

SUBCOMMITTEE NO. 1

Agenda

Senator Richard D. Roth, Chair
Senator Connie M. Leyva
Senator Mike Morrell



Thursday, March 5, 2020
9:30 a.m. or upon adjournment of session
State Capitol - Room 3191

Consultants: Elisa Wynne

AGENDA

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6100 DEPARTMENT OF EDUCATION**Issue 1: Overview of Proposition 98 and K-12 Education 2020-21 Budget Proposals (Information Only)****Panel I:**

- State Superintendent of Public Instruction Tony Thurmond

Panel II:

- Lisa Mierczynski, Department of Finance
- Ken Kappahn, Legislative Analyst's Office
- Julian Cuevas, California Department of Education

Proposition 98

California provides academic instruction and support services to over six million public school students in kindergarten through twelfth grades (K-12) and 2.1 million students in community colleges. There are 58 county offices of education, approximately 1,000 local K-12 school districts, more than 10,000 K-12 schools, and more than 1,200 charter schools throughout the state. Of the K-12 students, approximately 3.9 million are low-income, English learners, or foster youth students or some combination of those categories. Approximately 1.27 million of the K-12 students served in public schools are English learners. There are also 72 community college districts, 114 community college campuses, and 70 educational centers. Proposition 98, which was passed by voters as an amendment to the state Constitution in 1988, and revised in 1990 by Proposition 111, was designed to guarantee a minimum level of funding for public schools and community colleges.

The proposed 2020-21 budget includes funding at the Proposition 98 minimum guarantee level of \$84 billion. The Governor's budget also proposes to provide total Proposition 98 funding for 2018-19 of \$78.5 billion, an increase of \$301.5 million over the 2019 final budget act level. For 2019-20, the Governor estimates an increase in the total Proposition 98 minimum guarantee of \$517 million for a total of \$81.6 billion. These adjustments are the result of increased property taxes in 2018-19 and increased General Fund revenues in both years. Additional Proposition 98 funds in 2020-21 are proposed to be used primarily to provide a cost-of-living-adjustment (COLA) for the Local Control Funding Formula (LCFF), to provide funding for special education-related services, and for various targeted one-time programs. These proposals are more fully described later in this section.

Proposition 98 Funding. State funding for K-14 education—primarily K-12 local educational agencies and community colleges—is governed largely by Proposition 98. The measure, as modified by Proposition 111, establishes minimum funding requirements (referred to as the “minimum guarantee”) for K-14 education. General Fund resources, consisting largely of personal income taxes, sales and use taxes, and corporation taxes, are combined with the schools' share of local property tax revenues to fund the Proposition 98 minimum guarantee. These funds typically represent about 80 percent of statewide funds that K-12 schools receive. Non-Proposition 98 education funds largely consist of revenues from local parcel taxes, other local taxes and fees, federal funds and proceeds from the state lottery. In recent years, there have been two statewide initiatives that increased General Fund

revenues and therefore, the Proposition 98 minimum guarantee. Proposition 30, passed by the voters in 2012, raised sales and income taxes, but was designed to phase out over seven years. Anticipating the expiration of the Proposition 30 taxes, Proposition 55 was passed by voters in 2016, extending the income tax portion of Proposition 30 for another 12 years.

The table below summarizes overall Proposition 98 funding for K-12 schools and community colleges since 2007-08, or just prior to the beginning of the recent recession. 2011-12 marks the low point for the guarantee, with steady increases since then. The economic recession impacted both General Fund resources and property taxes. The amount of property taxes has also been impacted by a large policy change in the past few years—the elimination of redevelopment agencies (RDAs) and the shift of property taxes formerly captured by the RDAs back to school districts. The guarantee was adjusted to account for these additional property taxes, so although Local Educational Agencies (LEAs) received significantly increased property taxes starting in 2012-13, they received a roughly corresponding reduction in General Fund.

**Proposition 98 Funding
Sources and Distributions
(Dollars in Millions)**

| | Pre-Recession 2007-08 | Low Point 2011-12 | Revised 2018-19 | Revised 2019-20 | Proposed 2020-21 |
|---------------------|---------------------------------|-----------------------------|---------------------------|---------------------------|----------------------------|
| Sources | | | | | |
| General Fund | 42,015 | 33,136 | 54,506 | 56,405 | 57,573 |
| Property taxes | 14,563 | 14,132 | 23,942 | 25,168 | 26,475 |
| Total | 56,577 | 47,268 | 78,448 | 81,573 | 84,048 |
| Distribution | | | | | |
| K-12 | 50,344 | 41,901 | 69,165 | 71,482 | 74,172 |
| CCC | 6,112 | 5,285 | 9,195 | 9,477 | 9,807 |
| Other | 121 | 82 | 88 | 90 | 107 |
| Reserve | 0 | 0 | 0 | 524 | -38 |

Source: Legislative Analyst's Office and Department of Finance

Calculating the Minimum Guarantee. The Proposition 98 minimum guarantee is determined by comparing the results of three “tests,” or formulas, which are based on specific economic and fiscal data. The factors considered in these tests include growth in personal income of state residents, growth in General Fund revenues, changes in student average daily attendance (ADA), and a calculated share of the General Fund. When Proposition 98 was first enacted by the voters in 1988, there were two “tests”, or formulas, to determine the required funding level. Test 1 calculates a percentage of General Fund revenues based on the pre-Proposition 98 level of General Fund that was provided to education, plus local property taxes. The Test 2 calculation is the prior year funding level adjusted for growth in student ADA and per capita personal income. K-14 education was initially guaranteed funding at the higher of these two tests. In 1990, Proposition 111 added a third test, Test 3, which takes the prior year funding level and adjusts it for growth in student ADA and per capita General Fund revenues. The Proposition 98 formula was adjusted to compare Test 2 and Test 3, the lower of which is applicable. This applicable test is then compared to Test 1; and the higher of the tests determines the Proposition 98 minimum guarantee. Generally, Test 2 is operative during years when the General Fund is growing quickly and Test 3 is operative when General Fund revenues fall or grow slowly.

