-level, the extent to which the LCFF add-on covers pupil transportation costs varies widely, and depends on the district’s growth since 2012-13, whether its transportation program grew since 2012-13, and other varying factors.

¹ Legislative Analyst’s Office. *Review of School Transportation in California*. 2014 February 25.

In 2014, the LAO released a report that provided three options for addressing transportation moving forward. The three options were to: (1) fund transportation costs within the LCFF, (2) fund only extraordinary transportation costs for districts that face disproportionate transportation costs, or (3) fund a share of all transportation costs.

Other Administration Programs

The California Air Resources Board (CARB) has several programs that incentivize school districts adopt newer and cleaner technologies for school bus fleets. Funding programs are either provided to local air districts to administer or through direct, state-run programs, and include:

- **Hybrid & Zero-Emission Truck & Bus Voucher Incentive Project (HVIP).** HVIP is a statewide program that provides vouchers to help offset the cost of eligible hybrid, low NOx engine, hydrogen fuel cell or battery electric trucks and buses. For school bus purchases, fleets can request a voucher for up to \$220,000 per bus, plus an additional \$15,000 per bus if operated in a disadvantaged community. Up to \$30,000 per battery electric bus or truck is available towards the purchase of charging equipment.
- **Rural School Bus Pilot Project.** The program gives preference to school districts located in small air districts. The North Coast Air Quality Management District (NCUAQMD) administers the RSBPP with funds from the California Climate Investments to replace older, diesel school buses with new, cleaner technologies.
- **Volkswagen Environmental Mitigation Trust.** The Volkswagen (VW) Environmental Mitigation Trust provides funds for California to fully mitigate excess NOx emissions caused by VW's use of illegal defeat devices. The San Joaquin Valley Air Pollution Control District (SJVAPCD) will administer \$130 million in Mitigation Trust funding statewide for zero-emission transit, school, and shuttle buses. Funding will be available in two installments of \$65 million each starting in the fall of 2019, first come first served.
- **CEC's School Bus Replacement Program.** California Energy Commission School Bus Replacement Program provides grant funds for the replacement of the oldest school buses in California. This program emphasizes replacement with electric buses. Priority goes to school districts and county offices of education containing disadvantaged communities and with a majority of students eligible for free or reduced-price meals in the prior year. The application period is currently closed. Check the website for program and funding updates.
- **AB 617 - Community Air Protection Incentives.** Community Air Protection incentives are available to support early action emissions reductions in communities most affected by air pollution, as well as to support communities selected for air monitoring or emissions reduction programs and those under consideration for future selection. First-year funds have provided immediate reductions through the Carl Moyer and Proposition 1B Programs, and both second- and third-year funds expand available funding opportunities to stationary and community-identified sources. School bus replacements are an eligible project type under the Carl Moyer Program, and additional

flexibility has been added to school bus projects funded with Community Air Protection incentives.

- **Carl Moyer Program.** The Carl Moyer Program provides funding for cleaner-than-required engines and equipment. School buses are one of the many categories of equipment funded through the program. Grant amounts vary depending on the project type.
- **Lower-Emission School Bus Program (LESBP).** Beginning in 2001, the LESBP has funded new, cleaner technology bus replacements and retrofit devices that significantly reduce toxic particulate matter emissions from diesel school buses. Funding may still be available through local air districts.

Additionally, in 2018, the California Air Resources Board (CARB) mandated that California transit bus fleets must be zero-emission by 2040. Starting in 2029, mass transit agencies in California will be required to purchase battery electric or fuel cell electric transit buses for their fleets. To help local agencies meet this mandate, the Department of General Services established three statewide contracts with electric bus manufacturers with preset pricing, and these contracts are available for use by local agencies who can then purchase the buses with local, state, and/or federal funds.

Governor's Budget Proposal

The Governor's Budget proposes \$1.5 billion in one-time Proposition 98 General Fund, available over three years, for competitive grants that are a minimum of \$500,000 to local educational agencies for zero-emission school bus fleet adoptions. These funds are targeted to local educational agencies with existing school transportation programs, and are intended to purchase electric school buses, school bus charging infrastructure and related activities, including charging stations, equipment, site design, construction, and infrastructure upgrades. Any unused funds can be used to supplement existing transportation programs. School buses that are replaced must be scrapped within twelve months of the delivery date of the new bus vehicles.

