

*Senate Budget and Fiscal Review—Nancy Skinner, Chair*

# **SUBCOMMITTEE NO. 1**

# **Agenda**

**Senator John Laird, Chair**  
**Senator Dave Min**  
**Senator Rosilicie Ochoa Bogh**  
**Senator Lola Smallwood-Cuevas**



**Thursday, March 23, 2023**  
**9:30 a.m. or Upon Adjournment of Session**  
**State Capitol - Room 2100**

Consultant: Yong Salas

<b>6100</b>	<b>Department of Education .....</b>	<b>2</b>
	Issue 1: California Collaborative for Educational Excellence .....	2
	Issue 2: Equity Multiplier + Accountability Proposals .....	4
	Issue 3: Transitional Kindergarten .....	18
	Issue 4: California State Preschool Program.....	22
	Issue 5: Special Education.....	26

## **Public Comment**

*Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.*

---

**6100 DEPARTMENT OF EDUCATION****Issue 1: California Collaborative for Educational Excellence****Panel.**

- Matt Navo, Executive Director, California Collaborative for Educational Excellence

**Background.**

The California Collaborative for Educational Excellence (CCEE) was established in the 2013-14 Budget Act – the same year that the Local Control Funding Formula (LCFF) was enacted – to advise and assist school districts, charter schools, and county offices of education to achieve goals in their local plans and petitions under the LCFF. The Marin County Office of Education serves as its fiscal agent, and the CCEE is governed by a board representing the perspectives of the Governor, California Legislature, teachers, district and county superintendents, and the State Superintendent of Public Instruction.

Under the purview of its Governing Board, the CCEE is responsible for advising and assisting local educational agencies with achieving the goals set forth in their Local Accountability Plans (LCAPs), identifying areas in need of improvement and strengthening instructional practices through technical assistance, and providing intensive intervention for school districts receiving emergency apportionments. The CCEE provides direct technical assistance and systemic instructional reviews for school districts that are referred to the CCEE – and the CCEE has agreed – by the county superintendent or the State Superintendent and for school districts that have emergency loan apportionments. This work is part of the CCEE’s role in the state system of support, which is intended to better connect local educational agencies serving students to each other and to state entities and other stakeholders to improve educational outcomes over time.

Currently, the CCEE is providing direct technical assistance to four school districts that have been identified and referred for intensive intervention through the state system of support, and two school districts that have received emergency apportionments. The CCEE is currently engaged with 21 county offices of education to determine if 30 identified school districts would necessitate referral to the state system of support for direct technical assistance from the CCEE, and anticipate that there will be formal referrals for three to five school districts for support from the state system of support and/or direct technical assistance from the CCEE.

The CCEE also assists geographic lead agencies and other lead agencies within the State System of Support, which can include the facilitation of technical assistance between county offices of education and school districts and county office of education-focused professional learning networks, or staff and resource development to help deliver technical assistance.

Lastly, the CCEE assists in administering several recently-funded initiatives, evaluations and grant programs including: the Community Engagement Initiative (funded in 2018 and again in 2022),

high-quality online instructional material evaluation, the reading instruction and intervention evaluation, and the educator workforce investment grant program.

CCEE received an annual appropriation in 2022-23 of \$12.47 million Proposition 98 General Fund to support the agency's work in addition to ongoing federal funds the CCEE started receiving in 2019-20 to administer the 21st Century California School Leadership Academy with the California Department of Education. The CCEE also received the following one-time funds to support the efforts listed below:

Year Appropriated	Title	Appropriation	Year to Encumber
2018-19	Community Engagement 1.0 (AB 1808, Sec. 140, 2017 BA)	\$13,274,000—in partnership with the San Bernardino Superintendent of Schools, the California Association for Bilingual Education, and Families in Schools—of which \$660,000 is for the administrative agent.	2023-24
2020-21	COVID-19 relief to support positive pupil outcomes (AB 86, Sec. 8)	\$5,000,000 to support LEAs in maximizing positive pupil outcomes and most effectively using funds. Of this amount, \$250,000 is set aside for the administrative agent.	2023-24
2021-22	Learning Acceleration System Grant (AB 130, Sec. 152)	\$50,000,000, of which CCEE can retain \$5 million for grant administration and professional learning development, coordination, and execution. Of the \$5 million, the administration agent receives \$750,000.	2025-26
2021-22	High-Quality Online Instructional Materials Repository and Evaluation (AB 130, Sec. 144)	\$15,000,000, of which \$450,000 will be used by CCEE for the evaluation of increasing access and use of open educational resources by LEAs. The administrative agent set-aside is \$67,500.	2023-24
2021-22	Reading Instruction and Intervention Professional Learning Opportunities Dissemination (AB 130, Sec. 145)	\$10,000,000, of which CCEE can use up to \$200,000 for the evaluation of the professional learning opportunities for effectiveness. The administrative agent set-aside is \$30,000.	2025-26
2021-22	Individualized Education Program (IEP) Template expert panel (SB 154, 2022 BA; federal funds)	\$200,000 is the CCEE apportionment and \$30,000 is set aside for the administrative agent.	2023-24

2022-23	Community Engagement Initiative 2.0 (AB 181, Sec. 38)	\$100,000,000, of which \$5 million is for the administrative agent.	2028-29
2020-21	21st Century California Leadership Academy-CSLA (AB 74, Sec. 2019 BA; federal funds)	\$200,000 annual appropriation of which \$25,000 is for the administrative agent	2022-23

**Governor’s Budget.**

For the proposed 2023-24 budget, the CCEE still maintains an annual allocation of \$12.74 million; however, \$4.3 million of this amount is comprised of carryover funds from previous years’ appropriations. Additionally, the Administration proposes trailer bill changes to California’s accountability affecting the CCEE, which will be discussed in depth in the next item.

**Staff Recommendation.** Hold open.

**Issue 2: Equity Multiplier + Accountability Proposals**

**Panel.**

- Lina Grant, Department of Finance
- Michael Alferes, Legislative Analyst’s Office
- Sara Cortez, Legislative Analyst’s Office
- Malia Vella, Department of Education
- Blake Johnson, Department of Education

**Governor’s Budget Proposal.**

**Equity Multiplier.** The Governor’s Budget proposes an ongoing \$300 million Proposition 98 General Fund beginning in 2023-24, with an applied cost-of-living-adjustment that would begin in 2024-25, to local educational agencies for services and supports that “directly benefit” eligible schoolsites. Eligible schoolsites are determined by the percentage of enrolled students that are eligible for free meals in the prior year – for elementary and middle schools that threshold is 90 percent or more students, and for high schools the threshold is 85 percent or more – and are schools maintained by a county office of education, a charter school, or a school district, including basic aid school districts. The per-unit funding will be determined by total statewide eligible enrollment and the amount of funds available, with a minimum amount of \$50,000 provided to each eligible school.

**Changes to the Local Control and Accountability Plan (LCAP).** The Local Control and Accountability Plan (LCAP) is a three-year plan, updated annually, that provides transparency and

---

alignment between the local educational agency’s education goals and priorities with its financial resources. The Governor’s Budget proposes changes to the development of the LCAP, and how frequently the local educational agency provides updates on outcomes and implementation. The Governor’s Budget also proposes to include long-term English learners as a separate pupil subgroup within the state’s public school performance accountability program. Specifically, the Governor’s Budget proposes the following changes to the LCAP:

- *Replaces “goals” for the lowest performing subgroups with “focused goals.”* Requires local educational agencies that have (1) a school that receives the lowest performance level on at least one indicator, (2) a pupil subgroup with the local educational agency that receives the lowest performance level on at least one indicator, or (3) a pupil subgroup within a school that receives the lowest performance level on at least one indicator, to include “focused goals” in its LCAP that is specific to the area of need and only speaks to new or modified actions to support improvement. If the local educational agency includes a school that receives equity multiplier funding under the Governor’s proposal, the LCAP must include focused goals for that school that addresses (1) any underlying issues in the credentialing and subject matter preparation of the school’s teachers, and (2) any student group that receives the lowest performance level on at least one state indicator.
- *Mid-year LCAP update.* Requires the local educational agencies to provide an update on its LCAP, including information for all available mid-year outcome data and mid-year expenditure and implementation data, by February 28 of every year.
- *Requires a change to actions that are not effective.* Requires actions that are not effective over a three-year period to be changed to a new or strengthened approach, and include an explanation of the reasons for a lack of progress.
- *Includes technical or differentiated assistance information in the LCAP.* Requires local educational agencies to provide information related to any technical or differentiated assistance it may be receiving in its LCAP as a condition of LCAP approval by the county office of education or the State Superintendent.

**Changes to the State System of Support.** The Governor’s Budget proposes changes to the State System of Support that modifies the referral process for technical and differentiated assistance, and intense intervention, and how that assistance should be applied. Specifically, the proposed trailer bill language includes:

- *Assistance eligibility.* Requires that a local educational agency that does not submit data to the California Longitudinal Pupil Achievement Data System (CALPADS) will be referred for differentiated assistance.
- *Length of Support.* Specifies that assistance shall be provided for at least the two years following identification for differentiated assistance. This will lead to a potential increase in costs for differentiated assistance, which may be provided at the May Revise.