**Proposition 98 Tests
Calculating the Level of Education Funding
(Including the 2020-21 Governor’s Budget Estimate)**

| Test | Calculated Level | Operative Year | Times Used |
|--------|---|---|------------|
| Test 1 | Based on a calculated percent of General Fund revenues (currently around 38 percent). | If it would provide more funding than Test 2 or 3 (whichever is applicable). | 8 |
| Test 2 | Based on prior year funding, adjusted for changes in per capita personal income and attendance. | If growth in personal income is \leq growth in General Fund revenues plus 0.5 percent. | 13 |
| Test 3 | Based on prior year funding, adjusted for changes in General Fund revenues plus 0.5 percent and attendance. | If statewide personal income growth $>$ growth in General Fund revenues plus 0.5 percent. | 10 |

The Governor’s proposal assumes that in 2018-19, 2019-20, and 2020-21 the Proposition 98 minimum guarantee is calculated under Test 1.

Generally, the Proposition 98 minimum guarantee calculation was designed in order to provide growth in education funding equivalent to growth in the overall economy, as reflected by changes in personal income (incorporated in Test 2). In a Test 3 year, the Proposition 98 minimum guarantee does not grow as fast as in a Test 2 year, recognizing the fact that the state’s General Fund is not reflecting the same strong growth as personal income and the state may not have the resources to fund at a Test 2 level; however, a maintenance factor is created, as discussed in more detail later.

The Test 1 percentage is historically-based, but is adjusted, or “rebenched,” to account for large policy changes that impact local property taxes for education or changes to the mix of programs funded within Proposition 98. In the past few years, rebenching was done to account for property tax changes, such as the dissolution of the redevelopment agencies (RDAs), and program changes, such as removing childcare from the Proposition 98 minimum guarantee and adding mental health services. In 2020-21, the Governor’s Budget adjusts the Test 1 percentage for the continued impact of prior RDA changes. The 2020-21 Proposition 98 guarantee is likely to remain a Test 1 even with some changes in factors at the May Revision. Revenues are growing steadily but slowly, ADA is declining, and property tax growth is high, all contributing to a Test 1 for 2020-21 and for the out-years.

Suspension of Minimum Guarantee. Proposition 98 includes a provision that allows the Legislature and Governor to suspend the minimum funding requirements and instead provide an alternative level of funding. Such a suspension requires a two-thirds vote of the Legislature and the concurrence of the Governor. To date, the Legislature and Governor have suspended the Proposition 98 minimum guarantee twice; in 2004-05 and 2010-11. While the suspension of Proposition 98 can create General Fund savings during the year in which it is invoked, it also creates obligations in the out-years, as explained below.

Maintenance Factor. When the state suspends the Proposition 98 minimum guarantee or when Test 3 is operative (that is, when the Proposition 98 minimum guarantee grows more slowly due to declining or low General Fund growth), the state creates an out-year obligation referred to as the “maintenance factor.” When growth in per capita General Fund revenues is higher than growth in per capita personal income (as determined by a specific formula also set forth in the state Constitution), the state is

required to make maintenance factor payments, which accelerate growth in K-14 funding, until the determined maintenance factor obligation is fully restored. Outstanding maintenance factor balances are adjusted each year by growth in student ADA and per capita personal income.

The maintenance factor payment is added on to the minimum guarantee calculation using either Test 1 or Test 2.

- In a Test 2 year, the rule of thumb is that roughly 55 percent of additional revenues would be devoted to Proposition 98 to pay off the maintenance factor.
- In a Test 1 year, the amount of additional revenues going to Proposition 98 could approach 100 percent or more. This can occur because the required payment would be a combination of the 55 percent (or more) of new revenues, plus the established percentage of the General Fund—roughly 38 percent—that is used to determine the minimum guarantee.

Prior to 2012-13, the payment of maintenance factor was made only on top of Test 2; however, in 2012-13, the Proposition 98 guarantee was in an unusual situation as the state recovered from the recession. It was a Test 1 year and per capita General Fund revenues were growing significantly faster than per capita personal income. Based on a strict reading of the Constitution, the payment of maintenance factor is not linked to a specific test, but instead is required whenever growth in per capita General Fund revenues is higher than growth in per capita personal income. As a result, the state funded a maintenance factor payment on top of Test 1 and this interpretation can result in the potential for up to 100 percent or more of new revenues going to Proposition 98 in a Test 1 year with high per capita General Fund growth. This was the case in 2014-15, when the maintenance factor payment was more than \$5.6 billion. However, since the last recession the state has significantly increased funding for K-14 education due in part to payments made towards reducing the maintenance factor balance. As a result, the maintenance factor obligation was paid off in 2017-18.

Average Daily Attendance. One of the factors used to calculate the Proposition 98 minimum guarantee level is growth in ADA. In a Test 2 or Test 3 year, the guarantee is adjusted for changes in ADA. However, there is a hold harmless provision for reductions in ADA. Under that provision, negative growth is only reflected if the preceding two years also show declines. Under current projections, which reflect birth rates and migration, K-12 ADA is expected to decline slightly in coming years and the hold harmless will no longer apply for the guarantee calculation, contributing to a dampening effect on Proposition 98 guarantee growth in future years.

Settle-Up. Every year, the Legislature and the Governor estimate the Proposition 98 minimum guarantee before the final economic, fiscal, and attendance factors for the budget year are known. If the estimate included in the budget for a given year is ultimately lower than the final calculation of the minimum guarantee, Proposition 98 requires the state to make a "settle-up" payment, or series of payments, in order to meet the final guarantee for that year. The 2019-20 budget included additional Proposition 98 General Fund to fully pay off settle-up obligations from 2016-17 and prior years. The Governor's budget proposal for 2020-21 increases expenditures to meet the higher guarantee levels calculated for 2018-19 and 2019-20 as a result of the Governor's budget estimates.

Proposition 98 Certification. The 2018 budget package included a new process for certifying the Proposition 98 guarantee and the 2019 budget package made additional changes to this process. Under current statute, certification of the guarantee is a process by which the Department of Finance (DOF), in consultation with the Department of Education and the Chancellor's Office of the Community

Colleges, verifies the factors for the calculation of the Proposition 98 guarantee and the appropriations and expenditures that count towards the guarantee level. Certifying the guarantee results in a finalized guarantee level for the year, as well as finalizing any settle-up owed as a result of changes in the guarantee level. Adjustments will be made to increase the guarantee after the fiscal year is over if the calculation results in an increase in a prior year, but makes no changes in the event of a decrease in a prior year. Prior to this new process, the guarantee was last certified for 2008-09. In August 2018, DOF released the proposed certification for the 2009-10 through 2016-17 fiscal years. The total settle-up obligation associated with those five years was calculated at \$687 million and was fully paid off in the 2019-20 budget.

