DEPARTMENT OF FINANCE
OFFICE OF THE DIRECTOR

ARNOLD SCHWARZENEGGER, GOVERNOR
STATE CAPITOL ■ ROOM 1145 ■ SACRAMENTO CA ■ 95814-4998 ■ WWW.DOF.CA.GOV

APR 0 1 2009

Honorable Denise Moreno Ducheny, Chair
Senate Budget and Fiscal Review Committee

Attention: Mr. Danny Alvarez, Staff Director (2)

Honorable Noreen Evans, Chair
Assembly Budget Committee

Attention: Mr. Christian Griffith, Chief Consultant (2)

**Amendment to and Addition of Various Budget Bill Items, Support and Local Assistance, State Department of Education**

**Federal Funds Adjustments**

**Items 6110-001-0001 and 6110-001-0890, State Operations, State Department of Education (Issues 011, 245, 328, 332, 490, 492)**

**California High School Exit Exam Equivalence Assessment (Issue 011)**—It is requested that Item 6110-001-0890 be increased by $1,050,000 federal special education funds and that Item 6110-001-0001 be amended to undertake the activities required, pursuant to Chapter 666 of the Statutes of 2008, which directed the State Department of Education (SDE) to form an independent panel to examine and provide recommendations to the State Board of Education (Board) on an equivalent assessment. The Budget Act of 2008 provided $1.25 million federal funds on a one-time basis for this purpose; however, the SDE reports that it will not expend $1,050,000 of the 2008-09 funds because most of the required work of the panel and the Board will occur in 2009-10.

It is further requested that provisional language be added to Item 6110-001-0890 as follows to conform to this action:

X. Of the funds appropriated in this item, $1,050,000 is for activities described in Chapter 666 of the Statutes of 2008.

**Add One-Time Funding Authority for Document Translation Workload (Issue 245)**—It is requested that Item 6110-001-0890 be increased by $385,000 federal Title III funds and that Item 6110-001-0001 be amended to support the continued translation of parental notification and information forms in multiple languages to assist school districts in complying with the requirements of current law.

It is also requested that provisional language be added to specify that expenditure of these one-time funds must first be approved by the Translations Advisory Group (TAG). The TAG is an advisory body responsible for identifying and assessing gaps in the types of documents being translated, prioritizing which documents should be translated and in what languages, as well as providing input to the SDE on translation procedures, quality, dissemination, and outreach.

It is further requested that provisional language be added to Item 6110-001-0890 to conform to this action as follows:

X. Of the funds appropriated in this item, $385,000 is available on a one-time basis to support additional translations of parental notification and information templates. Any expenditure of these one-time funds must first be approved by the Translations Advisory Group.

**Fund Child Care Characteristics Study (Issue 328)**—It is requested that Item 6110-001-0890 be increased by $250,000 from Child Care and Development Block Grant funds and that Item 6110-001-0001 be amended to contract for a one-time study to determine the characteristics of children, families, and providers and to collect other fiscal information useful for modeling the effects of policy proposals in state-subsidized child care and development programs. The Budget Act of 2009 contains provisional language in Item 6110-196-0001 that requires the SDE to collect this data during the course of regularly scheduled compliance reviews of center-based and alternative payment providers conducted by the Alternative Payment Monitoring Unit (APMU). Because the SDE has indicated that it would need to conduct a survey for certain data elements that cannot be collected during the compliance reviews, it is proposed that funds be budgeted for a survey and that APMU staff validate survey findings pertaining to data elements that can be collected through the reviews. (Also see Item 6110-196-0001, Issue 328.)

It is further requested that Provision 6(a) of Item 6110-001-0890 be amended as follows to conform to this action.