- *Educator qualifications.* Codifies that data regarding educator qualifications should be reviewed when a school district is looking at their performance data to identify strengths and weaknesses when receiving assistance. This presents no change in practice, since it is already included as a local indicator.
- *Reviewing the LCAP as part of differentiated assistance.* Allows, as part of a local educational agency’s differentiated assistance provided by a county office of education, a review of the LCAP be done in its identified goals, actions, and services.
- *Intermediary between differentiated assistance and intensive intervention.* Creates an additional step within the levels of the system of support between differentiated assistance (which requires one or more student groups to be lowest-performing in two priority areas) and receiving assistance from CCEE (which requires three or more student groups eligible for differentiated assistance in three of four years). The proposed change would require the assistance of the geographic lead when a local educational agency is eligible for differentiated assistance for 3 or more years, even if it is only for one student group. Additionally, it requires the geographic lead to evaluate if an expert lead is necessary to improve the effectiveness of the technical assistance being provided.
- *Referral to the California Collaborative for Educational Excellence.* Requires that local educational agencies that meet certain criteria for assistance are automatically referred to the California Collaborative for Educational Excellence. Also clarifies the fee-for-service authority for services provided outside of differentiated assistance or direct technical assistance.
- *School Dashboard Data Posting.* Finally, it establishes deadlines for when School Dashboard data is publicly available.

**Equity Leads.** The Governor’s Budget proposes that the Department of Education and the California Collaborative for Educational Excellence select two to four county offices of education or consortia of county offices of education as equity leads to operate within the state systems of support. The selected equity leads would partner and support the work of local educational agencies in analyzing, identifying, and implementing actions and services that address disparities, including racial disparities, and prioritize working with schools that receive equity multiplier funding. The Governor’s Budget includes placeholder funding for equity leads, which will be determined at a later date.

### **Background.**

**Local Control Funding Formula (LCFF) for School Districts and Charter Schools.** The LCFF is designed to provide districts and charter schools with the bulk of their resources in unrestricted funding to support the basic educational program for all students. It also includes additional funding based on the enrollment of low-income students, English learners, and foster youth for increasing or improving services to these high-needs students. Low-income students, English learners, and foster youth students are referred to as “unduplicated” students in reference to the LCFF because, for the purpose of providing supplemental and concentration grant funding, these

---

students are counted once, regardless of if they fit into more than one of the three identified high-need categories. Major components of the formula are briefly described below.

- **Base Grants** are calculated on a per-student basis (measured by student average daily attendance, or ADA) according to grade span (K-3, 4-6, 7-8, and 9-12) with adjustments that increase the base rates for grades K3 (10.4 percent of base rate) and grades 9-12 (2.6 percent of base rate). The adjustment for grades K-3 is associated with a requirement to reduce class sizes in those grades to no more than 24 students by 2020-21, unless other agreements are collectively bargained at the local level. The adjustment for grades 9-12 recognizes the additional cost of providing career technical education in high schools. For school districts, funded ADA is equal to the greater of current or prior year ADA.
- **Supplemental Grants** provide an additional 20 percent in base grant funding for the percentage of enrollment that is made up of unduplicated students.
- **Concentration Grants** provide an additional 65 percent above base grant funding, which was increased from 50 percent in the 2021-22 Budget Act, for the percentage of unduplicated students that exceed 55 percent of total enrollment.

Currently, local educational agencies are required to show in their LCAPs how funds apportioned through their supplemental and concentration grants are used to support unduplicated students. The supplemental and concentration grant funding must be used to increase or improve services for unduplicated students that is in proportion to the services provided to all students, otherwise known as minimum proportionality. The minimum proportionality percentage is determined by dividing the funds attributed to supplemental and concentration grant funds by the remaining funds (or the funds attributed to the base grants), excluding add-on funding in LCFF.

**Local Control and Accountability Plan (LCAP).** To ensure accountability for LCFF funds, the state requires that all local educational agencies adopt an LCAP every three years in a public hearing and annually update it on or before July 1. The LCAP must include locally-determined goals for each school year for all pupil subgroups in support of the eight state educational priorities for school districts (for county offices of education there are ten state priorities), as well as any additional local priorities. These goals are then required to be further defined in the LCAP with specific actions.

The LCAP must also include budgeted expenditures that support implementation of each specific action that is included in the LCAP, and the specific expenditures and actions that support increased or improved services for unduplicated pupils that meet the minimum proportionality requirement. If the local educational agency is identified for additional assistance for the same pupil subgroup for three or more consecutive years, or if the local educational agency includes a school that receives the two lowest performance levels on all but one of the state indicators even though the district-wide data may have a higher performance level, they must include a goal in the LCAP to improve the identified pupil subgroup's performance. In adopting the LCAP, local educational agencies must consult with parents, students, teachers, and other school employees.

School district LCAPs are subject to review and approval by county offices of education, while county office of education LCAPs are subject to review and approval by the State Superintendent of Public Instruction (SPI).

**California’s Accountability System.** California’s accountability system uses multiple measures, and performance on these measures are then displayed on the California School Dashboard, which includes state and local performance standards for all LCFF priorities, to report progress for local educational agencies. These performance standards are used to:

1. Support local educational agencies in identifying strengths, weaknesses, and areas for improvement;
2. Assist in determining whether local educational agencies are eligible for assistance; and
3. Assist the State Superintendent of Public Instruction in determining whether local educational agencies are eligible for more intensive state support/intervention.

The table below displays the ten LCFF priority areas that California’s accountability system is founded on.

Priority Area	State Indicator	Local Indicator
<b>Priority 1:</b> Basic Services or Basic Condition at Schools	N/A	Annual measurement of appropriately assigned teachers, access to curriculum-aligned instructional materials, and safe, clean and functional school facilities.
<b>Priority 2:</b> Implementation of State Academic Standards	N/A	Annual measure of progress in implementing state academic standards.
<b>Priority 3:</b> Parent and Family Engagement	N/A	Annual measure of progress in seeking input from parents in decision making and promoting parental participation in programs.
<b>Priority 4:</b> Student Achievement	<ul style="list-style-type: none"> <li>• Academic (grades 3–8 and grade 11)</li> <li>• English Learner Progress</li> </ul>	N/A



<b>Priority 5:</b> Student Engagement	<ul style="list-style-type: none"> <li>• Graduation Rate</li> <li>• Chronic Absenteeism</li> </ul>	N/A
<b>Priority 6:</b> School Climate	<ul style="list-style-type: none"> <li>• Suspension Rate</li> </ul>	Administration of a local climate survey at least every other year that provides a valid measure of perceptions of school safety and connectedness to students in at least one grade within the grade span(s) that the LEA serves (e.g., K–5, 6–8, 9–12).
<b>Priority 7:</b> Access to a Broad Course of Study	N/A	Annual measure of progress on the extent students have access to, and are enrolled in, a broad course of study.
<b>Priority 8:</b> Outcomes in a Broad Course of Study	<ul style="list-style-type: none"> <li>• College/Career</li> </ul>	N/A
<b>Priority 9: (COEs Only)</b> Coordination of Services for Expelled Students	N/A	Annual measure of progress in coordinating instruction for expelled students.
<b>Priority 10: (COEs Only)</b> Coordination of Services for Foster Youth	N/A	Annual measure of progress in coordinating services for foster youth.

Source: Department of Education

The state uses the California School Dashboard to display how districts and schools are performing on multiple state and local measures. The results are used to identify strengths and weaknesses, which are then used by local educational agencies to inform the LCAP and determine academic goals, metrics, and actions to improve student outcomes. Progress for these indicators are disaggregated by 13 pupil subgroups, which include:

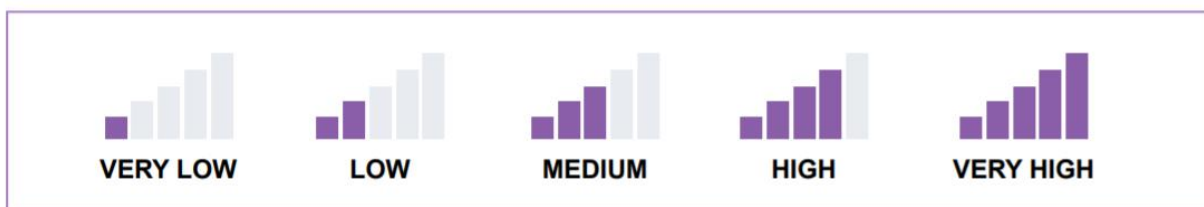
- Asian
- Black
- Filipino
- Latino
- Native American
- Pacific Islander
- Two or More Races
- White
- English Learners
- Foster Youth
- Homeless youth
- Socioeconomically disadvantaged
- Students with disabilities

For homeless and foster youth, performance data is shown if it includes 15 or more students. For all other subgroups, performance data is shown if it is at least 30 or more students.