Public School System Stabilization Account (PSSSA). The state's Proposition 98 Rainy Day Fund was established with the passage of Proposition 2 in 2014. Proposition 2 also requires a deposit in a Proposition 98 Rainy Day Fund under certain circumstances. These required conditions are that maintenance factor accumulated prior to 2014-15 is paid off, Test 1 is in effect, the Proposition 98 guarantee is not suspended, and no maintenance factor is created. A deposit to the PSSSA was first required in the 2019-20 budget when \$376 million was reserved. The 2020-21 Governor's budget proposal assumes that the 2019-20 deposit is now required to be \$524 million, however that in 2020-21, a withdrawal of \$38 million is made based on the assumption that the guarantee is growing more slowly than per capita personal income.

K-12 Education and Early Education Budget Proposals:

Budget Year – Overall Funding Levels. The proposed budget estimates a total Proposition 98 funding level of \$84 billion (K-14). This is a \$3 billion increase over the 2019-20 Proposition 98 level provided in the 2019 Budget Act (a \$2.5 billion increase over the revised 2019-20 Proposition 98 level, as discussed below). The Administration estimates that the Proposition 98 calculation for 2020-21 will be a Test 1 calculation.

Prior and Current Year Adjustments. The budget proposes to provide total Proposition 98 funding (K-14) for 2018-19 of \$78.4 billion, an increase of \$301.5 million over the 2019 final budget act level. For 2019-20, the Governor estimates an increase in the total Guarantee of \$517 million for a total of \$81.6 billion. These adjustments are the result of increased property taxes in 2018-19 and increased General Fund revenues in both years. The Administration estimates that the Proposition 98 calculations for 2018-19 and 2019-20 are Test 1.

Proposition 98 Changes. The proposed budget includes a Proposition 98 funding level of \$74.3 billion for K-12 programs. This includes a year-to-year increase of \$2.7 billion in Proposition 98 funding for K-12 education, as compared to the revised Proposition 98 K-12 funding level for 2019-20. Under the Governor's proposal, ongoing K-12 Proposition 98 per pupil expenditures increase from \$12,104 provided in 2019-20 (revised) to \$12,600 in 2020-21, an increase of 4.1 percent.

Public School System Stabilization Account (PSSSA). The state's Proposition 98 Rainy Day Fund was established with the passage of Proposition 2 in 2014. The state deposited funds into the PSSSA for the first time in 2019-20, and in the 2020-21 proposed budget this 2019-20 deposit is increased by \$147.7 million for a total of \$524.4 million. Under the requirements of Proposition 2, in 2020-21, a withdrawal of \$37.6 million is projected to be made for a total ending balance of \$486.6 million.

K-12 Education – Major Spending Proposals

K-12 Local Control Funding Formula. The bulk of funding for school districts and county offices of education for general operations is provided through the Local Control Funding Formula (LCFF) and is distributed based on the numbers of students served and certain student characteristics. The state fully funded the LCFF in 2018-19 and has annually adjusted the grant amounts by a cost-of-living adjustment (COLA). The proposed budget provides a COLA of 2.29 percent, approximately \$1.2 billion, for the 2020-21 fiscal year, bringing total LCFF funding to \$64.2 billion.

K-12 Special Education. The 2019-20 budget included a total increase of \$645 million in ongoing Proposition 98 General Fund for special education. Of this \$152.6 million was provided to increase base special education funding rates to ensure that all Special Education Local Plan Areas (SELPA) receive at least the statewide target rate under the existing AB 602 funding formula. The remaining \$492.7 million created the Special Education Early Intervention Preschool grant, to be provided to local educational agencies (LEAs) based on the number of three through five-year olds with exceptional needs. The budget also includes language to specify that the increase in the statewide funding rate is contingent upon the passage of legislation in the 2020-21 budget to reform the special education system to improve outcomes for students. The proposed budget includes the following changes to special education:

- A new special education base formula based on an three year rolling average of average daily attendance (ADA) and a fifteen percent increase to the base formula funding (funded with the \$645 million increase provided in 2019-20).
- An additional \$250 million in ongoing Proposition 98 General Fund based on the number of 3 to 5 year old children with exceptional needs served by the school district.
- \$500,000 one-time Proposition 98 General Fund for a study of current SELPA governance and accountability and \$600,000 one-time Proposition 98 General Fund for two workgroups to study improved accountability for special education service delivery and student outcomes.

The Administration notes that the funding changes included in the 2020-21 proposal would be the first phase of a multi- year reform of special education with future years to focus on incorporating feedback from the study and workgroups, reforms related to whole-child and family wrap-around services, specialized services such as out-of-home and non-public school placements and state special schools, and aligning with recommendations from the forthcoming Master Plan for Early Learning and Care.

Teacher Training, Recruitment, and Retention. The proposed budget includes a total of \$900 million in one-time Proposition 98 General Fund to be allocated as follows:

- \$350 million to increase funding for the Educator Workforce Investment Grant, which supports professional learning opportunities for teachers and paraprofessionals across the state. This new funding will be provided through a competitive process focused on professional learning related to special education, mental health, interventions, English language learners, social-emotional learning and restorative practices, non-discrimination and anti-bullying, computer science, science, technology, engineering, and math.

- \$18 million for the California Collaborative for Educational Excellence to increase awareness of supports and services in the areas of focus identified in the Educator Workforce Investment Grant increase.
- \$193 million for the Workforce Development Grant Program to address workforce shortages in high-need subjects and areas.
- \$175 million to expand the Teacher Residency Program for sponsored, one-year intensive, mentored, clinical teacher preparation programs, for high-need subject areas in high-need communities.
- \$100 million for the California Teacher Credential Award Program for stipends for fully-credentialed teachers who complete four years of teaching in high-need subject areas in high-need schools.
- \$64.1 million for the California Classified School Employees Credentialing Program to provide grants to local education agencies to recruit non-certificated school employees to become certificated classroom teachers.
- Finally, the proposed budget suspends accreditation fees for institutes of high education and local educational agencies that administer a teacher preparation or induction program.