"6. (a) Of the funds appropriated in this item, ~~$11,765,000~~ $12,015,000 is from the Child Care and Development Block Grant Fund and is available for support of child care services. Of this amount, $250,000 shall be available to support a contract for consultant services to conduct a study of the characteristics of families and costs of care pursuant to Provision 13 of Item 6110-196-0001. Of ~~this amount~~ the federal funds in this item, $1,533,000 is for 13.0 positions to address compliance monitoring and overpayments, which may contribute to early detection of fraud. All federally subsidized child care agencies shall be audited pursuant to federal regulations per Part 98 of Title 45 of the Code of Federal Regulations. The State Department of Education (SDE) shall provide information to the Legislature and Department of Finance each year that quantifies by program provider-by-provider level data, including instances and amounts of overpayments and fraud, as documented by the SDE's compliance monitoring efforts for the prior fiscal year. Additionally, the SDE shall provide a copy of any federal reports submitted regarding improper payments and fraud to the Legislature and the Department of Finance."

**Plan for Recovering Overpayments in Child Care Programs (Issue 332)**—It is requested that the SDE provide a plan for reducing overpayments and recovering payments found to be in error related to fraud or overpayments, and to require that the errors be corrected. The Alternative Payment Monitoring Unit (APMU) was established in 2004 to conduct annual reviews of alternative payment (voucher-based) programs to address compliance monitoring and overpayments, which may contribute to the early detection of fraud. The SDE recently estimated in a federally required report that nearly $200 million in excess payments were made to child care providers annually in both alternative payment and center-based programs. Further, in a recent report on the activities of the APMU unit for fiscal year 2007-08, the SDE indicated that 52 percent of the total payments reviewed were overpayments. Of the total overpayments, 72 percent were payments in excess of the regional market rate ceiling. To date, the SDE has not recovered any payments found to be in error.

It is further requested that provisional language be added to Provision 6 of Item 6110-001-0890 as follows to conform to this action:

6. (c) The State Department of Education (SDE) shall provide a plan by October 1, 2009, to the Department of Finance for review and approval for reducing overpayments and recovering payments from child care and development programs that the SDE has determined to have been made in error related either to potential fraud or overpayments. The SDE shall provide options and recommendations for payment recovery and for implementing aggressive corrective measures to minimize payment errors, including, but not limited to, rebidding contracts for contractors with high error rates, modifying the contract funding terms and conditions to require reductions to administrative allowances for contractors that exceed specified maximum error rates, and to prohibit payment to providers that continue to submit erroneous reports for reimbursement purposes. Prior to submitting recommendations, the SDE shall review options with the Department of Social Services and representatives of alternate payment providers, counties that directly administer Stage 1, and state funded centers and family day care homes. When approved by the Department of Finance, the elements of the plan that can be implemented without statutory changes shall be implemented no sooner than 30 days after notification in writing of the necessity to the chairperson of the committees in each house of the Legislature that considers appropriations and the Chairperson of the Joint Legislative Budget Committee, or not sooner than whatever lesser time the chairperson of the joint committee or designee may determine. The SDE shall promulgate emergency regulations to implement the plan by March 1, 2010.

**Special Child Nutrition Grants (Issue 490)**—It is requested that Item 6110-001-0890 be increased by $1.1 million Federal Trust Fund and that Item 6110-001-0001 be amended to reflect the anticipated receipt of Direct Certification, Team Nutrition, and Administrative Review and Training grants awarded by the United States Department of Agriculture. These funds would be used to develop and implement school district training needed to implement federal requirements associated with the Child Nutrition Program, which is an entitlement program that reimburses local educational agencies (LEAs) for serving meals and snacks to eligible students in the Child and Adult Care Food Program, the School Nutrition Program, and the Summer Food Service Program.

It is further requested that provisional language be added to Item 6110-001-0890 as follows to conform to this action:

X. Of the funds appropriated in this item, $1,100,000 is provided on a one-time basis, contingent on the receipt of Direct Certification, Team Nutrition, and Administrative Review and Training grants from the United States Department of Agriculture, to develop and implement school district training needed to implement federal requirements associated with the Child Nutrition program.

**Federal Child Nutrition Direct Certification and Verification Carryover Funds (Issue 492)**—It is requested that Item 6110-001-0890 be increased by $320,000 Federal Trust Fund and that Item 6110-001-0001 be amended to reflect the availability of one-time carryover funds resulting from the delay in fully spending the Federal Child Nutrition Direct Certification and Verification Grant that SDE received in 2008-09. These funds would be used to improve and expand current state-level processes for directly certifying and verifying students eligible for free and reduced-price meals through service contracts with the California School Information Services, California Department of Social Services, and Department of Health Care Services.