In prior years, the Dashboard reported performance levels through the use of colors: blue, green, yellow, orange, and red. Blue represents the highest performance level while red represents the lowest performance level. These performance levels were determined using two years of data utilizing current year performance and the difference from prior year to show growth or decline. Below is a representation of how progress for these indicators were displayed on the School Dashboard website:



However, due to requirements under Assembly Bill 130 (2021), the 2022 Dashboard only displays the most current year of data. As a result, unlike prior Dashboards, performance levels are not reported using colors. Instead, the 2022 Dashboard reports performance levels using one of five Status levels (ranging from Very High, High, Medium, Low, and Very Low) for all state measures based on the 2021–22 school year data. Below is how progress for 2022 is currently displayed. In September 2022, the State Board of Education revised the criteria for making differentiated assistance determinations and limited it to the progress of only the state indicators.



*Note: The Status levels are reversed for both the Chronic Absenteeism and Suspension Rate Indicators in comparison to other state measures, and the goal is to have a low rate of student absence and suspension.*

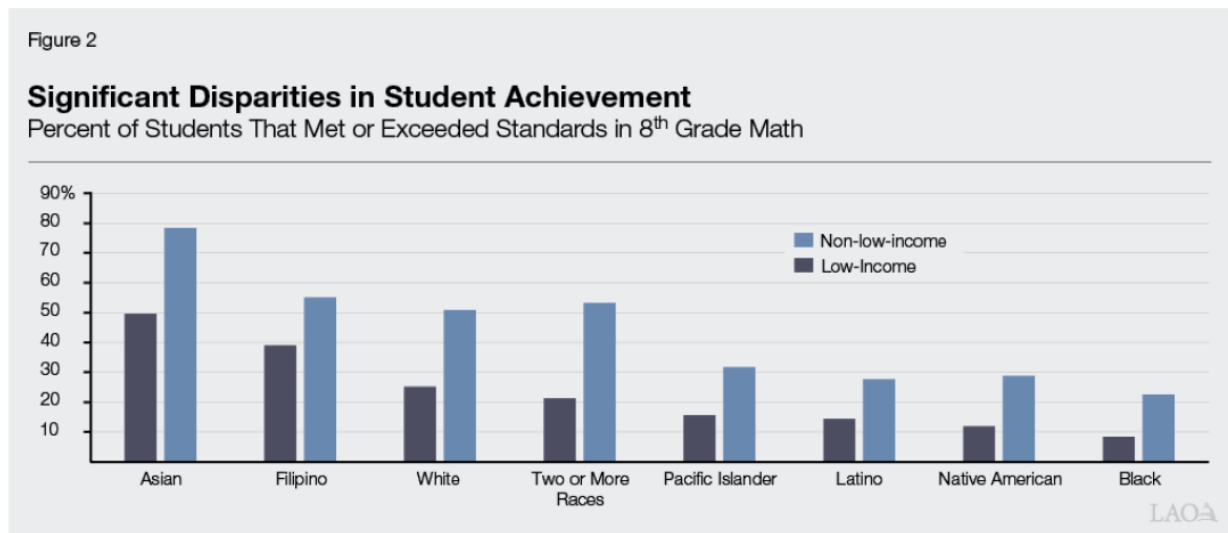
Source: Department of Education

Below are the pupil subgroups that have been identified on the 2022 Dashboard as the lowest performing for each of the state indicators on a statewide level. The table also includes data from the 2019 Dashboard, the last year of available data before the COVID-19 pandemic suspended Dashboard activities, and data from the 2018 Dashboard, the first year data was available:

<b>State Indicator</b>	<b>Lowest Performing Pupil Subgroup on the 2022 Dashboard</b>	<b>Lowest Performing Pupil Subgroup on the 2019 Dashboard</b>	<b>Lowest Performing Pupil Subgroup on the 2018 Dashboard</b>
<b>Academic Progress (as measured by English Language Arts assessments)</b>	<ul style="list-style-type: none"> <li>• Foster Youth</li> <li>• Students with Disabilities</li> </ul>	<ul style="list-style-type: none"> <li>• None</li> </ul>	<ul style="list-style-type: none"> <li>• Foster Youth</li> <li>• Students with Disabilities</li> </ul>
<b>Academic Progress (as measured by Mathematics assessments)</b>	<ul style="list-style-type: none"> <li>• African American</li> <li>• Foster Youth</li> <li>• Homeless</li> <li>• Students with Disabilities</li> </ul>	<ul style="list-style-type: none"> <li>• None</li> </ul>	<ul style="list-style-type: none"> <li>• Foster Youth</li> <li>• Students with Disabilities</li> </ul>
<b>Chronic Absenteeism</b>	<ul style="list-style-type: none"> <li>• African American</li> <li>• American Indian</li> <li>• English Learners</li> <li>• Foster Youth</li> <li>• Hispanic</li> <li>• Homeless</li> <li>• Two or More Races</li> <li>• Pacific Islander</li> <li>• Socioeconomically Disadvantaged</li> <li>• Students with Disabilities</li> <li>• White</li> </ul>	<ul style="list-style-type: none"> <li>• African American</li> <li>• Foster Youth</li> <li>• Homeless</li> </ul>	<ul style="list-style-type: none"> <li>• African American</li> <li>• Foster Youth</li> <li>• Homeless</li> </ul>
<b>Graduation Rate</b>	<ul style="list-style-type: none"> <li>• Foster Youth</li> </ul>	<ul style="list-style-type: none"> <li>• Foster Youth</li> </ul>	<ul style="list-style-type: none"> <li>• Foster Youth</li> </ul>

The Legislative Analyst's Office also notes that the state has significant disparities in the education outcomes of various student groups, including significant disparities in the outcomes of different racial groups. The Legislative Analyst's Office also notes that disparities between racial groups exist even when accounting for income. In fact, the share of low-income white students that met or exceeded state standards in math (25 percent) is slightly higher than the share for non-low-income Black students (23 percent). Similar disparities exist in English language arts and

at other grade levels. The below chart provided by the Legislative Analyst’s Office displays how these disparities compare:



Source: Legislative Analyst’s Office

The Legislative Analyst’s Office also notes that disparities based on income and race exist for essentially all indicators the state collects. For the cohort of students that entered high school in fall 2017, 35 percent of low-income students graduated having completed the minimum coursework required for eligibility into the University of California or California State University. This compares with 62 percent of those who are not low income. The state also has large disparities in suspension rates, where rates for Black and Native American students are more than twice the state average.<sup>1</sup>




**State System of Support.** The State System of Support, which is a network of local educational agencies and state entities, provides three levels of support to local educational agencies (LEAs) and schools. The first level, general assistance, is made up of resources and assistance that are available to all LEAs and schools. The second level of assistance, known as differentiated assistance (DA), is targeted support that is available to LEAs that meet the eligibility requirements set by the State Board of Education. The third level of support, Intensive Intervention, may be provided to LEAs that are identified as having persistent performance issues and a lack of improvement over four consecutive years.

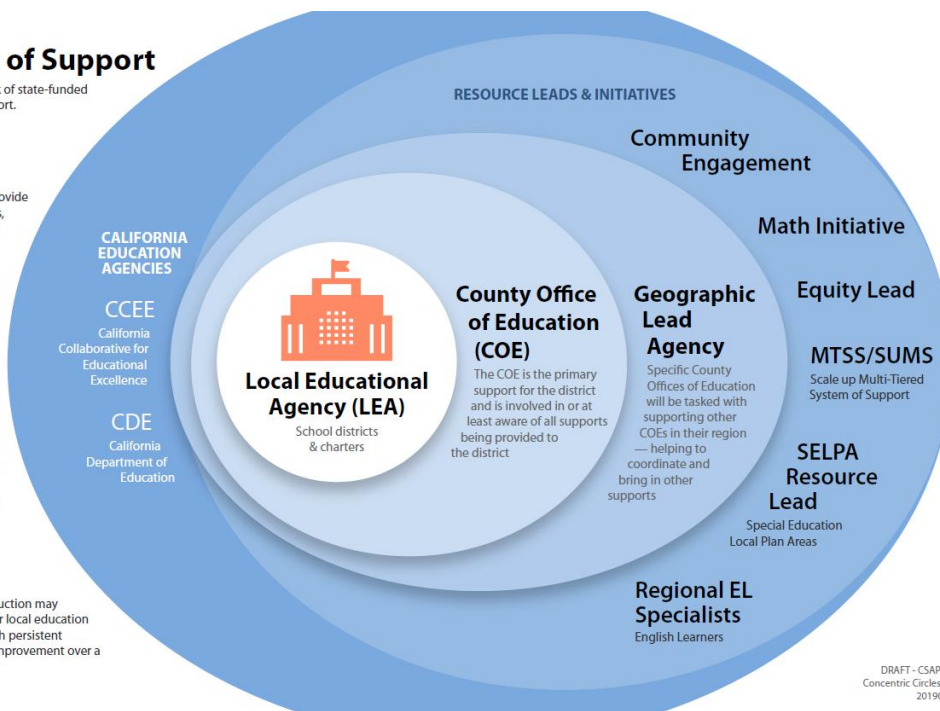
Below is a visual graphic of the State System of Support (which includes equity leads, as proposed in the 2023-24 Governor’s Budget):

<sup>1</sup> Alferes, M., Cortez, S. (2023) *The 2023-24 Budget: Equity Multiplier and Accountability Proposals*. Legislative Analyst’s Office. <https://lao.ca.gov/Publications/Report/4700>

### California System of Support

This graphic is intended to show the network of state-funded support providers under the System of Support.