K-12 School Facilities. 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 proposed budget includes approximately \$1.5 billion in K-12 bond authority in 2020-21, similar to the amount included in 2019-20, for new construction, modernization, career technical education, and charter facility projects.

Community Schools. The proposed budget includes \$300 million in one-time Proposition 98 General Fund to establish community school grants for local educational agencies supporting innovative community school models, including those focused on mental health and related services, collaborative teaching and leadership, family and community engagement, and extended learning time.

Opportunity Grants. The proposed budget includes \$300 million in one-time Proposition 98 General Fund to establish opportunity grants for the state's lowest performing schools and school districts and to expand the capacity of the California Collaborative for Educational Excellence to support and assist grantees, and the system as a whole.

Child Nutrition. The proposed budget includes \$60 million in ongoing Proposition 98 General Fund to increase funding for school nutrition and \$10 million in one-time Proposition 98 General Fund to provide training for school food service workers. This is related to a \$10 million proposal for the Department of Food and Agriculture to establish a Farm to School Grant Program.

Computer Science. The proposed budget includes a total of \$18.8 million in one-time Proposition 98 General Fund to support computer science (\$15 million for grants to local educational agencies for teacher training, \$2.5 million for a county office of education to compile and share resources statewide, and \$1.3 million for a computer science University of California subject matter project).

K-12 Enrollment. The proposed budget reflects an estimated decrease in student enrollment in the K-12 system. Specifically, it reflects a decrease of \$268.5 million Proposition 98 General Fund in 2019-20, as a result of a decrease in the projected ADA, as compared to the 2019 Budget Act. For 2020-21, the Governor's proposed budget reflects a decrease of \$175.1 million Proposition 98 General Fund to reflect a projected further decline in ADA for the budget year.

Cost-of-Living Adjustments. The proposed budget also provides \$122.4 million Proposition 98 General Fund to support a 2.29 percent COLA for categorical programs that are not included in LCFF. These programs include special education and child nutrition, among others. The proposed funding level for the LCFF includes COLAs for school districts and county offices of education.

Local Property Tax Adjustments. The proposed budget includes an increase of \$7.3 million in Proposition 98 General Fund in 2019-20 and a decrease of \$1.1 billion in Proposition 98 General Fund in 2020-21 for school districts and county offices of education related changes to offsetting local property taxes.

California Newcomer Education and Well-Being Project (CalNEW). The proposed budget includes \$15 million in one-time Proposition 98 General Fund for CalNEW. This program was established in 2017-18 and funded with General Fund. This new funding is available over three years and would assist school districts in supporting students who are refugees or unaccompanied, undocumented minors in their well-being, English language proficiency, and academic performance.

Fresno Integrated K-12 Education Collaborative. The budget also proposes an increase of \$17 million in one-time General Fund to support a plan to design education pathways through K-16 education and into the workforce in the greater Fresno region.

LCFF Fiscal Accountability. The proposed budget includes \$600,000 in one-time Proposition 98 General Fund to support the creation of an online Local Control and Accountability Plan (LCAP) portal and co-locate this new tool with the existing School Accountability Report Card (SARC) for increased public transparency. The Administration also commits to engage in a process to identify areas for strengthening accountability for the provision of services for high need students.

LAO Analysis and Recommendations

The Legislative Analyst's Office (LAO) recently reviewed the Governor's Proposition 98 minimum guarantee calculation for the 2018-19 through 2020-21 period in their recent publication, *The 2020-21 Budget: Proposition 98 Analysis*. The LAO notes that the Administration's revenues over the three year period are very similar to those provided by the LAO in their November forecast. The LAO does note that there is some economic risk in the forecast period, including slow housing markets, job growth, and trade activity.

The LAO also notes that the Proposition 98 Guarantee is sensitive to changes in General Fund revenues, by about 40 cents higher or lower to each dollar of General Fund increase or decrease. The impact of revenue changes would also show up in the amount of funds required for deposit or withdrawal into the Proposition 98 reserve account or the PSSSA. Even if there is an increase in General Fund revenue and in the Guarantee, the LAO notes that this could increase the PSSSA deposit in 2019-20 and reduce the withdrawal in 2020-21, leaving little increase available for new spending.

Finally, the LAO notes that the Administration does assume higher property tax amounts over the forecast period as compared to the LAO's November forecast, primarily due to higher Educational Revenue Augmentation Funds (ERAF) and other smaller differences. Overall, the Administration's property tax estimates are \$671 million above the LAO's estimates over the three-year period. To the extent that local property tax revenue differs from the Administration's January estimates, the minimum guarantee would change on a dollar-for-dollar basis and could impact the size of reserve deposits or withdrawals.

Staff Comments:

Calculation of the Guarantee Level. The minimum guarantee level is calculated based on the best available factors at the time. However, between the January budget proposal and the May Revision of the budget, the minimum guarantee calculation can change significantly, usually due to changes in state revenues. The Legislature will want to consider potential changes in preparing a Proposition 98 expenditure package.

One-Time or Ongoing Funding. In the past six years, enacted budgets have included substantial one-time expenditures within Proposition 98, from \$413 million to \$1.2 billion. While these funds have been dedicated to various one-time education priorities, they have also provided a cushion against having to make difficult cuts should the minimum guarantee decrease in future years. The Governor's proposed 2020-21 budget includes significant one-time Proposition 98 expenditures using ongoing funding, approximately \$1.2 billion. While this continues to provide a healthy recession cushion, school districts continue to experience increasing cost pressures (discussed in more detail below). The Legislature may wish to consider out year projections for the minimum guarantee and how they prefer to balance ongoing needs with prudent budgeting.

K-12 Education Cost Pressures. Despite large increases in Proposition 98 funding over the past few years and changes in the distribution of new revenues through the passage of LCFF, school district finances and fiscal health can vary due to unique local needs, student population, regional cost differences, and the ability to raise additional local funding. School districts generally cite insufficient "base" LCFF funding, declining enrollment, costs of providing special education and annual increases to the employer share of the California State Teachers Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) as creating the largest cost pressures for their budgets. The 2020-21 Governor's budget proposal reflects a relatively modest COLA, significantly less than the COLA rate in the past few years, however the proposal does include additional investments in special education, an important cost driver for school districts. Many of the other proposals in the Governor's budget target funds for one-time expenditure on programs that reflect the Governor's priorities for improving educational outcomes. These issues will be discussed in more detail in future subcommittee hearings.