It is further requested that Provision 24 of Item 6110-001-0890 be amended as follows to conform to this action:

"24. Of the funds appropriated in this item, $~~112,000~~432,000 is available on a one-time basis to improve and expand the direct certification and verification processes of students in child nutrition programs."

**Item 6110-119-0890, Local Assistance, Neglected and Delinquent Children Program (Issue 248)**—It is requested that this item be increased by $43,000 federal Title I Neglected and Delinquent Children funds to reflect the availability of one-time carryover funds. LEAs will use these funds for services to educate neglected and delinquent or incarcerated youth.

It is further requested that provisional language be added as follows to conform to this action:

X. Of the funds appropriated in Schedule (4), $43,000 is provided in one-time carryover funds to support the existing program.

**Item 6110-125-0890, Local Assistance, Migrant Education Program and English Language Acquisition Program (Issues 246 and 250)**—It is requested that this item be increased by $3.5 million federal Title I Migrant Education funds to reflect the availability of one-time carryover funds. LEAs will use these funds for educational and support services to meet the needs of highly-mobile children.

It is also requested that this item be increased by $1,683,000 federal Title III Language Acquisition funds to reflect the availability of one-time carryover funds. LEAs will use these funds for services to help students attain English proficiency and meet grade level standards.

It is further requested that provisional language be added as follows to conform to this action:

X. Of the funds appropriated in Schedule (1), $3,500,000 is provided in one-time carryover funds to support the following existing program activities: (1) extended day/week and summer/intersession programs to help prepare middle and secondary students for the high school exit exam, (2) investments aimed at upgrading curricula, instructional materials, educational software, and assessment procedures, (3) tutorials and intensified instruction, and 4) investments in technology used to improve the proficiency of limited English proficient students.

X. Of the funds appropriated in Schedule (3), $1,683,000 is provided in one-time carryover funds to support the existing program.

**Item 6110-126-0890, Local Assistance, Reading First Program (Issue 085)**—It is requested that this item be increased by $27,612,000 federal Title I Reading First funds to reflect the availability of one-time carryover funds. The Reading First Program aims to improve Kindergarten through grade 3 general education and Kindergarten through grade 12 special education reading achievement. Competitive grants are provided to eligible schools to train teachers in the use of Board-adopted reading/language arts instructional programs to teach reading.

The federal No Child Left Behind Act of 2001 intended that the Reading First Program include Kindergarten through grade 12 special education teachers. As of 2007, California's schools had given priority to Kindergarten through grade 3 and special education teachers had not fully

participated in the training. The Budget Act of 2007 appropriated one-time federal Title I Reading First carryover funds for a three-year Special Education Teacher Professional Development Pilot Program (SETPD) to focus on providing Reading First training to special education teachers.

The federal government eliminated ongoing funding for Reading First from its 2009 budget, leaving only this carryover amount for one-time use. Committing this one-time carryover funding to established cohorts in SETPD will allow additional eligible special education teachers to receive Reading First training.

It is further requested that provisional language be added as follows to conform to this action:

X. Of the funds appropriated in this item, $27,612,000 is provided in one-time carryover funds to support existing Reading First Special Education Teacher Professional Development Pilot Program participants with priority given to previously unfunded teachers. Of this amount, up to $750,000 may be used for state and regional administration, support, and technical assistance. As a condition of receiving funds, the State Department of Education, in consultation with the California Technical Assistance Center, shall submit an expenditure report to the Department of Finance. This report shall include, at a minimum, the sum and distribution of participating schools and teachers and expenditure information of each technical assistance center by category of personnel, training, training materials, travel, general expense, and indirect costs.

**Item 6110-134-0890, Local Assistance, Title I Basic Program (Issue 251)**—It is requested that this item be increased by $4.0 million federal Title I funds to reflect the availability of one-time carryover funds. LEAs will use these funds to support services that assist low achieving students enrolled in the highest poverty schools.

It is further requested that provisional language be added as follows to conform to this action:

X. Of the funds appropriated in Schedule (4), $4,000,000 is provided in one-time carryover funds to support the existing program.