- 
**LEVEL 1**  
**SUPPORT FOR ALL**  
 Various state and local agencies provide an array of support resources, tools, and voluntary technical assistance that all LEAs may use to improve student performance at the LEA and school level and narrow gaps in performance among student groups across the LCFF priorities.
- 
**LEVEL 2**  
**DIFFERENTIATED ASSISTANCE**  
 County Superintendents, the California Department of Education, and the California Collaborative for Educational Excellence provide differentiated assistance by working with school districts to address identified performance gaps among student groups.
- 
**LEVEL 3**  
**INTENSIVE INTERVENTION**  
 The Superintendent of Public Instruction may require more intensive supports for local education agencies (LEAs) and/or schools with persistent performance issues and a lack of improvement over a specified time period.



DRAFT - CSAP 5o5  
 Concentric Circles Rte  
 20190225

County offices of education receive funding to provide assistance to school districts that are identified for differentiated assistance. All county offices of education with one or more districts eligible for differentiated assistance receive a base of \$200,000 in additional LCFF state aid. In addition to the base amount, county offices of education generate additional funds based on the total number and size of the districts identified for differentiated assistance in their jurisdiction. This funding is allocated based on a three-year average of eligible districts.

Entitlement	Multiplier	School District Prior Year Annual Average Daily Attendance	EC 2575.2 Allowance
Base	Per County	N/A	\$200,000
Small District	Per District	1 to 2,499	\$100,000
Medium District	Per District	2,500 to 9,999	\$200,000
Large District	Per District	10,000 or more	\$300,000

Source: Department of Education

Currently, a school district or county office of education is identified for differentiated assistance if they have at least one lowest performing pupil subgroup in two or more priority areas. In 2022, 628 school districts and county offices of education were identified for differentiated assistance, and the most common student group for which these local educational agencies were identified is students with disabilities.<sup>2</sup> In 2022-23, county offices of education received \$70 million to provide differentiated assistance to its school districts.

<sup>2</sup> Alferes, M., Cortez, S. (2023) *The 2023-24 Budget: Equity Multiplier and Accountability Proposals*. Legislative Analyst’s Office. <https://lao.ca.gov/Publications/Report/4700>

---

**Legislative Analyst's Office Comments.****Equity Multiplier and LCAP changes.**

***More Attention to School Sites and Subgroups Is Warranted.*** Initial studies evaluating the effectiveness of LCFF have shown evidence that additional funding has led to improvements in student outcomes for districts that received greater shares of supplemental and concentration funding. These districtwide improvements, however, did not necessarily result in the same levels of improvement for the lowest-performing schools or subgroups within districts with relatively high shares of EL/LI students. Furthermore, a 2021 Public Policy Institute of California report found that statewide only about 55 percent of supplemental and concentration grant funding was used at specific school sites that generated the funding. (Some of the remaining funding could have been used for districtwide activities that benefits those schools.) This is consistent with broader education research that documents disparities in spending across school sites. High-poverty schools are more likely to have less experienced, lower-paid staff, which often offsets the additional targeted spending that districts provide to these schools.

***Additional Funding Is Not the Key Issue, Recommend Rejecting Funding Increase.*** We estimate that the \$300 million for the equity multiplier would be allocated to about 800 school sites, with an average of about \$860 per student. This compares with an estimated \$13 billion and roughly \$3,400 per student the state provides per EL/LI student through supplemental and concentration grant funding districts and charter schools will receive in 2022-23. Of the roughly 800 school sites that we estimate will qualify for the equity multiplier, 98 percent are in LEAs that receive concentration grant funding through LCFF. LEAs already are expected to use their supplemental and concentration grant funding to target high-poverty schools. It is not clear how the additional funding from the equity multiplier would address any specific issues that cannot be addressed with supplemental and concentration funding. For these reasons, we recommend rejecting the additional funding increase. As we discuss below, the Legislature can take action that increases transparency and ensures existing LCFF funding is targeted to the highest need schools and student subgroups.

***Recommend Greater Transparency to Ensure Existing Funding Actually Targets the Highest-Need Schools.*** Rather than provide more funding, we recommend the Legislature consider options to provide greater transparency regarding how funding is spent across schools. This would help the state determine if districts are targeting schools with the greatest need. Tracking spending at the school level, however, can be quite burdensome and difficult to standardize across school districts. Given most school funding is spent on staff salaries and benefits, we recommend the state instead require LEAs to publicly report for each of their schools the (1) share of teachers that are fully credentialed and properly assigned, (2) share of teachers with less than three years of experience, and (3) student-to-teacher ratio. The state could also require similar reporting for other school staff, such as counselors, psychologists, and aides. This information would give the public and the state a good sense of how funding is spread across schools. We also would recommend that any LEAs with low-performing schools be required to review the disparities in staffing levels and experience across the LEA and take actions to address them.

---

**Clarity Needed on Whether Spending on Low-Performing Racial Groups Can Count Towards Increasing or Improving Services.** In our conversations with several school districts and COEs, we found differing opinions regarding whether LEAs could use LCFF supplemental or concentration funding to increase or improve services specifically for a low-performing racial group. We think activities targeting low-performing racial groups is consistent with the intent of LCFF to close achievement gaps, particularly given that lower-performing racial groups are also more likely to be low income than the state average. The Legislature may want to ask the administration to report on whether they think targeting specific low-performing racial groups is allowable under current law and regulations. At that point, the Legislature could determine whether statutory changes are necessary or whether the state could address the issue by providing additional guidance to LEAs.

**Recommend Minor Modifications to Proposed LCAP Changes.** We find the Governor's proposed LCAP changes would help encourage LEAs to bring greater attention to lower-performing schools and subgroups. In particular, the proposed focused goals required for low-performing schools and subgroups would bring greater attention to actions that would help students with the greatest needs. Additionally, requiring LEAs to review the effectiveness of their actions over a three-year period is aligned with the three-year LCAP process and can help ensure LEAs are making changes when actions do not have their intended effects. We recommend the Legislature adopt the proposed changes, with a few modifications.

- **Focused Goals.** The Governor's proposal requires that focused goals for equity multiplier schools address teacher credentialing and preparation, to the extent this is an issue in the school. We recommend this requirement apply to all focused goals related to low-performing schools and subgroups. Consistent with our previous recommendation, we also recommend requiring that all focused goals for low-performing schools address disparities in the experience of teachers across the LEA. This will provide greater transparency with how LEAs address disparities in their workforce across schools. Finally, we also recommend requiring LEAs to keep focused goals for a school or subgroup for at least three years, or until the LCAP cycle is completed. This would ensure LEAs' actions to address the needs of the school or student group are sustained over multiple years.
- **Midyear LCAP Update.** The Governor's proposed changes would require a midyear update on LCAPs at a public hearing on or before February 28 each year. We recommend the Legislature clarify that the midyear update must only include updated metrics to the extent they are available. This would minimize the administrative burden for LEAs.

**Moving Forward, Explore Ways to Shorten LCAPs.** Although the proposed LCAP changes have merit, they are likely to result in LCAPs being longer. LCAPs are already very long documents, typically more than 100 pages and often more than 200 pages for larger districts. We have heard concerns from stakeholders and LEAs that the length and complexity of these documents makes it difficult to engage families and community members. Moving forward, the Legislature could consider changes that would streamline LCAPs so they are more accessible to families and communities, while moving key details to other more appropriate mediums. For example, the Legislature could explore moving detailed LCAP expenditure data to an interactive online portal that would allow users to determine the level of detail they want to review. The Legislature could

also require added features to the California School Dashboard that allow users to see outcome data by school or subgroup—data that is commonly listed in LCAPs in a text-based format—using graphics that are more user-friendly and allow disaggregation and manipulation of the data.

### **System of Support Changes**

***Requiring Greater Involvement of Geographic Leads and CCEE Is an Improvement Over the Current Practice.*** The Governor’s budget proposes notable improvements to the system of support by specifying when a district is to receive support from its geographic lead or CCEE. Current law does not specify when other system of support entities are to provide additional assistance or support for districts who have been in differentiated assistance for many years and continue to have low-performing subgroups. The administration’s proposed changes help ensure LEAs receive support from other entities involved in the system, which is particularly important in cases where little to no improvement has occurred.