Subcommittee Questions:

- 1) Can LAO and DOF comment on the potential economic risks they are continuing to monitor and any updates related to potential economic disruption due to the impacts of the Coronavirus that may have emerged after their respective economic analyses?

- 2) Can the LAO and DOF comments on the use of one-time funding in this budget proposal?

Staff Recommendation:

Hold Open.

6100 DEPARTMENT OF EDUCATION**Issue 2: Special Education Funding Proposals****Panel:**

- Michelle Valdivia, Department of Finance
- Liz Mai, Department of Finance
- Amy Li, Legislative Analyst's Office
- Julian Cuevas, California Department of Education

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.¹ Through regional

¹ Legislative Analyst’s Office, *Evaluating California’s System for Serving Infants and Toddlers with Special Needs*, January 4, 2018.

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. 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. California is currently 43rd in the nation in terms of students with disabilities spending at least 80 percent or more of their day in general education.

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

California relies primarily on a “census-based” funding methodology that allocates special education funds to SELPAs 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. 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). Although SELPAs are serving 3-5 year olds, they do not receive any additional funding under the AB 602 formula for these children, with the exception of funds provided in 2019-20. 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 over \$5 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 Public Policy Institute of California, state and federal funding cover approximately 40 percent of cost of special education, with school districts covering the remaining costs from other fund sources.² 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.

2019-20 Budget Actions. The 2019-20 budget included a total increase of \$645 million in ongoing Proposition 98 General Fund for special education. Of this, \$152.6 million was provided to increase base special education funding rates to ensure that all SELPAs receive at least the statewide target rate (approximately \$557 per ADA in 2019-20) under the existing AB 602 funding formula.

The remaining \$492.7 million created the Special Education Early Intervention Preschool grant, provided to school districts based on the number of three through five-year olds with exceptional needs. These funds were unrestricted. Therefore school districts could use these for any purpose. LEAs, school districts, county offices of education, and charter schools could use these to fund special education services that were previously paid for with their general operations funding (including services provided to 3-5 year olds), freeing up funds for other school district needs.

The budget also included language to specify that the increase in the statewide funding rate and early interventions be allocated in a one-time manner and future allocation methodologies would be contingent upon the passage of legislation in the 2020-21 budget to reform the special education system to improve outcomes for students.

Special Education Oversight. State oversight of special education is primarily through LEA developed LCAPs and the state's California Schools Dashboard. In the development of the template for the LCAP, the State Board of Education (SBE) specifically included a reference to students with disabilities, as follows: "For school districts, the LCAP must describe, for the school district and each school within the district, goals and specific actions to achieve those goals for all students and each student group identified by the LCFF (ethnic, socioeconomically disadvantaged, English learners, foster youth, pupils with disabilities, and homeless youth), for each of the state priorities and any locally identified priorities." As such, the SBE, and through authorizing statute, the Legislature, intended for the goals, actions, and services within the LCAP to be aligned with priorities for all students, including students with disabilities. In practice, the extent to which actions, services and expenditures for students with disabilities are included in the LCAP varies by each LEA.

² Public Policy Institute of California, Special Education Finance in California

In addition, the state has moved to a rubric for identifying the performance of each LEA on each state indicator by pupil subgroup. The California School Dashboard displays this information online. LEAs failing to meet specified benchmarks or progress towards benchmarks are identified for technical assistance. The first cohort of LEAs was identified for technical assistance under the new Dashboard system in December of 2017. Out of a total of 228 districts identified, 163 were identified based on the performance for their students with disabilities student group in one or more priority areas. In 2018, this grew to 243 out of 374 LEAs identified based on the performance for their students with disabilities student group. And the most recent cohort of LEAs identified in December of 2019, 187 of 333 LEAs were identified based on the performance for their students with disabilities student group. Performance of student with disabilities on standardized tests (including the California Alternate Assessment specifically designed for students with significant cognitive disabilities) has improved over the past several years, but a majority of students with disabilities still fails to meet state and federal achievement expectations. The most recent graduation rate data (2017-18 school year data) shows that approximately 71.4 percent of students with disabilities graduate on time with a high school diploma, compared with 83.5 percent for all students.

Recent Statewide Efforts to Improve Special Education Outcomes. As part of the 2018-19 budget agreement, a structure for providing support for LEAs identified for differentiated assistance or intervention was refined in statute, specifying the process for county offices of education (COEs) to support school districts in need of technical assistance and the ability of a school district to seek assistance from the COE and other providers. Similar adjustments were made to the process for the Superintendent of Public Instruction (SPI) to assist struggling COEs.

Statute also established a formula for providing funding for COEs to support school districts. Under this formula, COEs would receive base funding plus additional funding determined by the number of school districts identified as in need of differentiated assistance on the dashboard, and a total of \$53.8 million in ongoing funding was provided to COEs for this purpose in 2018-19 and increased by an additional \$20.2 million in 2019-20. These funds support COEs in working school districts identified in 2018-19 and 2019-20 for targeted technical assistance in areas of performance deficiencies, which for many LEAs is the students with disabilities student subgroup.

Additional Support Structures. In 2018-19, statute also established various lead agencies to provide support and spur capacity building across the state as well as to provide a resource for specific issue areas. Seven geographic leads agencies (COEs and collaborations of COEs) were established to build the capacity of other COEs in the region, coordinating and collaborating on technical assistance across the region, providing technical assistance to a school district if a COE is unable to, and identifying existing resources and developing new resources upon request of the California Collaborative for Educational Excellence (CCEE) or the SPI. As of March 2019, seven geographic lead agencies have been established.

Special Education Local Plan Areas (SELPAs) Lead Agencies. The 2018-19 budget also included \$10 million in ongoing Proposition 98 funding to establish between six and 10 SELPAs to serve as special education resource leads to work with COEs to improve outcomes for students with disabilities. El Dorado County SELPA, West San Gabriel Valley SELPA, and Riverside County SELPA were selected to serve as California's SELPA System Improvement Leads.