**Item 6110-136-0890, Local Assistance, McKinney-Vento Homeless Children Education Program and Title I Even Start Program (Issues 247 and 249)**—It is requested that this item be increased by $400,000 federal Title I McKinney-Vento Homeless Children Education funds to reflect the availability of one-time carryover funds. LEAs will use these funds to provide services to homeless students.

It is also requested that this item be increased by $683,000 federal Title I Even Start funds to reflect the availability of one-time carryover funds. LEAs will use these funds for services to improve the educational opportunities of low-income families and for a unified literacy program that integrates early childhood education and parenting education.

It is further requested that provisional language be added as follows to conform to this action:

X. Of the funds appropriated in Schedule (1), $400,000 is provided in one-time carryover funds to support the existing program.

X. Of the funds appropriated in Schedule (2), $683,000 is provided in one-time carryover funds to support the existing program.

**Item 6110-166-0890, Local Assistance, One-time Carryover for Federal Vocational Education (Issue 401)**—It is requested that this item be increased by $10,784,000 federal Vocational Education funds to reflect one-time carryover available to support Vocational Education Programs, which develop academic, vocational, and technical skills of students in high schools, community colleges and Regional Occupational Centers and Programs.
It is further requested that provisional language be added as follows to conform to this action:

X. Of the funds appropriated in this item, $10,784,000 is provided from one-time carryover funds for Vocational Education Programs.

**Item 6110-183-0890, Local Assistance, Safe and Drug Free Schools Program (Issue 493)**—It is requested that this item be increased by $2.3 million federal Safe and Drug Free Schools funds to reflect the availability of one-time carryover funds. These funds will be used to support programs that prevent violence in and around schools and prevent the illegal use of alcohol, tobacco, and drugs.

It is further requested that language be added as follows to conform to this action:

X. Of the funds appropriated in this item, $2,300,000 is provided from one-time carryover funds for the Safe and Drug Free Schools Program.

**Item 6110-193-0890, Local Assistance, Mathematics and Science Partnership Program (Issue 086)**—It is requested that this item be increased by $6,561,000 federal Title II funds to reflect the availability of one-time carryover funds. The Mathematics and Science Partnership Program provides competitive grant awards to partnerships of low-performing schools and institutes of higher education to provide staff development and curriculum support to mathematics and science teachers.

It is further requested that provisional language be added as follows to conform to this action:

X. Of the funds appropriated in this item, $6,561,000 is provided in one-time carryover funds to support the California Mathematics and Science Partnership Program.

**Item 6110-197-0890, Local Assistance, Adjust Federal Funds for 21st Century Community Learning Centers (Issue 331)**—It is requested that this item be increased by $40.0 million federal 21st Century funds to provide one-time carryover authority for unspent prior-year funds for the 21st Century Community Learning Centers program to be spent in a manner consistent with the existing program. Further, it is proposed that reporting language be added to determine the reasons for carryover and how these funds are utilized. This program provides grants to support the establishment of community learning centers that offer academic enrichment opportunities during non-school hours for students, particularly those who attend high-poverty and low-performing schools.

It is further requested that provisional language be added as follows to conform to this action:

X. Of the funding provided in this item, $40,000,000 is available from one-time carryover from prior years.

X. The State Department of Education shall provide a report to the Department of Finance and the Legislative Analyst that includes but is not limited to, allocation and expenditure data for all

programs funded in this item in the past three years, the reasons for carryover, and the planned uses of carryover funds by March 1, 2010.

**Item 6110-201-0890, Local Assistance, Child Nutrition Programs (Issue 483)**—It is requested that this item be increased by $267,585,000 Federal Trust Fund due to anticipated growth in the Child Nutrition Program. LEAs, private schools, and public and private centers, homes, halls, shelters, and camps are reimbursed for meals served through this federal entitlement program.

**General Fund and Other Adjustments**

**Item 6110-001-0001, State Operations, Schedule Correction (Issue 012)**—It is requested that $1,250,000 be shifted from Program 20 to Program 30 in Item 6110-001-0001 to correct a scheduling error contained in the Budget Act of 2009.