***Clarify Type of Support Geographic Leads Will Provide.*** To ensure the assistance provided is well targeted and builds on the LEA’s previous work, we recommend further defining the type of support geographic leads will provide to LEAs when in differentiated assistance for three or more years. Specifically, we recommend requiring their assistance be more intensive compared to differentiated assistance provided by the COE. For example, assistance could focus on supporting LEAs to develop a strategy for closing achievement gaps and implementing strategies addressing the specific needs of low-performing subgroups. This support should take into consideration the strategies the LEAs already have implemented.

***Role of Equity Lead Is Duplicative of Other Agencies.*** The administration indicates the equity leads would support LEAs by analyzing programs, identifying barriers, and implementing actions that address the needs of all students. These activities are very similar to the support COEs, geographic leads, and CCEE already provide through differentiated assistance. While equity leads have the added task of providing support that addresses racial disparities, we question how this support will be different or more effective than other assistance provided through system of support entities. Focusing on racial disparities should be a central part of differentiated assistance since many districts are identified for having performance issues among specific racial groups. If the Legislature adopts the Governor’s proposal to create equity leads, we recommend the state have a clearer and narrower objective for these entities. This will ensure that the support equity leads provide is not duplicative of other entities within the system of support. For example, the Legislature could specify the equity lead is tasked with providing training to COEs to ensure equity is at the center of differentiated assistance and incorporated into all improvement initiatives. We also recommend the Legislature clarify that all the entities within the system of support (not just the equity leads) should be supporting districts in addressing its racial disparities.

### **Staff Comment.**

Under the Governor’s proposal, the schools that qualify for equity multiplier funding are identified by the percentage of students who are enrolled and eligible for free meals. Local educational agencies that include these equity multiplier schools are then required to include additional programmatic details in their LCAP on the description of stakeholder engagement at equity



---

multiplier schools, and focused goals for equity multiplier schools that address (1) credentialing or subject matter preparation issues, and (2) lowest-performing student groups on any of the state indicators. Staff notes that because the equity multiplier funds are appropriated outside of the local control funding formula, additional detail on the expenditures of the equity multiplier funds in the LCAP are not required, like it would be for supplemental and concentration grant funds, and would not count towards the minimum proportionality percentage. However, the proposed trailer bill requires the funds be used to “directly benefit” the schoolsites that generate this funding, and the Administration has indicated that the Department of Education will likely need to develop guidance around how “directly benefits” is defined.

Staff also notes that the overlap between the multiplier equity schools and the identification of a low performing pupil subgroup may be significant but not perfectly aligned under the Governor’s proposal. According to information provided by the Department of Finance using federal Every Student Succeeds Act (ESSA) data as a proxy, approximately two-thirds of equity multiplier schools were identified with certainty as having a low-performing pupil subgroup, with the remaining schools either being non-traditional or not having met the ESSA criteria (the Department of Finance notes that they likely have a low-performing student subgroup on at least one indicator, but was not captured by the ESSA data).

Lastly, staff raises the question of whether local educational agencies who have struggling pupil subgroups are appropriately identified for differentiated assistance, which may in turn impact how the local educational agency contemplates additional supports and services for these students. The criteria to identify local educational agencies that are in need of additional assistance are based on whether a pupil subgroup is at the lowest performance level in indicators across at least two state priorities. Most of the state priorities are demonstrated through more than one indicator, and the Math and English performance indicators are generally coupled together (historically, a pupil subgroup had to be identified as “red” and “red” or “red” and “orange” on both, and for the 2022 Dashboard, a pupil subgroup must be at the lowest performance level for both). So if, for example, a pupil subgroup is at the lowest performance level for only English and Mathematics, the local educational agency may not be identified for differentiated assistance because both of these indicators fall under Priority 4, Student Achievement. However, if a pupil subgroup is at the lowest performance level for Mathematics (and either low or lowest performance for English) and Chronic Absenteeism, which fall under Priority 4 and Priority 5 (Student Engagement) then the local educational agency would be identified for differentiated assistance. Conversely, a local educational agency may also have multiple pupil subgroups at the lowest performance level for one indicator for several years and not be eligible for differentiated assistance.

The Administration’s proposal for local educational agencies to include “focused goals” for pupil subgroups who are at the lowest performance level on at least one indicator in the LCAP help address this potential gap; however, whether these pupil subgroups are addressed in any differentiated assistance the local educational agency may receive or addressed in the LCAP when discussing the assistance it may receive may be another potential gap that should be examined. Staff notes that any changes to identification for differentiated assistance that could lead to significantly more local educational agencies being identified may result in pressures in both the capacity of the assistance provider and related statewide costs. The subcommittee may wish to

explore whether the state should re-examine how local educational agencies are identified for additional assistance.

**Suggested Questions.**

- How can local educational agencies address low-performing pupil subgroups, including racial subgroups, in their LCAPs currently?
- How will the equity leads provide additional support that is different to what school districts, county offices of education, and other leads in the state system of support are providing?
- What outcomes is the Administration expecting from local educational agencies that end up working with the equity leads?
- How does the proposal to add “focused goals” and differentiated assistance to the LCAP interact with the current requirements to discuss how increased or improved services are provided for unduplicated students? Is there an opportunity here to shorten the LCAP?

**Staff Recommendation.** Hold open.

<b>Issue 3: Transitional Kindergarten</b>
---

**Panel.**

- Jodi Lieberman, Department of Finance
- Sara Cortez, Legislative Analyst’s Office
- Sarah Neville-Morgan, Department of Education
- Stephen Propheter, Department of Education

**Governor’s Budget Proposal.**

**Appropriation.** The 2022 Budget Act provided \$614 million to support the first year of expanded eligibility for transitional kindergarten, in addition to \$383 million to add one additional certificated or classified staff person to transitional kindergarten classrooms to meet ratio requirements. The Governor’s Budget revises these estimates from \$614 million to \$604 million for expanded access, and \$383 million to \$337 million for the additional certificated or classified staff. The Governor’s Budget also proposes to include \$690 million to implement the second year of transitional kindergarten, and \$165 million to support the addition of certificated or classified staff in transitional kindergarten classrooms. These funds will increase the Proposition 98 Guarantee through the process of rebenching.

**Transitional Kindergarten Adult-to-Student Ratio.** The Governor’s Budget maintains a 1-to-12 adult-to-student ratio and proposes trailer bill language to allow local educational agencies to enroll additional students who will have their fifth birthday between June 2 and September 2 upon

---

certain actions by its governing board. The Governor’s Budget also proposes trailer bill that prohibits the State Board of Education’s waiver authority with regard to the transitional kindergarten adult-to-student ratio requirements.

**Qualifications for Second Adult in Transitional Kindergarten Classroom.** The Governor’s Budget proposes additional qualifications for adults who serve in the transitional kindergarten classroom, which would go into effect in the 2028-29 school year. These qualifications can be met for individuals by either being credentialed, participating in an educator apprenticeship or residency program, holding a child development permit, or other pathways as identified.

The Governor’s proposal for the Full Day Kindergarten Facilities Grant Program will be considered by this subcommittee on April 13, 2023.

### **Background.**

SB 1381 (Simitian), Chapter 705, Statutes of 2010, enacted the “Kindergarten Readiness Act” and established the transitional kindergarten (TK) program, beginning in 2012-13, for children who turn five between September 2 and December 2. TK is the first year of a two-year kindergarten program that uses a modified, age and developmentally appropriate curriculum. It is intended to be aligned with California Preschool Learning Foundations developed by the California Department of Education.

Each elementary or unified school district must offer TK and kindergarten for all eligible children, regardless of family income. TK is funded through the Local Control Funding Formula (LCFF) allocation. In 2019-20, 89,000 students in California were enrolled in TK, reflecting a 71 percent uptake of all eligible four year olds. It is estimated that by 2025-26, between 291,000 and 358,200 students may be enrolled in TK, reflecting an estimated uptake range of 60 percent to 80 percent.<sup>3</sup> In addition to an elementary teaching credential, starting August 1, 2023, TK teachers are required to have either 24 units in early childhood education and/or child development, a child development permit, or comparable experience in a classroom setting. Whether TK and Kindergarten is offered for half-day or full-day classes is determined by the local educational agency.

The 2021 Budget gradually expands TK eligibility from 2022-23 to 2025-26 so that by 2025-26, a child who has their fourth birthday by September 1 will be eligible for TK, and capped the class sizes for TK classes to be no more than 24 students. Pursuant to this agreement, the 2022 Budget appropriated funding to expand eligibility for TK for students whose fifth birthday occurs between September 2 and February 2, and also provided funding to add one additional certificated or classified staff to every TK classroom. Below is the transitional kindergarten expansion schedule:

---

<sup>3</sup> Melnick, H., García, E., & Leung-Gagné, M. (2022). *Building a well-qualified transitional kindergarten workforce in California: Needs and opportunities*. Learning Policy Institute. <https://doi.org/10.54300/826.674>

Year	Eligibility
2021-22	Must have fifth birthday between September 2 and December 2.
2022-23	Must have fifth birthday between September 2 and February 2.
2023-24	Must have fifth birthday between September 2 and April 2.
2024-25	Must have fifth birthday between September 2 and June 2.
2025-26	Must have fourth birthday by September 1.