The budget identifies the amount reserved for purchasing electric school buses and related infrastructure as excludable capital outlay under the state appropriations limit. (Each electric bus and charging station together costs more than \$100,000 and has a useful life of more than ten years.) \$1.35 billion of the \$1.5 billion is excluded from the State Appropriations Limit. The budget identifies the remaining \$150 million (the portion available for any transportation expenditure) as spending that counts toward the appropriations limit.

Additionally, the Administration indicated that a workgroup would be convened to streamline bus driver requirements during the spring budget process, and that it would consider potential streamlining changes to the bus driver certification process at the May Revision.

This proposal is part of a larger zero-emission vehicle package put forth by the Administration that costs \$6.1 billion (General Fund and other sources), of which \$4.2 billion will go to CARB and the CEC targeted for heavy-duty zero-emission technology advancement, and other priorities.

Additionally, \$383 million in federal funds will be administered by the California State Transportation Agency.

The Governor's Budget also proposes \$1.1 million one-time General Fund to modernize two of the four aging buses owned by the Department of Education for its instructor training program and replace them with electric buses, as well as charging stations, and \$201,000 General Fund ongoing for two positions at the California Department of Education.

Legislative Analyst's Office (LAO)

The LAO recommends the following:

Adopt Modified Version of Governor's Proposal. The Governor's proposal would allow the state to use one-time funding to support school transportation service that many students and districts find beneficial. The potential benefits of electric buses, including lower levels of pollution, reduced GHG emissions, and decreased operating costs, could last for many years. The up-front costs for an electric bus and its charging station are more than twice the cost of a diesel bus, and state grants likely would accelerate the adoption of electric buses. Some aspects of the proposal, however, could be improved. In the remainder of this section, we recommend several modifications to (1) achieve greater reductions in pollution, (2) allow more districts to use the program, (3) improve fiscal incentives, and (4) adjust funding based on district interest.

Prioritize Replacement of the Oldest Buses. Whereas the Governor proposes four criteria that would give districts priority for funding, we recommend modifying the proposal so that it prioritizes replacing the oldest buses first. This modification would increase the potential reductions in air pollution by focusing the program on replacing buses manufactured under less stringent emission standards. Under this approach, the state could retain other considerations (such as preference for rural schools or schools with high numbers of low-income students) as secondary factors.

Allow Funding for Other Types of Buses When Electric Buses Are Not Feasible. Under the Governor's proposal, some districts might continue to operate older buses emitting higher levels of pollution because electric buses are not viable replacements. We recommend modifying the Governor's proposal to allow funding for nonelectric buses in some cases. One option would be to allow rural districts to receive funding to replace a specified percentage of their fleets with nonelectric school buses. The state could allow additional nonelectric buses for these districts (or urban districts) based on their individual circumstances. One previous program, for example, allowed districts to purchase nonelectric buses if they could provide information about their routes and a consultation with an electric bus dealer demonstrating that electric buses would be infeasible. Funding a nonelectric bus might not reduce GHG emissions significantly, but could provide significant reductions in local pollutants like nitrogen oxides and particulate matter.

Eliminate Proposed Allowance for Other Transportation Expenditures. We recommend the Legislature eliminate the portion of the grant providing funding for costs not directly related to the bus or its infrastructure. Eliminating this allowance would create parity with other bus replacement programs and avoid creating incentives for districts to forego those programs. Given that the proposed grants would cover the entire cost of the bus and charging station, we think the state could expect districts to pay for other costs out of their local budgets.

Provide Smaller Amount Initially and Adjust Future Funding Based on Demand. Whereas the Governor proposes to provide \$1.5 billion for the program immediately, we recommend the Legislature plan to allocate funding over multiple years and begin with a smaller amount. This approach would allow the state to adjust future funding based on district interest and the progress the state makes toward its goals for replacing older buses and reducing emissions. One way to implement this recommendation would be to plan for a three-year program and provide an initial allocation of \$500 million in year one. To help determine funding amounts for the subsequent two years, the Legislature could require CDE to track and report data on the number of applications received and funded, as well as data on the age of the buses being replaced. Alternatively, if the Legislature decides to provide an immediate allocation closer to the \$1.5 billion proposed by the Governor, it might want to expand the program to ensure it can allocate the full amount to interested districts. To the extent the Legislature makes changes to the timing or amounts for the Governor's proposal, it would need to account for the changes in capital outlay spending as part of its plan for addressing the state appropriations limit.