**Item 6110-001-0001, State Operations, Extend Limited-Term Positions for the Enhancing Education Through Technology (EETT) Grant Program (Issue 244)**—It is requested that position authority for 2.0 limited-term Education Program Consultant positions in the Education Technology Office be extended for an additional two years, to June 30, 2011. These positions will support workload associated with the EETT program, including tracking grant awards and providing technical assistance to the 58 county offices of education receiving local assistance funds.

**Item 6110-166-0001, Local Assistance, One-time Carryover for "Green" California Partnership Academies (Issue 403)**—It is requested that Schedule (2) of this item be amended by increasing Reimbursements by $438,000 Federal Trust Fund to reflect one-time carryover of reimbursement authority to support "Green" Partnership Academies. This amount, coupled with $4.0 million currently budgeted for 2009-10, will allow the SDE to fully fund 61 academies in 2009-10. LEAs receiving funding create partnership academies with local private interests that focus on clean technology such as energy conservation, renewable energy, and pollution reduction.

It is further requested that provisional language be added as follows to conform to this action:

X. Of the funds appropriated in Schedule (2) of this item, $438,000 in reimbursements is provided on a one-time basis to support "Green" Partnership Academies.

**Item 6110-196-0001, Local Assistance, Amend Provisional Language for the Child Care Characteristics Study (Issue 328)**—It is requested that Provision 13 of this item be amended as follows to require that staff of the Alternative Payment Monitoring Unit validate the findings of the proposed survey of center-based child care and alternative payment providers pertaining to data elements that can be collected through compliance reviews, and to make clarifying changes to facilitate the data collection process. (Also see Items 6110-001-0001 and 6110-001-0890, Issue 328)

"13. (a) The State Department of Education (SDE) shall collect the following information through the use of consultant services, based on consultation with the Department of Social Services regarding the selection of the data to be collected. The SDE shall require the contractor to coordinate with the Alternative Payment Monitoring Unit to validate the findings of the survey for those data elements that can be collected during the course of regularly scheduled compliance reviews of center-based child care and alternative payment providers to the extent practicable.

~~based on consultation with the Department of Social Services regarding the selection of the data to be collected:~~

(1) Profiles of the subsidized population, disaggregated for each major program, including, but not limited to, half-day State Preschool, General Child Care, Alternative Payment Programs, and CalWORKs Child Care, sufficient to determine both the numbers and ages of children and proportion of subsidized children and families by type of subsidized care (e.g., family child care homes, centers, license-exempt providers); by family income and family size; the numbers and proportions of children utilizing more than one type of subsidized child care; the work status of parents of children receiving subsidized child care; the numbers and proportions of children in full-time care and in part-time care; the ages of children at time of entry into a subsidized child care program; and the numbers and proportions of foster children receiving subsidized child care.

(2) For each major program, as specified in Paragraph (1), quantify the family fees collected, ~~quantify~~ estimate the family co-payments collected, provide the number and proportion of children and families paying family fees, estimate the number and proportion of children and families ~~paying~~ subject to co-payments, and the number of children and families exempted from family fees ~~per~~ by income ~~category by~~ level and family size. In addition, identify and classify the reasons for fee exemptions.

(3) Within and across all major programs, as specified in Paragraph (1), determine the monthly rates of attrition of families. Also, for each program determine the number and percentage of families receiving child care ~~due to the following reasons:~~ by category of eligibility and need pursuant to Section 8263(a) of the Education Code, including, but not limited to, child protective services, foster care, seeking work, working, or in training programs leading to work, and the relative distribution of families entering the system by family income and size.

(4) For each alternative payment-based program, determine the incidence, relative proportion, and dollar magnitude of actual care payments per child and family that are in excess of or below the current mean-market rates. Classify the occurrences in percentage increments from the mean-market rate.

(b) The data shall be provided to the Department of Social Services, the Department of Finance, and the Legislative Analyst no later than September 1, 2010."

**Item 6110-492 and 6110-001-3085, Reappropriation, Mental Health Services Act, Proposition 63 (Issue 562)**—It is requested that $319,000 in Mental Health Services funds appropriated in Schedule (1) of Item 6110-001-3085, Budget Act of 2008, be reappropriated in 2009-10. These funds were provided to allow SDE to contract with other departments to implement trainings and develop mental health best practices resources pursuant to the Mental Health Services Act. However, due to contract bid issues (non-qualified bids and appeals), the funds cannot be spent until 2009-10.