Note: Some school districts may allow younger students who do not meet the criteria above to enroll in transitional kindergarten. These students do not generate state funding until their fifth birthday and must turn five before the end of the school year.

*Source: Legislative Analyst's Office*

**California Prekindergarten Planning and Implementation Grants.** To support the implementation of universal transitional kindergarten, the 2021 Budget appropriated \$300 million one-time Proposition 98 General Fund, of which \$200 million was provided to local educational agencies for costs associated with creating or expanding California state preschool programs or transitional kindergarten programs, or to establish or strengthen partnerships with other providers of prekindergarten education for costs including but not limited to planning, hiring and recruitment, training and professional development, classroom materials, and supplies. The remaining \$100 million was used for competitive grants to local educational agencies to increase the number of highly qualified teachers and administrators available to serve California state preschool programs and transitional kindergarten pupils. The 2022 Budget provided an additional \$300 million one-time Proposition 98 General Fund for the California Prekindergarten Planning and Implementation Grant Program, for associated program costs including operational costs.

### **Legislative Analyst's Office.**

***Governor's Budget Likely Overestimates TK Expansion Costs.*** Based on data from the first principal apportionment, the state could reduce its TK ADA estimate in both the current year and the budget year. The first principal apportionment shows a preliminary TK ADA of roughly 91,000 for 2022-23—28,000 lower than the Governor's estimates. Based on these preliminary numbers, we think a reasonable TK ADA estimate for 2023-24 is 128,000— 37,000 below the Governor's estimate. Under these estimates, the state would lower the amount it rebenches to cover the cost of expansion. Compared to the Governor's budget, we estimate the state would lower the amount it rebenches by \$150 million in 2022-23 and \$200 million in 2023-24, which effectively "frees up" non-Proposition 98 General Fund. These lower ADA estimates also result in Proposition 98 General Fund savings associated with the costs of maintaining 1 adult for every 12 students. We estimate the lower ADA estimates results in roughly \$80 million in savings in 2022-23 and \$110 million in 2023-24.

***Current Year Take Up Lower Than Expected.*** In 2022-23, we estimate the state is serving 52 percent of age-eligible children in TK, which is much lower than anticipated. We think some of

the lower take up can be attributed to the pandemic. In 2019-20, we estimate the state served 72 percent of age eligible students in TK. TK enrollment declined during 2020-21, and although it increased in 2021-22, enrollment was still below pre-pandemic levels. In 2022-23, we estimate 32 percent growth in TK enrollment from the prior year—an increase of 11,000 students compared with 2019-20. However, we estimate roughly 65,000 additional children are eligible due to TK expansion, which contributes to the low share of age-eligible children served.

***Maintaining Current Staffing Ratios Seems Reasonable Given State Budget Problem.*** The Governor’s proposed actions help to address the state’s budget issues. In addition, as we discuss in a recent brief, the Governor’s Proposition 98 proposals would create a deficit in 2024-25, as the state is using about \$1.4 billion in one-time Proposition 98 funding to cover 2023-24 LCFF costs. Maintaining the staffing ratio at current levels avoids additional ongoing Proposition 98 General Fund costs that would make the problem worse.

***Keeping the TK Staffing Ratio at Current Levels Helps Avoid Further Workforce Issues.*** In addition to helping address existing budget issues, the Governor’s proposal to keep TK staffing ratios at existing levels also helps ensure that schools do not experience even greater staffing shortages. Requiring that TK classrooms have, on average, 1 adult for every 10 students, instead of 1 adult for every 12 students, means districts need to hire more instructional aides. In some cases, the lower staffing ratio would also mean a school district would need to hire additional credentialed teachers to move from classrooms of 24 to classrooms of 20. Given that only 23 percent of school districts reported having enough TK teachers, dropping to the lower ratio likely will make implementation more challenging.

***Recommend Rejecting Additional Staffing Requirements.*** In light of staffing challenges, we recommend rejecting the additional staffing requirements for adults assigned to TK classrooms. These requirements would make hiring instructional aides for TK classrooms more difficult.

**Suggested Questions.**

- DOF: Could you please provide the rationale for keeping the student-to-teacher ratio at 1:12? Why allow summer babies to enroll in TK and increase class sizes if the ratio is to remain high?
- DOF: Several of the eligible criteria for the second adult in the TK classroom involves a pathway to becoming a credentialed or certificated staff. Why does the Administration view this as necessary for paraeducators in the TK classroom?

**Staff Recommendation.** Hold open.

---

**Issue 4: California State Preschool Program**

---

**Panel.**

- Jodi Lieberman, Department of Finance
- Sara Cortez, Legislative Analyst's Office
- Sarah Neville-Morgan, Department of Education
- Stephen Propheter, Department of Education

**Governor's Budget Proposal.**

**State Preschool Program Appropriation.** Consistent with the 2022 Budget Act, the budget proposes \$64.5 million Proposition 98 General Fund and \$51.8 million General Fund to continue a multi-year plan to ramp up the inclusivity adjustments for the State Preschool Program. The 2023-24 year will be the second year of the three-year ramp up process, and students with disabilities will be required to make up at least 7.5 percent of State Preschool Program providers' enrollment. The Governor's Budget also proposes \$152.7 million General Fund to support reimbursement rate increases previously supported by federal fund, in addition to \$63.3 million General Fund and \$112 million Proposition 98 General Fund to support an 8.13 percent COLA.

Unused funds in the amount of \$130.4 million Proposition 98 General Fund from the 2021 Budget Act for State Preschool is proposed for re-appropriation to help backfill ongoing costs for the Local Control Funding Formula.

**Preschool Classroom Assessment Scoring System.** The budget proposes \$763,000 Proposition 98 General Fund to support the preschool Classroom Assessment Scoring System.

**Clarification of Free and Reduced Meal Program Eligibility for the California State Preschool Program.** The Governor's Budget proposes trailer bill language that would expand eligibility, after priority eligible students are enrolled, for families who not only live within the boundaries of a qualified free and reduced price meals school, but also for families who may work within one.

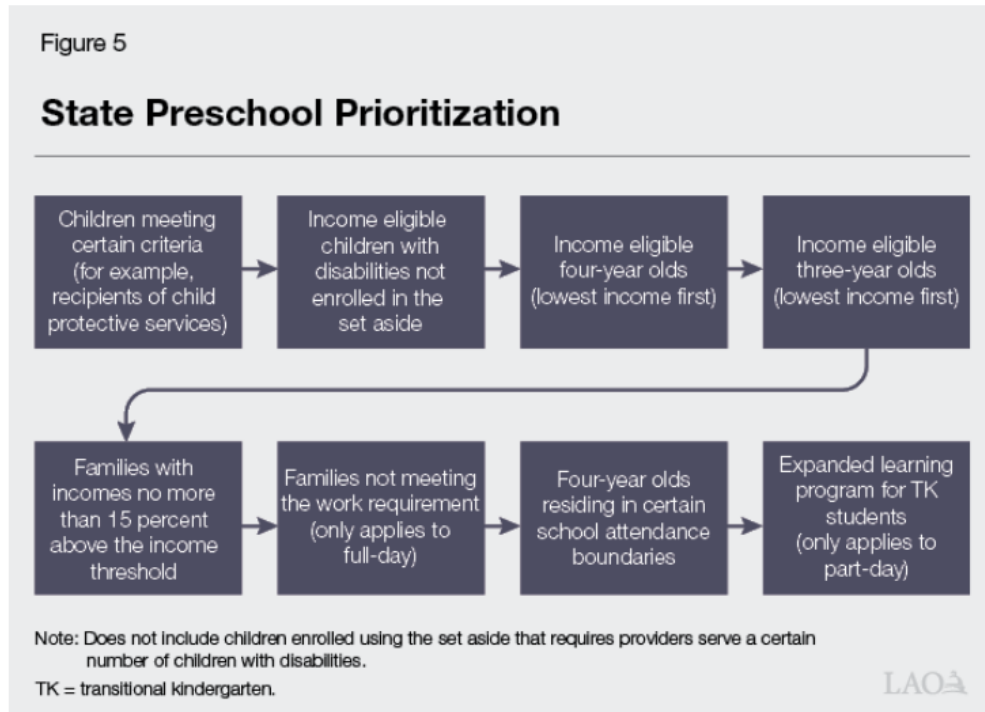
**Background.**

Generally, programs in the early care and education system have two objectives: to support parental work participation and to support child development. Children, from birth to age five, are cared for and instructed in child care programs, State Preschool, transitional kindergarten, and the federal Head Start program.

Commencing July 1, 2021, the administration of child care programs transitioned to the Department of Social Services (DSS), with the exception of the California State Preschool Program, which continues to be administered by the Department of Education (CDE).