Consider Most Appropriate Agency to Administer the Program. CDE has an existing unit dedicated to school transportation, previously administered a bus replacement program for small districts, and regularly distributes other school funding. Based on these factors, CDE likely has the ability to implement the proposed program. On the other hand, CARB is already administering the bus replacement program created in the 2021-22 budget plan. Assigning the new program to CDE would result in different agencies administering two similar programs. Many districts likely would submit funding applications with each agency, and both agencies likely would incur additional workload to coordinate their grant awards and ensure districts receive one grant per bus. If the Legislature wanted to streamline the allocation of funding, it could assign the new program to CARB.

Suggested Questions.

- DOF: Given existing programs for school bus procurement, would there be benefits of administering these funds through California Department of Education rather than CARB or the CEC?
- LAO/CDE: Are there any districts where an electric school bus might not be feasible for its transportation services?
- DOF: What is the demand for electric school buses, and do existing programs and resources fall short of meeting this demand?

Staff Recommendation. Hold this item open.

Issue 2: Nutrition

Panel

- Alex Shoap, Department of Finance
- Amy Li, Legislative Analyst's Office
- Kim Frinzell, Department of Education

Background**School Nutrition Programs (SNP)**

Beginning in 2022-23, Local Educational Agencies will be required to provide two school meals to students free of charge for grades Transitional Kindergarten to grades twelve during each school day, regardless of a student's eligibility for federally funded free and reduced price meals under California's education code. The budget provides for the state reimbursement of school meals up to the combined free breakfast and lunch reimbursement rate amounts not covered by the federal meal reimbursements for schools participating in the federally funded school meals program.

Currently, Education Code Section 49550 requires school districts and county offices of education (COE) to provide nutritionally adequate meals to pupils who are eligible for free and reduced-price (F/RP) meals every school day. Education Code Section 47613.5 extends this requirement to charter schools. Charter schools offering nonclassroom-based instruction must also offer at least one nutritionally adequate meal for eligible pupils on any school day that the pupil is scheduled for educational activities lasting two or more hours at a school site, resource center, meeting space, or other satellite facility operated by the charter school.

Education Code Section 49550(c) defines "school day" as any day that pupils in kindergarten or grades 1 to 12, inclusive, are attending school for purposes of classroom instruction, including, but not limited to, pupil attendance at minimum days, state-funded preschool, transitional kindergarten, summer school including incoming kindergarten pupils, extended school year days, and Saturday school sessions.

Section 34 of the 2020 Budget Act established Education Code Section 43503 that adds distance learning as an instructional model and requires school districts, COEs, and charter schools to provide nutritionally adequate meals for eligible pupils during schooldays in which those pupils participate in distance learning. This requirement allows flexibility in how food is distributed as long as students eligible for F/RP meals have access to a nutritionally adequate meal during each school day.

A nutritionally adequate meal (breakfast and lunch) must meet the federal meal pattern requirements and qualify for federal reimbursements.

Types of Meal Programs

The California Department of Education (CDE) administers school meal programs overseen by the United States Department of Agriculture (USDA). The main programs are as follows:

National School Lunch Program (NSLP) – The National School Lunch Program is a federally funded program that assists schools and other agencies in providing nutritious lunches to children at reasonable prices. In addition to financial assistance, the program provides donated commodity foods to help reduce lunch program costs. The National School Lunch Program is operated on a reimbursement basis, with agencies paid on the number of meals served. Agencies that participate in the program are reimbursed from two sources: the USDA and the State of California. State reimbursement is paid for all free and reduced price meals. Federal reimbursement is paid for all free, reduced price, and paid meals. The National School Lunch Program (NSLP) also offers reimbursement to schools serving nutritious snacks to children participating in after-school care programs.

School Breakfast Program – Local Educational Agencies may also choose to participate in the School Breakfast Program. The School Breakfast Program is a federally funded USDA program which assists schools and other agencies in providing nutritious breakfasts to children at reasonable prices. Similar to the National School Lunch program, the School Breakfast Program must be open to all enrolled children. If a child already qualifies for free or reduced-price lunches, then the child would also qualify for free or reduced-price breakfasts. The School Breakfast Program is operated on a reimbursement basis, with agencies paid on the number of meals served multiplied by the appropriate reimbursement rate. State reimbursement is paid for all free and reduced price meals. School sites may qualify for higher reimbursement rates if they are designated to be in severe need (if, two years prior, 40 percent or more of the lunches served at the site were free or reduced-price). Sites must annually re-establish their eligibility for the Severe Need Breakfast Reimbursement.