The work of the SELPA System Improvement Leads will focus on building the capacity of SELPAs in the areas of data use and governance, continuous improvement, and implementation of high-leverage practices. Over the next five years, the SELPA System Improvement Leads will aim to empower

SELPA and LEAs to improve outcomes for students with disabilities by creating and aligning resources and supports under One System for all students. This will be done through the facilitation of technical assistance, professional learning, and coaching aimed at allowing SELPAs to implement data best practices across LEAs, with a focus on data governance and continuous improvement.

An additional four SELPAs were selected to be statewide hubs on particular issues as follows: 1) Imperial County SELPA – English Language Learners; 2) South County (San Diego) SELPA – Equity and Disproportionality; 3) Marin County SELPA – Autism; and, 4) Placer County SELPA – Open Access Project. The work of the SELPA lead agencies is underway, however statewide impact will likely take some time.

Special Education Teaching Workforce. The state faces two major challenges when it comes to the special education teaching force. The first is an ongoing shortage of special education teachers and specialists and the second is ensuring that teachers, both special education, and general education teachers, are prepared to support all children.

Special education teachers receive their credentials specifically to work with students with disabilities – providing instruction and coordination of services. Special education teachers generally receive a credential specific to the disability types of the students they serve. In addition to teachers, specialists provide a range of direct services to students with disabilities. Services can include providing a student who has a speech impediment with speech therapy and providing sign language interpretation for a student who is deaf. According to the LAO³, school districts have long reported teacher shortages in California (and in most other states), particularly in special education. School districts generally use the same tools to cover special education shortages as they do for teachers in other areas: hiring teachers with short-term permits and waivers, recruitment from outside the district, sharing specialists across schools, and other measures. California has made investments in addressing the teacher shortage, funding programs to: recruit new teachers to the state and candidates into the profession; to provide teacher residencies; to help classified employees obtain their teaching credentials; to increase space in education specialist programs at the California State Universities; and other targeted programs. However, many of these efforts will take a few years before teachers under these programs enter classrooms.

The LAO also notes in their analysis of the special education teacher shortage that special education teachers typically have additional responsibilities, beyond those of general education teachers, such as developing detailed and time-consuming individual education plans for each of their students. They also typically oversee and coordinate teams of specialists who work with students. In addition, the LAO notes that in interviewing school administrators, special education teachers also tend to spend much more of their time involved in litigation and legal challenges brought by dissatisfied parents.

The Commission on Teacher Credentialing (CTC) recently reformed the way the state credentials special education teachers, reducing the number of specialist credential categories. In addition, the CTC reformed the credentialing system for all teachers in the fall of 2017, requiring a “common trunk” approach to teacher preparation that prepares teachers to meet the universal teaching performance expectations (TPE) that are expected of all candidates seeking general education or special education credentials. Commission standards require that candidates learn how to work with all students, including those with disabilities in the general education classroom. This approach includes clinical practice in schools, particularly those serving students with disabilities in the Least Restrictive

³ Legislative Analyst’s Office, The 2018-19 Budget: Proposition 98 Education Analysis, February 7, 2018.

Environment (LRE), and demonstration of the ability to adapt learning for students with disabilities. In their August 2018 commission meeting, the CTC adopted the new Education Specialist Teaching Credential Program Standards and Teaching Performance Expectations to help teacher preparation programs transition to credential changes and new assessments. While these updates are a clear step in the right direction to ensuring teachers feel prepared to teach all students, these changes were recent and do not impact the existing teaching stock, most of which haven't had the benefit of preparation under these new standards.

Governor's Proposal:

2020-21 Proposal:

The proposed budget includes the following changes to special education:

- A new special education base formula based on an three year rolling average of average daily attendance (ADA) and a fifteen percent increase to the base formula funding (funded with the \$645 million increase in 2019-20).
- An additional \$250 million in ongoing Proposition 98 General Fund based on the number of 3 to 5 year old children with exceptional needs served by the school district (Funding would go out on a one-time basis in 2020-21).
- \$500,000 one-time Proposition 98 General Fund for a study of current SELPA governance and accountability and \$600,000 one-time Proposition 98 General Fund for two workgroups to study improved accountability for special education service delivery and student outcomes (\$250,000 for alternative pathways to diploma, and \$350,000 for standardizing the IEP template).

The Governor's budget summary specified the following considerations for future phases:

- 1) Finalizing the new special education funding formula to support equity, and more inclusive practices and early intervention services;
- 2) Incorporating changes in statute based on recommendations from the governance and accountability workgroups established in the Budget;
- 3) Pursuing reforms related to family and student engagement, including whole-child and family wrap around services and refining funding, accountability, and service delivery for specialized services such as out-of-home placements, non-public school placements and the State Special Schools; and,
- 4) Incorporating recommendations from the Master Plan for Early Learning and Care into the K-12 infrastructure of early intervention services for young children with exceptional needs.

The Governor's budget includes the following other special education-related proposals:

- Expand the use of the Educationally-Related Mental Health services funding to mental health services for students at large. Currently funds are restricted to education-related mental health.

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- Place a four-year moratorium on the creation of new single-district SELPAs.
 - Trailer bill language to freeze other components of the AB 602 formula at current rates.

LAO Analysis and Recommendations:

In their recent publication, *The 2020-21 Budget: Proposition 98 Analysis*, the LAO reviewed the Administration's Special Education proposals and notes the following:

- The proposals generally reduce variation in the SELPA base rates, reducing inequities in special education funding and are aligned to recommendations made by the LAO in past years.
- The proposed changes to the three-year average ADA for determining funding would help smooth the associated drops in special education base funding for the majority of districts. For the districts that are growing, this would slow increases in funding.
- The Administration acknowledges challenges in special education, such as teachers not being fully prepared for inclusive classrooms and an increasing need for mental health and social-emotional support for students. However, the Administration does not explain how the funding model would address these challenges specifically.
- The LAO notes that there is a privately funded study underway that may inform some of the future proposals from the Administration. This study was initiated, funded, and developed outside of the legislative process and leaves little room to ensure the Legislature's concerns are incorporated in the study or future proposals.
- The base funding formula proposed does not provide funding for costs of serving preschool-aged children.
- The proposed one-time preschool funds are intended to increase or improve services for children, however the LAO notes that most districts note a need for ongoing funding, mostly to hire staff, to provide these services. Districts are also discouraged from using this funding to provide additional IEP-related services, as this would raise their local MOE.