State Preschool provides both part-day and full-day services with developmentally-appropriate curriculum, and the programs are administered by local educational agencies (LEAs), colleges,

community-action agencies, and private nonprofits. State preschool can be offered at a child care center, a family child care network home, a school district, or a county office of education (COE). The State Preschool program serves eligible three- and four-year old children, with priority given to four-year olds whose family is either on aid, is income eligible (family income may not exceed 85 percent of the SMI), is homeless, or the child is a recipient of protective services or has been identified as being abused, neglected, or exploited, or at risk of being abused, neglected or exploited. Below is a chart from the Legislative Analyst’s Office that displays the priority list for enrollment in a state preschool program:



Providers of State Preschool must comply with Title 5 of the California Code of Regulations including requirements, such as development assessments for children, rating scales, and staff development.

Preschool-aged children may also be served in other settings, such as other child care settings, federal Head Start programs, or Transitional Kindergarten if the child is age-eligible.

**Funding.** As CSPP programs are run by both LEAs and Non-LEAs, the fund sources for the programs have changed over time. However, since the 2019-20 Budget Act all non-LEA state preschool and wrap care are funded with non-Proposition 98 General Fund and LEA state preschool and wrap care are funded with Proposition 98 General Fund. State Preschool providers contract with and receive payments directly from CDE. Prior to 2022, CSPP programs received the same standard reimbursement rate (SRR) no matter where in the state the program is located. The rate is increased by a statutory adjustment factor for children with exceptional needs, severe disabilities, cases of neglect, and English learners.

The Budget Act of 2021, included a provision that required, commencing January 1, 2022, all early education providers would receive the higher of the SRR, adjusted by COLA, or the 75th percentile of the 2018 regional market rate survey. This change was an attempt to better align rates for early care and education across all providers and care types to allow for movement towards a single reimbursement rate system. In January 2022, the CDE released management bulletin 22-01, detailing these calculations and informing CSPP providers of the change. The 2021-22 budget package also provided \$130 million Proposition 98 General Fund to increase State Preschool slots for school districts and county offices of education.

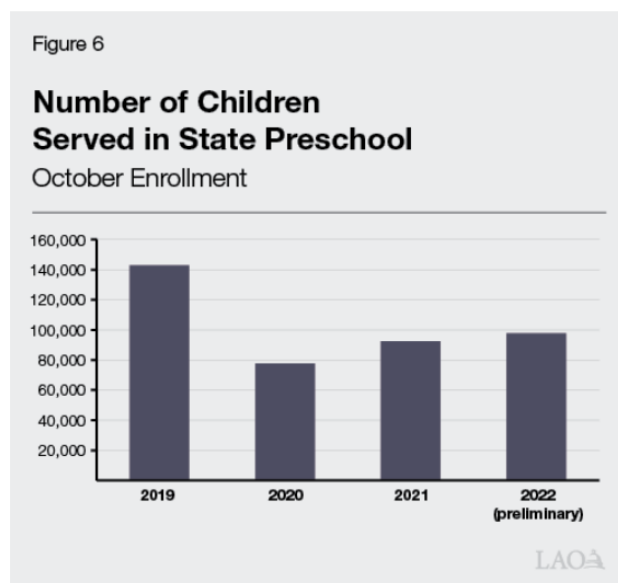
The 2022-23 Budget provided the following:

- **Rates.** \$172.34 million ongoing General Fund, and \$314 million ongoing Proposition 98, for increases in rates for the California State Preschool program to provide a 1.8 adjustment factor for three year olds, a 2.4 factor for students with exceptional needs, and 1.1 factor for mental health services.
- **Family Fee Waivers.** The budget extends the 2021-22 Budget Act actions taken during the COVID-19 pandemic to waive family fees for CSPP and create hold harmless policies for the 2022-23 fiscal year. The budget provides \$21.6 million one-time (\$10.8 million General Fund and \$10.8 million Proposition 98 General Fund) for the cost of family fee waivers. In addition, the budget provides an additional \$1.1 million in General Fund to cover costs of family fee waivers for the California State Preschool Program in the 2021-22 fiscal year.
- **Reimbursement Flexibility.** Since 2020-21, State Preschool providers received the lesser of reimbursable program costs or the contract amount, but did not take attendance into consideration. This allows providers to receive their full contract amount regardless of how many children are enrolled in the program. Prior to the pandemic, reimbursement for direct contract programs was based on the lesser of reimbursable program costs, the contract amount, and the reimbursement rate multiplied by attendance. With this approach, providers had to serve a specified number of children to fully earn the contract. If a provider did not earn a contract, funds would be returned to the state. The 2022-23 budget temporarily extended the pandemic-related reimbursement flexibility until June 30, 2023.
- **Inclusive Early Education Expansion Program.** The budget provides an additional \$250 million one-time, to the Inclusive Early Education Expansion Program at the Department of Education.
- **Inclusive Education.** The budget includes a 10 percent California State Preschool set-aside for inclusive education, beginning in 2024. The inclusive preschool set-aside will begin at five percent in 2022-23 and phase in through 2024-25.



- **Universal Preschool Planning Grants.** The budget provides \$18.3 million General Fund for the first year of a three-year planning process to support Universal Preschool. Requires the CDE to convene and provide recommendations from a statewide workgroup of preschool stakeholders, as specified, regarding preschool quality standards across the mixed child care delivery system; appropriates \$4 million to CDE for administration of this workgroup and the Universal Preschool Planning Grants.

**State Preschool Enrollment.** According to the National Institute for Early Education Research, during the 2020-2021 school year as the COVID-19 pandemic continued, California’s two preschool programs together enrolled 157,106 children, a decrease of 85,665 children from 242,771 in the prior year. The below graphic, provided by the Legislative Analyst’s Office, shows the challenge that California is experiencing to recover enrollment in state preschool programs to pre-pandemic levels:



Source: Legislative Analyst’s Office

### Legislative Analyst’s Office.

**Recommend Allowing Reimbursement Flexibility to Sunset.** Current law sunsets the policy allowing providers to receive funding for the number of children they served prior to the pandemic—regardless of how many children they currently serve. Ending this policy would align State Preschool with LCFF, for which pre-pandemic attendance funding is already phasing out. We think this would help incentivize providers to return to pre-pandemic enrollment levels. If a provider can no longer serve its pre-pandemic enrollment levels (due to local demand from families or workforce issues), ending the reimbursement flexibility allows the state to either (1) redistribute funds to other State Preschool providers that have the demand to expand, (2) redirect the funding to other priorities, or (3) achieve budget savings.

**Eliminating Family Fees for Full-day State Preschool Has Merit.** If funding priorities allow, the Legislature may want to consider eliminating family fees for full-day State Preschool. (The

state does not charge family fees for part-day State Preschool or TK.) This action would eliminate the fiscal incentive for families to enroll in TK rather than State Preschool, even when State Preschool would better meet a family’s needs. Families instead could focus on other aspects of preschool programs when choosing to enroll, such as the time the program starts and ends, the distance the school is from home or work, or any other aspect of the program. Since ongoing funding for State Preschool comes entirely from the state, the program does not have to comply with the federal child care and development fund requirements to assess family fees. We estimate eliminating family fees would cost roughly \$11 million non-Proposition 98 and \$11 million Proposition 98 General Fund. The exact costs would depend on the number of children enrolled and the incomes of the families enrolled in the program. If the Legislature frees up other funds within the State Preschool program, it may want to consider using some of those funds to eliminate fees for families enrolled in a full-day program.

**Staff Recommendation.** Hold open.

### **Issue 5: Special Education**

#### **Panel.**

- Liz Mai, Department of Finance
- Sara Cortez, Legislative Analyst’s Office
- Sarah Neville-Morgan, Department of Education
- Heather Calomese, Department of Education

#### **Governor’s Budget Proposal.**

The Governor’s Budget proposes statutory changes to special education, including:

- Limiting the amount of additional funding that Special Education Local Plan Areas (SELPAs) are allowed to retain for non-direct student services before allocating special education base funding to their member local educational agencies. This amount would be calculated by applying the 2022-23 funding level that SELPAs provided their member local educational agencies annually, with a cost-of-living-adjustment.
- Extending the moratorium on the creation of new single-district SELPAs by two years from June 30, 2024 to June 30, 2026.
- Requiring the California Department of Education to post each SELPA’s annual local plan, including their governance, budget and service plans, on its website.

#### **Background.**

Children with developmental delays or physical impairments may need intervention or supports of some form and are eligible to receive supportive services through a variety of programs. Once a child enters the public school system, typically at age five, the school district of residence provides

---

both education services and eligible special education supports and services for identified disabilities that would otherwise hinder a child from receiving a “free and appropriate public education.” For infants, toddlers, and preschool aged children (generally ages zero to five), families may need to navigate a variety of programs to meet the educational and developmental needs of their children. Once a child enters the public school system, the child is eligible to receive services through age 21.