Summer Food Service Program - The Summer Food Service Program (SFSP) is a U.S. Department of Agriculture (USDA) federally funded program that reimburses sponsors for administrative and operational costs to provide meals for children 18 years of age and younger during periods when they are out of school for fifteen (15) or more consecutive school days. Sponsors may operate the SFSP at one or more sites, which are the actual locations where meals are served and children eat in a supervised setting. Eligible sites are those that serve children in low-income areas or those that serve specific groups of low-income children. Sponsors must provide documentation that proposed sites meet the income eligibility criteria required by law. There are three common types of sites: open sites, camps (residential and nonresidential), and closed enrolled sites.

Open sites are meal sites where meals are available to any child from the community. Open sites are located in needy areas where 50 percent or more of the children residing in the area are eligible for free or reduced-price (F/RP) school meals, enrollment in a program is not required. Meals are made available to all children in the area on a first-come, first-serve basis. Camp sites are those that offer regularly scheduled food service along with organized activities for enrolled residential or day campers. The camp receives reimbursement only for meals served to enrolled children who qualify for F/RP meals. Closed sited are open only to enrolled children or to an identified group

of children, as opposed to the community at large. Closed enrolled sites must also establish their eligibility through the individual income eligibility of the children attending the site.

LEAs may also choose to operate a Seamless Summer Option through the National School Lunch (NSLP) or School Breakfast Programs (SBP). School Food Authorities (SFA) follow the same meal service rules and claiming procedures used during the regular school year. Meals served are reimbursed at the NSLP and/or SBP “free” rates.

The California Department of Education estimates that there were 829 school sites participating in the National School Lunch Program that did not also participate in the School Breakfast Program. Additionally, there are approximately 517 school sites that do not participate in either program. This could result in a combined total of 1,346 new School Breakfast Program sites now eligible for the proposed revisions and additional award through the School Kitchen Infrastructure Funds.

Eligibility

Under federal USDA school meal programs, all school-aged children in income-eligible households are eligible for school meal benefits regardless of a child’s immigration status. The family-size income levels are prescribed annually by the Secretary of Agriculture for determining eligibility for free and reduced price meals and free milk. The free guidelines are 130 percent of the Federal poverty guidelines. The reduced price guidelines are 185 percent of the Federal poverty guidelines.

LEAs may identify eligible children in a few different ways. They must notify all families of free and reduced price meals and provide applications for families to complete. In addition, LEAs may directly certify student eligibility by using information from other means-tested programs, including Supplemental Nutrition Assistance Program (SNAP) and Temporary Assistance for Needy Families (TANF) or by determining that a child is eligible due to identification as homeless, runaway, migrant, or foster child, or enrollment in federal Head Start or comparable state program. LEAs must provide households with notification of direct certification or provide an application.

Community Eligibility Provision (CEP) - The CEP was implemented by the federal Healthy, Hunger-Free Kids Act of 2010. The CEP allows high-poverty schools to eliminate the administrative burden of school meal applications and still serve breakfast and lunch at no charge to all students. Schools that have implemented the CEP have experienced striking increases in school meal participation, and many reported improved attendance.

Beginning in 2022-23 school year, all schools eligible for the Community Eligibility Provision, the federal universal meals provision, will be required to apply for the program by June 30, 2022 (if they are not already participating) to reduce volatility in costs to the state and ensure the state is not responsible for costs that could be reimbursed at the federal level. The state will then cover any remaining unreimbursed costs up to the federal free per-meal rate, at an estimated cost of \$650 million Proposition 98 General Fund annually.

Recent Budget Actions

Typically, an LEA must operate under specific rules related to the meal programs they are participating in to receive reimbursement. This means that during the school year, LEAs participating in school meals program provide meals at specified times, sites, and settings. During the summer, when school is out of session, LEAs may continue to participate in meal programs that allow for more flexibility in the methods of food distribution as described above. During the current pandemic, the USDA has issued nationwide waivers that now extend through June 30, 2022, to allow non-congregate feeding and meal service time flexibility during the school year, consistent with flexibilities typically allowable under summer meal programs. The federal waivers also increase the federal reimbursement rate schools will receive for these meals for 2021-22 from around \$3.75 to \$4.32 per lunch to account for higher operation costs during the pandemic (such as addressing staffing shortages and higher food costs related to inflation).