The LAO also makes the following specific recommendations:

- Adopt the proposal to use the \$645 million augmentation provided last year to develop new AB 602 base rates and the proposed three-year average of attendance to calculate base funding.
- Repurpose the \$250 million preschool-aged children proposal to instead provide an ongoing base augmentation to fund the addition of preschool-aged children into the base formula.
- Consider Legislative priorities when funding additional research or stakeholder input, specifically the LAO recommends the Legislature consider a study or workgroup on:
 - simplifying or updating the state's special education categorical programs; and
 - exploring options for funding high-cost students while also avoiding incentives to over-identify or serve students in more restrictive environments.
- Consider addressing other Legislative priorities outside of the funding formula. To further promote inclusion, the Legislature could expand existing initiatives that provide districts

technical assistance to implement inclusive practices. Alternatively, the Legislature could consider funding a workgroup to identify the key barriers to implementing inclusive practices and provide recommendations for how to address these challenges. These actions can be taken now without having to wait for the Administration to suggest future changes to the special education funding formula.

Staff Comments:

Staff notes that the special education proposal in the 2020-21 Governor's budget makes for a promising start to a conversation in this budget cycle on special education reform and reflects a commitment to addressing this issue that was put in place in the 2019-20 budget. The Legislature and the Governor have similar goals in providing additional funds for LEAs providing special education services to support better outcomes for students with disabilities. When considering the proposal, there are a variety of areas in which the Legislature may wish to consider options and priorities, as noted below.

New Special Education Base Formula. The Governor proposes that 2020-21 is the first year of a multi-year effort to reform special education funding within the state. The largest piece of this reform in the Governor's proposal is an increase to the special education base funding rate. Under the proposal AB 602 funding is estimated to be 15 percent higher than was received in 2019-20, however this increase refers to total funding and the funding increase will vary across school districts.

The Governor's proposal also includes a hold harmless on the base rate for AB 602; no school district would receive less than they received in 2019-20 for the AB 602 base rate funding. It is possible that some districts would receive less than the total special education funding (base rate plus early intervention grant funding) they received in 2019-20. This may be a concern for school districts already receiving relatively higher rates, as they adjust their budgets relative to 2019-20 investments, however their ongoing ADA funding rate would likely be increased under this formula.

The Governor's proposed change in the way ADA is calculated for the AB 602 formula will help school districts facing declining enrollment. The AB 602 formula is census-based, meaning that funds go out based on the total ADA of the school districts within a SELPA. The new approach creates a stronger soft landing for declining enrollment school districts by taking a rolling 3-year average of ADA of each school district and then rolling it up to the SELPA level, so the declining enrollment protection applies at the school district level.

The Legislature may wish to consider the overall funding level that may be needed for special education services and given the historical federal share, what share the state can provide and what share local school districts can be expected to contribute. The Legislature may also wish to consider what adjustments to a future formula will be needed in order to address differing needs and challenges across the state. Additional conversations are needed to shape the parameters of any studies funded in the budget and to further define what future phases of special education reform could look like. In taking a step towards a new funding formula, establishing shared expectations between the Legislature, Governor, and education community for future changes would help to make progress on this important issue.

Special Education Services for Preschool-Aged Children. School districts lack a dedicated funding stream for serving 3 to 5 year old children with disabilities who are not yet in transitional kindergarten or kindergarten. School districts are required to implement a child find program to ensure that they

identify eligible children. School districts must then provide services for this population within their special education funding stream and potentially using other general purpose funding. Early identification and intervention provide benefits for school districts in potentially reduced special education services required in future years and improved outcomes for students.

The 2019-20 budget included some additional funding based on this population and the Governor's recent budget proposal for 2020-21 also includes some funding based on this population but the restrictions on expenditures are different. The new funding for 3 to 5 year old children with exceptional needs served by the school district is similar to the early intervention preschool grant of 2019-20 in that it is allocated on the same basis and is noted to be one-time. However, trailer bill language specifies that funds must be used for increased or improved services for children with exceptional needs. School districts must spend these funds in addition to what they already spend on special education and cannot displace general operations funding used on special education. School districts may not view this as the same fiscal relief they benefited from in the similar 2019-20 grant. The \$250 million allocated for this purpose would remain special education funding in future years at the state level under the special education maintenance of effort but may be allocated differently.

Ongoing funding for the services provided to the 3 to 5 year old population has yet to be determined. The Legislature may wish to consider whether the new proposal is the best next step to move towards supporting services for 3 to 5 years olds and whether the state can further incentivize best practices for serving our youngest children with special needs.

Special Education Workforce. Staff also notes that while ongoing funding is needed to support LEAs in providing special education, there are also a variety of uses for one-time funds that would help to strengthen the system. A teacher shortage is particularly acute in the area of special education across the state. Despite efforts over the past few years to recruit new teachers and retain current teachers, additional supports for the special education teacher workforce are still needed. In addition, students receiving special education services may be integrated into a mainstream classroom, often providing benefits for both the student and the classroom peer group. Current general education teachers may not have received significant amounts of training on special education services. Professional development for general education teachers, special education teachers, and para-educators focusing on best practices for serving special education students in inclusive environments when appropriate is also needed to support the integration of all students.

Child Care and Early Education Connections. The Legislature may also wish to consider whether the state is providing adequate resources for supporting young children with disabilities and their families. The system of subsidized child care and state preschool currently provides over 500,000 slots across child care, state preschool, and transitional kindergarten programs. However, this is only a fraction of the more than two million children who are potentially income-eligible for subsidized care (half of whom are younger than school age). In addition, only a small fraction of children served in non-public school settings, such as state preschool or child care are children with disabilities. Families and children may benefit extensively from not only receiving appropriate special education supports and services, but also from participating in a mainstream setting with their peers, as appropriate, and research shows these benefits have particular value when they are provided earlier in childhood. The Legislature may wish to keep the needs of this population in mind when evaluating special education proposals, but also in considering policies in the early education area.

Subcommittee Questions:

- 1) DOF/LAO: How have school districts used the funding that was provided on the basis of 3 and 5 year olds in the district?
- 2) DOF: What are the priorities for the Administration in special education reform and is there more information on how these phases would roll out?
- 3) DOF: Please comment on the proposed studies/workgroups and why these areas of need are a priority for additional research.