“Special education” describes the specialized supports and services that schools provide for students with disabilities under the provisions of the federal Individuals with Disabilities Education Act (IDEA). Federal special education laws originally enacted in 1975 and reauthorized as IDEA in 2004, require states to provide early intervention services for infants and toddlers and schools to provide “specially designed instruction, and related services, at no cost to parents, to meet the unique needs of a child with a disability.” The law requires the provision of these special supports and services to students with exceptional needs from age 0 to age 22, or until they graduate from high school with a diploma.

Children with disabilities who are younger than age five and are not yet in school settings receive supports and services in different ways. For infants and toddlers (ages zero to three years old), an individualized family service plan is created and services are generally provided by regional centers. These centers are non-profit agencies overseen by the Department of Developmental Services. However, a small percentage of infants and toddlers with special needs are served by school districts. A small number of school districts that had historically served these children were grandfathered into the current system and currently serve approximately 5,000 children. In addition, schools serve a small number of infants and toddlers (approximately 1,000) who have only a hearing, visual, or orthopedic (HVO) impairment. The state’s federal IDEA plan required HVO-related services to be provided by the schools if an HVO impairment is the child’s only disability. Once a child reaches age three, the responsibility for serving children with disabilities is transferred to the school district of residence and regional centers are required to work with school districts during this transition.<sup>4</sup> Through regional centers and school districts, the state also operates a child-find system to identify children for evaluation for early intervention and special education eligibility.

To determine a child’s eligibility for special education, schools must conduct a formal evaluation process within a prescribed timeline. If it is determined that a child is an eligible student with disabilities, a team including special education staff, school staff, parents, and other appropriate personnel meet to develop an individualized education program (IEP) to define the additional special education supports and services the school will provide. Each student’s IEP differs based on his or her unique needs. Specialized academic instruction is the most common service that schools provide. This category includes any kind of specific practice that adapts the content, methodology, or delivery of instruction to help students with disabilities access the general curriculum. Other commonly provided services include speech and language, physical and occupational therapy, behavioral support, and psychological services. Educationally-Related Mental Health Services are specific mental health services provided to students who qualify for special education services, present with social-emotional needs that have not responded to lower

---

<sup>4</sup> Legislative Analyst’s Office, *Evaluating California’s System for Serving Infants and Toddlers with Special Needs*, January 4, 2018.

levels of intervention, and impact their ability to learn or benefit from their special education program.

Federal law also dictates that students must receive a Free Appropriate Public Education in the Least Restrictive Environment. This means that to the greatest extent possible students with disabilities are to receive their education in the general education environment with peers without disabilities. WestEd, and funded by the California Department of Education, released a report in November 2021 titled *California Special Education Governance and Accountability Study*. The report found that California has among the country's lowest rates for including students with an IEP in general education for at least 80 percent of the school day and had among the highest rates for including these students less than 40 percent of the school day. The lowest levels of inclusion are for Black and Latino students, regardless of disability category.

In 2018-19, 795,047 children, ages 0-22 received special education under the provisions of IDEA in California. This represents approximately 12.5 percent of the total state student population. Specific learning disabilities is the most common disability category for which students are identified, followed by the disability category of speech and language impairments. In recent years, the disability category of autism moved in to the position of third highest category. This is after a decade of increased incidence – now comprising nearly 14 percent of the students with disabilities student population. Different types of disabilities are more prevalent at different ages. For example, speech impairments are most common in earlier grades, while learning disorders are generally identified later in a child's educational career. Schools integrate services and supports into the regular school day for transitional kindergarten through grade 12 students. For children ages 3-5 years old not yet attending school or who are served in an early care setting, preschool, or at home, the school district of residence provides services that may occur at the child's education or care setting, or at a facility designated by the school district. These services are in addition to the early education and child care services children may be receiving if they are enrolled in one of the state or federally-funded programs or in some other early education or care setting.

**Special Education Local Plan Areas (SELPA) and Fund Distribution.** State and Federal special education funding is distributed regionally through 134 Special Education Local Plan Areas (SELPA) to school districts and charter schools in the state. Most SELPA are collaborative consortia of nearby districts and charter schools, although some large districts have formed their own single district SELPA, while five SELPA consist of only charter schools.

California relies primarily on a "census-based" funding methodology that allocates special education funds to SELPA based on the total number of students attending, regardless of students' disability status. This funding model, often referred to as the AB 602 formula, after the implementing legislation (AB 602 [Davis and Poochigian], Chapter 854, Statutes of 1997), implicitly assumes that students with disabilities and associated special education costs are relatively equally distributed among the general student population and across the state. The amount of per-pupil funding each SELPA receives varies based on historical factors. In the 2022 Budget, the calculation was amended so that it was determined at the local educational agency level rather than the SELPA level. After receiving its allocation, each SELPA develops a local plan for how to allocate funds to the school districts and charter schools in its region based on how it has chosen to organize special education services for students with disabilities. The ADA used

---

to calculate the AB 602 formula is based on enrollment in grades kindergarten through grade 12 (including transitional kindergarten). Federal funds are available for regional center services and a small amount (about \$100 million) is available for preschool services.

State and federal special education categorical funding totals nearly \$7 billion annually. California's model for serving special education services reflects that school districts first use their general purpose, LCFF funds to meet the needs of all students, including those with disabilities, and then use a combination of state and federal special education funding and other local general purpose funds to cover the costs of additional services students with disabilities may need. While it is difficult to measure the amount of additional resources school districts provide from other areas of their budget for special education, according to a report by the Legislative Analyst's Office, state and federal funding cover approximately one-third of the additional cost of special education, with school districts covering the remaining costs from other fund sources.<sup>5</sup> In recent years, the costs of special education have risen due to schools identifying higher numbers of students with disabilities, and similar to general education, due to rising salary and benefit costs for teachers of special education students.

### **Recent Budget Actions**

**2020 Budget.** The 2020-21 budget created a new special education funding formula, commencing with the 2020-21 fiscal year, that provides Special Education Local Plan Areas (SELPA) with the greater of \$625 per average daily attendance or the per ADA rate the SELPA received in 2019-20, and applies a cost-of-living-adjustment (COLA) in future years to the statewide base rate. A COLA was not provided in the 2020-21 fiscal year. The budget provided an additional \$645 million in ongoing Proposition 98 funds for special education. Of this, \$545 million increased the statewide base rate for special education funding and \$100 million was provided to increase per pupil rates to support students with low incidence disabilities.

**2021 Budget.** The 2021-22 budget included several investments for special education, including: \$397 million to increase base special education funding rates for all Special Education Local Plan Areas (SELPA), \$450 million in one-time Proposition 98 funds to SELPA for purposes of providing learning recovery support pupils, and \$100 million one-time Proposition 98 funds for alternative dispute resolution. The budget also includes language to specify that the ongoing appropriation of funds for Special Education programs, in the 2022-23 fiscal year, is contingent upon notice from the Director of Finance to the Joint Legislative Budget Committee that trailer bill legislation for the Budget Act of 2022 makes statutory changes designed to improve the academic outcomes of individuals with exceptional needs, that may include changes to special education funding formulas, expansions of early intervention and inclusive practices, and other changes as a result of ongoing studies.

**2022 Budget.** The 2022-23 budget increased the base rates for special education from \$715 to \$820 per student, totaling approximately \$500 million ongoing Proposition 98 General Fund, and modified the calculations to be based on the local educational agency level rather than the SELPA level. The 2022-23 budget also consolidated and increased the amount available for special

---

<sup>5</sup> Legislative Analyst's Office, *Overview of Special Education Funding Models*, December 2021

education extraordinary cost pools, and allocated Educationally Related Mental Health Services funding directly to local educational agencies rather than to SELPAs.

**Legislative Analyst's Office.**

***Recommend Rejecting Proposal.*** We recommend rejecting the Governor's proposal as it could be unworkable for some SELPAs. For SELPAs with declining attendance, the proposal would require them to reduce the amount they set aside for SELPA-level services. SELPAs with declining attendance that already set aside relatively small shares of funding for SELPA-level services would not be able to comply with the requirements of the language, even if they allocated all of their funding directly to SELPA members. We also question the rationale for this proposal and whether it would provide more stability for SELPA members, as the administration intends. We think a more direct way of providing stability is to avoid adding new requirements, especially since this proposal comes after a year of significant special education financing reform and planning efforts are underway to comply with these reforms.

***Options for Modifying Formula.*** If the Legislature is interested in creating a requirement regarding how much SELPA members receive from their SELPA, we suggest the Legislature modify the proposal to include an adjustment to account for declining attendance. This aligns the amount of funding available with the level of funding SELPAs would be required to provide to members. We also suggest funding be based on the amount of each SELPA member's 2022-23 allocation, rather than the total amount provided to all the SELPAs members as currently proposed. As currently proposed, SELPAs could comply with the requirement but still give members less funding than they received in 2022-23, as long as the same overall amount of funding went to its members. We think this nuance misaligns the proposal with the administration's intent.

**Staff Recommendation.** Hold open.