In response to the concerns that LEAs' nutrition programs were struggling to cover costs, the 2020-21 budget provided \$192 million in one-time Federal Elementary and Secondary Schools Emergency Relief for LEA school meal reimbursements during summer break and COVID-19 school closures through August 30, 2020, at a rate of up to an additional 75 cents per meal. It also allowed state reimbursement funds from 2019-20 to be used for disaster relief for LEAs who did, or attempted to, serve student meals during the school closure period.

The 2021-22 Budget provided \$54 million ongoing Proposition 98 General Fund for the Child Nutrition Program to provide the state reimbursement rate for universal breakfast and lunch in the 2021-22 budget year. Additionally, the 2021-22 Budget included \$150 million one-time Proposition 98 General Fund for school districts to upgrade kitchen infrastructure and equipment, as well as provide training to food service employees. Of this amount, \$120 million will provide a minimum of \$25,000 per district for kitchen upgrades and equipment, and \$30 million to provide a minimum of \$2,000 per district for training to promote nutritious foods, food preparation, and healthy food marketing. Eighty percent of eligible local educational agencies (940 out of 1176 local educational agencies) registered for the funds. For kitchen infrastructure funding, most LEAs requested funding to purchase cooking equipment and make associated facility upgrades (91 percent), followed by service equipment (88 percent)—such as mobile carts—and refrigeration and storage (88 percent). By June 30, 2023, CDE is required to collect expenditure reports and narrative responses explaining how these funds were used to improve the quality of school meals or increase school meals participation from each participating local educational agency.

On December 17, 2021, the USDA announced \$1.5 billion nationwide to states and school districts to help school meal program operators deal with the challenges of supply chain disruptions brought on by the pandemic. Of this amount, California received \$171.5 million.

Governor's Budget Proposal

The Governor's Budget includes \$596 million Proposition 98 General Fund to cover the costs of universal meal requirements in the 2021-22 budget, and bring total funding to \$650 million. This figure is an estimate, and updated estimates are expected later this spring.

Additionally, the proposed budget includes \$450 million in one-time Proposition 98 General Fund, available over three years, to upgrade school kitchen infrastructure and equipment, and this funding would be exempt from the State Appropriations Limit. The funding would be allocated in three ways:

- **Base Grant.** A \$100,000 base grant for every LEA. Funds could be used for kitchen infrastructure upgrades and staff training.
- **Per-FRPM Student Grant.** After accounting for base grants, half of the remaining funding would be allocated to LEAs where at least 30 percent of students are FRPM-eligible. Funds would be distributed proportionally based on an LEA's population of students that qualify for FRPM. As with the base grant, these funds could be used for kitchen infrastructure upgrades and staff training.
- **Scratch Cooking Grant.** The remaining funding would be allocated to LEAs based on the number of meals served in October 2022 and could be used for facility improvements and equipment upgrades to increase scratch and speed scratch cooking. To receive this funding, LEAs would have to attest that, beginning in 2023-24, at least 40 percent of meals served will be prepared using scratch and speed scratch cooking methods.

Lastly, the budget includes \$3 million one-time Proposition 98 General Fund to support School Breakfast and Summer Meal Start-Up and Expansion Grant Program, which provides schools with funding to start-up or expand their School Breakfast Program or their Summer Meal Program.

Separately, the proposed budget also includes \$60 million one-time General Fund over two years to support the California Farm to School program. The proposed budget includes an additional \$30 million in one-time General Fund to establish additional farm to school demonstration projects and \$3 million ongoing General Fund to expand the regional California Farm to School Network by adding 16 new positions at the California Department of Food and Agriculture (CDFA). The CDFA broadly considers farm to school programs as combining: (1) schools or early care and education programs buying California grown or produced foods, (2) educational activities that connect classroom learning with cafeteria meals, and (3) hands-on food education opportunities in school gardens, on farms, in settings that celebrate traditional foodways and cultivate food sovereignty, and through other experiential learning pathways. Programs may include forest-to-school, river-to-school, and ocean-to-school. This issue will be reviewed in Senate Subcommittee #2.