Staff Recommendation:

Hold Open.

6100 DEPARTMENT OF EDUCATION**Issue 3: Perspectives on Special Education Challenges****Panel:**

- Karla Estrada, Director of Systems Improvement and Innovation at the California Collaborative for Educational Excellence
- Kristin Wright, Director of the Special Education Division at the California Department of Education

Background:

California Collaborative for Educational Excellence (CCEE): The CCEE is an agency created to support California's System of Support, a component of the state's new school accountability system, whose guiding principles include local control and continuous improvement. The CCEE also offers specialized services to county offices of education and LEAs including:

- Direct Technical Assistance
- Professional Learning Networks
- The CCEE Resource Collection

The CCEE provides support to school districts in fiscal distress, builds capacity at and supports county offices of education, and may provide direct technical assistance to other school districts as needed. Many of the school districts identified for technical assistance and intervention, through the state's accountability system, are identified due to the performance of their students with disabilities.

In partnership with the CDE, the CCEE facilitates the work of the Special Education Resource (SELPA) Lead Agencies which work collaboratively within the System of Support to improve outcomes for students with disabilities. There are two types of SELPA Lead Agencies which are housed within designated COEs across in the state:

- SELPA System Improvement Leads which build capacity of SELPAs statewide through training and supporting the use of data best practices, as well as evidence-based practices in root cause analyses, systems alignment, and coherence.
- SELPA Content Leads that offer further support to SELPAs so they can help Local Educational Agencies (LEAs) develop and implement evidence-based practices for students with disabilities.

California Department of Education: The CDE provides state leadership and policy direction for school district programs and services for students who have disabilities. The CDE certifies more than a thousand nonpublic schools and agencies that provide special education services to students with disabilities. CDE also provides families with information on the education of children with disabilities. The CDE works cooperatively with other state agencies to provide everything from family-centered services for infants and preschool children to planned steps for transition from high school to employment and quality adult life. These efforts are supported by evaluation of student outcomes and analysis of current research. The CDE responds to consumer complaints and administers the federal

Individuals with Disabilities Education Act for students with disabilities in California. In addition, the CDE works with colleges and universities to deliver staff development and training that ensures that teachers and other service providers are qualified to work with children with disabilities.

Staff Recommendation:

Information Only.

6100 DEPARTMENT OF EDUCATION**Issue 4: California Dyslexia Initiative Proposal****Panel:**

- Michelle Valdivia, Department of Finance
- Amy Li , Legislative Analyst’s Office
- Julian Cuevas, California Department of Education

Background:

Dyslexia is considered a type of “specific learning disability,” which is defined in California’s regulations pertaining to students who qualify for special education services. The International Dyslexia Association defines dyslexia as:

“a specific learning disability that is neurobiological in origin. It is characterized by difficulties with accurate and/or fluent word recognition and by poor spelling and decoding abilities. These difficulties typically result from a deficit in the phonological component of language that is often unexpected in relation to other cognitive abilities and the provision of effective classroom instruction. Secondary consequences may include problems in reading comprehension and reduced reading experience that can impede growth of vocabulary and background knowledge.”

Dyslexia is tracked specifically at the state level, but is considered a specific learning disability. In 2018-19, 300,295 K-12 students were identified with a specific learning disability.

California Education Code Section 56335(a) defines educational services for students with dyslexia as follows: “ ‘educational services’ means an evidence-based, multisensory, direct, explicit, structured, and sequential approach to instructing pupils who have dyslexia.” In the context of educating students with dyslexia, each of these terms has a specific meaning, and together constitute approaches called “Structured Literacy.”

Assembly Bill 1369 (Frazier), Chapter 647, Statutes of 2015, required the Superintendent of Public Instruction to develop and to complete in time for use no later than the beginning of the 2017-18 academic year, program guidelines for dyslexia. The guidelines are to be used to assist regular education teachers, special education teachers, and parents to identify and assess pupils with dyslexia, and to plan, provide, evaluate, and improve educational services to pupils with dyslexia.

The California Department of Education (CDE) consulted with teachers, school administrators, other educational professionals, medical professionals, parents, and other professionals involved in the identification and education of pupils with dyslexia in developing the guidelines. LEAs are not mandated to use the guidelines, but they provide an additional resource as LEAs serve students struggling with dyslexia.

The California Dyslexia Guidelines were first released in August of 2017 and the most recently updated version is currently available on the CDE website. According to the CDE: “*Since the*

publication of the guidelines, many local educational agencies (LEAs) around the state have responded by evaluating and improving support for students with dyslexia and other struggling readers. Their efforts have included developing or revising comprehensive literacy plans, providing professional development on reading instruction and intervention, and implementing evidence-based programs and practices.”

Governor’s Proposal:

The Governor’s Budget proposes to provide \$4 million in one-time Proposition 98 funding for a California Dyslexia Initiative to:

- 1) Build capacity in the state system of support for local education agencies to provide local school early intervention services and supports for students with specific learning disabilities.
- 2) Identify effective models for diagnosis and treatment of specific learning disabilities.
- 3) Develop effective professional development for educators.
- (4) Develop effective partnerships between LEAs through the state system of support structure to disseminate resources identified and developed through the Initiative work.
- 5) Conduct a statewide conference to disseminate the resources identified and developed through the Initiative work.

Under the Governor’s plan, the CDE and the California Collaborative for Educational Excellence (CCEE) will designate a county office of education (COE) to lead the Initiative. The COE will contract with a California postsecondary education institution and work together to develop professional development, provide technical assistance to LEAs, develop a network of educators to provide training and technical assistance to LEAs, provide stipends to school personnel to attend the conference, and develop evaluation tools for strategies identified. The COE, postsecondary institution, and the CCEE shall collaborate to provide a statewide conference related to this Initiative.

The trailer bill language associated with this request specifies that the work would build upon the current California Dyslexia Guidelines and focus on disseminating information and best practices through the statewide system of support

Subcommittee Questions:

- 1) How are resources for dyslexia, including the California Dyslexia Guidelines currently disseminated?
- 2) With one-time funding, does the Administration anticipate the technical assistance networks and supports developed under this proposal will ultimately be sustainable within existing resources and local structures?

Staff Recommendation: Hold Open.