Legislative Analyst's Office

The Legislative Analyst's Office provides the following recommendations:

Approve Funding Augmentation to Implement Universal Meals. We recommend the Legislature approve the proposed funding augmentation to increase the state share for reduce-priced and paid meals as the state implements the universal meals requirement starting in 2022-23. The exact amount of funding likely will need to be updated as part of the May Revision, when the state will have more data on meals served during the 2021-22 school year.

Reduce Proposed Kitchen Infrastructure Funding to \$150 Million, Focus on Universal Meals Implementation. Given the recent funding provided and the uncertainty regarding overall demand, we recommend the Legislature provide \$150 million (one-third of the amount proposed by the Governor) for kitchen infrastructure upgrades and training. This would match the amount provided in 2021-22. Similar to the first round of funding, we recommend setting the base grant amount at \$25,000 per LEA, rather than the proposed \$100,000 per LEA. The remaining funding could be distributed by formula to all LEAs. As we discuss in more detail below, we also recommend the funding be targeted to implementing universal meals, not encouraging more scratch cooking. The Legislature could revisit both universal meals implementation and scratch cooking and provide additional funding in future years, once more information about demand and the use of 2021-22 grants becomes available.

Consider Modifying Formula to Target Districts Most Impacted by Universal Meals. Regarding the allocation formula, the Legislature could also consider modifying the formula to provide more funding to LEAs that would need to increase capacity most under universal meals. This would likely provide more funding to districts not currently participating in the federal nutrition programs or with a lower share of students eligible for FRPM. Given that the Legislature committed to implementing universal meals, targeting funding to LEAs most impacted by these new requirements could ensure smoother implementation. One way to allocate funding is based on projections of how many more meals an LEA will need to serve under universal meals compared to a prior baseline level of meals served.

Legislature Could Consider Other SAL-Excludable Expenditures. If the Legislature were to reject or reduce the size of this proposal, it would likely need to replace the associated spending with other SAL-excludable proposals to continue meeting its overall SAL requirement. The Legislature could fund a variety of other options, such as funding for districts to address school facility needs related to climate resiliency or deferred maintenance projects.

Suggested Questions.

- DOF/CDE: If there is the possibility of up to 1,346 school sites that would be new School Breakfast Program sites, would \$3 million be enough to meet the potential demand? If not, what would be a sufficient level of funding?
- DOF/LAO/CDE: If the funding for the program were to shift from a capped appropriation to an entitlement model, what would be the annual estimated cost of the program, and what variables would factor into this cost?

Staff Recommendation. Hold this item open.

Issue 3: Multilingual Libraries**Panel**

- Alex Shoap, Department of Finance
- Amy Li, Legislative Analyst's Office
- Alesha Moreno-Ramirez, Department of Education

Governor's Proposal

The budget proposes \$200 million one-time Proposition 98 General Fund to establish a grant program to enable local educational agencies to create or expand multi-lingual school or classroom libraries offering culturally relevant texts to support reading instruction. These funds will be available for one year. Eligible local educational agencies must have schools that meet all of the following criteria:

- The school has a free reduced meal program student population that is at least 80 percent of the school's total student population.
- The school has an English Learner student population that is at least fifteen percent of the school's total student population.
- The school serves students in state preschools operated by school districts and charter schools, kindergarten, or grades 1 to 3, inclusive.

The Department of Finance estimates that 2,000 schools will be eligible, with an average grant award of approximately \$100,000.

Staff Recommendation. Hold this item open.

Issue 4: Fremont Student Housing Modernization Project**Panel**

- Randall Katz, Department of Finance
- Amy Li, Legislative Analyst's Office
- Cheryl Cotton, Department of Education

Background

The California Department of Education provides oversight and support to three State Special Schools and three Diagnostic Centers in California. These include: California School for the Deaf in Fremont, California School for the Deaf in Riverside, California School for the Blind, and Diagnostic Centers located in Fremont, Fresno, and Los Angeles. The schools provide comprehensive educational programs composed of academic, extracurricular, and residential activities for students with auditory and/or visual impairments. The diagnostic centers provide assessment services for students in special education with complex educational needs, along with professional learning and technical assistance support for educators and community partners.

Constructed in 1980, the California School for the Deaf-Fremont and California School for the Blind student housing facilities are antiquated, not compliant with current codes and needs incorporation of modern design solutions for deaf and blind individuals' needs. The Fremont Campus consist of: California School for the Deaf, Fremont; the California School for the Blind, Fremont; and Diagnostic Center Northern California (DCNC).

Governor's Proposal

The California Department of Education – State Special Schools and Services Division (CDE-SSSSD) requests \$7.5 million General Fund for the working drawings phase of this project that consist of renovation of the 43-year old student residential housing buildings, eighteen at the California School for the Deaf-Fremont (CSDF) and eight the California School for the Blind (CSB), as well as improvements to utilities and path of travel routes. The 2021-22 Budget included \$8.5 million General Fund for a topographical study and the preliminary plans phase of this project. Total projects costs are \$114,806,000 General Fund.

The Governor's 5-Year Infrastructure Plan includes \$155.8 million General Fund at the State Special Schools, including \$49.5 million for three projects to address aged infrastructure at the Riverside School for the Deaf. These projects include: (1) Transportation, facilities, and warehouse, (2) Central Services Complex, and (3) Auditorium and theater.

Staff Recommendation. Hold this item open.

6350 SCHOOL FACILITIES AID PROGRAM**Issue 5: School Facility Program****Panel**

- Jennifer Kaku, Department of Finance
- Amy Li, Legislative Analyst's Office
- Lisa Silverman, Office of Public School Construction, Department of General Services

Background

In November 2016, the voters passed the Kindergarten through Community College Facilities Bond Act of 2016 (Proposition 51), which authorizes the state to sell \$9 billion in general obligation bonds for K-14 facilities (\$7 billion for K-12 and \$2 billion for community colleges).

The California State Auditor released a report in January 2022, which found that California will need \$7.4 billion in state funding to meet anticipated modernization requests over the next five years. It additionally found that the state could increase equity in the facilities program by adjusting its first-come, first-served approach to reviewing and approving modernization projects by prioritizing funding for districts from financially challenged districts. Districts that can complete projects on their own with local funding can receive reimbursement from the State after their projects are finished. Conversely, financially challenged districts apply for “financial hardship” so that the state fund the local share of facilities projects, but can be left waiting for state funds in order to begin their projects, delaying improvements to their facilities.

School districts can apply for “facility hardship,” in cases of extraordinary circumstances that have caused an imminent health and safety threat. Unlike districts that apply for “financial hardship,” school districts that apply for facility hardship are exempted from the first-come, first-served approach and may move up in priority for funding.

Governor's Budget Proposal

The proposed budget includes the remaining remnants of the bond authority, which costs approximately \$1.4 billion in K-12 bond authority in 2022-23, for new construction, modernization, career technical education, and charter facility projects. This amount is similar to the amounts provided in previous years, including 2019-20, 2020-21, and 2021-22.

For new construction projects, Proposition 51 bond funds will be processed by April 2022 and apportioned in Fall 2022 after the fall bond sale, which will exhaust available bond funds for new construction. For modernization projects, Proposition 51 bond funds will be processed by December 2022 and apportioned in both Fall 2022 and Spring 2023 after bond sales occur, which will exhaust available bond funds for modernization.

Because Proposition 51 bond authority is expected to be exhausted in 2022-23, the Budget proposes approximately \$1.3 billion one-time General Fund in 2022-23 and \$925 million one-time

General Fund in 2023-24 to support new construction and modernization projects through the School Facility Program. The 2022-23 General Fund investment would be processed beginning in July 2022 with the first apportionments made in approximately November 2022. This investment would be exhausted in approximately June/July 2023. The 2023-24 GF investment would be processed and apportioned beginning in July 2023 and would be exhausted by April 2024. Existing law stipulates that if new construction funds are available, developer fees cannot be implemented. Because new construction funds proposed with General Fund would be available through April 2024, developer fees would be avoided through then.

The Office of Public School Construction expects to process an average of \$125 million in new construction and modernization projects each month. If the proposed GF investment is approved, OPSC anticipates needing to propose regulatory changes to the State Allocation Board to process the applications for GF-funded projects using a direct funding model, which differs from how funds are currently apportioned for bond-funded projects.

Suggested Questions

- OPSC: Will there be any programmatic differences between how the bond funding and the General Fund be administered, and if so, what will they be?

Staff Recommendation. Hold this item open.

0985 CALIFORNIA SCHOOL FINANCE AUTHORITY**Issue 6: Charter School Facility Grant Program****Panel**

- Jennifer Kaku, Department of Finance
- Michael Alferes, Legislative Analyst's Office
- Katrina Johantgen, California School Finance Authority

Background

The Charter School Facility Grant Program is administered by the California School Finance Authority (CSFA) and provides annual grants to partially offset annual ongoing facilities rent and lease costs for charter schools for which 55% or more of the pupils enrolled at that school site or located in that attendance area are eligible for Free or Reduced Price Meals (FRPM).

Prior to the 2016-17, the program was typically undersubscribed, which resulted in the Authority not awarding the entire annual apportionment. As a result, the FRPM program eligibility threshold was changed from 70% to 55%. Since this change went into effect, the number of program applicants, along with the percentage of funding disbursed, has steadily risen. The chart below provides historical information related to Program apportionments, amounts awarded to schools, the number of applicants as well as the percentage of funding disbursed to schools.

<i>History of Apportionments, Awards, and Distribution Allocation for the Charter School Facility Grant Program</i>				
Fiscal Year	State Budget Appropriation	Funds Awarded	Percentage of State Budget Appropriation Disbursed	School Awardees
2011-2012*	\$76,509,000	\$5,166,452	6.75%	43
2012-2013*	\$92,031,000	\$37,525,209	40.77%	261
2013-2014	\$92,031,000	\$65,575,245	71.25%	318
2014-2015	\$92,031,000	\$74,902,988	81.39%	331
2015-2016	\$112,031,000	\$89,969,742	80.31%	372
2016-2017	\$112,031,000	\$98,667,899	88.07%	396
2017-2018	\$133,177,000	\$133,177,000	100.00%	418
2018-2019	\$136,786,000	\$136,786,000	100.00%	415
2019-2020	\$136,786,000	\$136,786,000	100.00%	426
<i>* Program under CDE administration; upon program transfer, the Authority issued \$42,691,661 in awards to schools that had applied through CDE</i>				

Source: California School Finance Authority

The funds are used first for rents and leases, and if excess funds are available, they may be used on eligible facilities costs such as remodeling buildings, code compliance, or deferred maintenance. Since 2018-19, all program funds have been used to pay rent and lease costs, and as a result, funds have not been made available for other eligible facilities costs since that time. Because the program has been oversubscribed since 2018-19, CSFA has not requested that schools submit this information to them since then; however, CSFA is able to estimate requested costs based on requested amounts in 2017-18 and 2018-19, and project growth for these requested costs using COLA for each fiscal year.

The chart below is a breakdown of other eligible facility related costs requested (and projected requested amounts) for each fiscal year since 2017-18. In addition, there is information on the amount paid for these costs in 2017-18 and 2018-19.

Fiscal Year	Total Program Appropriation	COLA	Other Eligible Facility Related Costs - Requested		Schools Eligible for Other Eligible Facility Related Costs	% of Total Applicants	Average Request per Eligible School	Other Eligible Facility Related Costs (OC) - Paid
2017-18	\$133,177,000	1.56%	\$31,024,000		314	77%	\$98,803	\$16,211,797
2018-19	\$136,786,000	2.71%	\$35,092,000		317	76%	\$110,701	\$26,319,251
2019-20	\$136,786,000	3.26%	\$36,236,000	*	318	73%	\$113,951	N/A
2020-21	\$136,786,000	0%	\$36,236,000	*	306	72%	\$121,155	N/A
2021-22	\$143,520,000	5.07%	\$38,073,000	*	290	69%	\$130,013	N/A
2022-23	\$182,487,000	5.33%	\$40,102,000	*	290	69%	\$136,942	N/A

* These amounts are estimates that use the 2018-19 request level and adjust upward for COLA in each fiscal year.

Governor's Proposal

The budget proposes \$30 million ongoing Proposition 98 General Fund to support eligible facilities costs for the Charter School Facility Grant Program. These funds can be used by eligible charter schools for costs associated with remodeling buildings, deferred maintenance, initial installation or extension of service systems and other built-in equipment, site improvements, and facility modifications to mitigate the spread of COVID-19.

Staff Recommendation. Hold this item open.