It is further requested that language be added as follows to conform to this action:

6110-492—Reappropriation, Department of Education. Notwithstanding any other provision of law, the balance of the appropriation provided in Schedule (1) of Item 6110-001-3085 of the Budget Act of 2008 (Chs. 268 and 269, Stats. 2008), is reappropriated and shall be available for encumbrance or expenditure until June 30, 2010, for the purpose of fulfilling contracting services with other departments pursuant to the Mental Health Services Act (Proposition 63).

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The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Ryan Storm, Principal Program Budget Analyst, at (916) 445-0328.

MICHAEL C. GENEST
Director
By:

/s/ Ana J. Matosantos

ANA J. MATOSANTOS
Chief Deputy Director

Attachment

cc: Honorable Christine Kehoe, Chair, Senate Appropriations Committee
Attention: Mr. Bob Franzoia, Staff Director
Honorable Bob Dutton, Vice Chair, Senate Budget and Fiscal Review Committee
Attention: Mr. Seren Taylor, Staff Director
Honorable Kevin de Leon, Chair, Assembly Appropriations Committee
Attention: Mr. Geoff Long, Chief Consultant
Honorable Roger Niello, Vice Chair, Assembly Budget Committee
Attention: Mr. Peter Schaafsma, Staff Director
Honorable Gloria Romero, Chair, Senate Budget and Fiscal Review Subcommittee No. 1
Honorable Wilmer Amina Carter, Chair, Assembly Budget Subcommittee No. 2
Mr. Mac Taylor, Legislative Analyst (4)
Mr. Craig Cornett, Senate President pro Tempore's Office
Mr. Christopher W. Woods, Assembly Speaker's Office (2)
Mr. Ivan Altamura, Chief of Staff, Assembly Republican Leader's Office
Honorable Jack O'Connell, Superintendent of Public Instruction
Dr. Glen Thomas, Secretary of Education
Ms. Sharon Taylor, Fiscal and Administrative Services, Department of Education

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Honorable Denise Moreno Ducheny, Chair
Senate Budget and Fiscal Review Committee

Attention: Mr. Danny Alvarez, Staff Director (2)

Honorable Noreen Evans, Chair
Assembly Budget Committee

Attention: Mr. Christian Griffith, Chief Consultant (2)

**Addition of Budget Bill Item 6110-490, Capital Outlay, Department of Education**

It is requested that Item 6110-490 be added to reappropriate the unencumbered balances of bond funded appropriations for three Department of Education (DOE) projects at the California School for the Deaf, Riverside. The projects are the Career and Technical Education Complex and Service Yard, the New Gymnasium and Pool, and the Kitchen and Dining Hall Renovation. The appropriations were included in the Budget Acts of 2005, 2006, 2007, and 2008.

Pursuant to Budget Letter 08-33, departments were directed to suspend any projects that require cash disbursement from Pooled Money Investment Account loans. In order to comply with this, DOE suspended project activities for bond funded projects. Therefore, it is necessary to reappropriate the unspent balances of the requested funds to allow DOE to fulfill its obligation for the bond funded projects once they are able to restart.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Nathan Brady, Principal Program Budget Analyst, at (916) 445-9694.

MICHAEL C. GENEST
Director
By:

/s/ Ana J. Matosantos

ANA J. MATOSANTOS
Chief Deputy Director

Attachment

cc: on following page

APR 0 1 2009

cc: Honorable Christine Kehoe, Chair, Senate Appropriations Committee
Attention: Mr. Bob Franzoia, Staff Director
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Honorable Kevin de Leon, Chair, Assembly Appropriations Committee
Attention: Mr. Geoff Long, Chief Consultant
Honorable Roger Niello, Vice Chair, Assembly Budget Committee
Attention: Mr. Peter Schaafsma, Staff Director
Honorable Gloria Romero, Chair, Senate Budget and Fiscal Review Subcommittee No. 1
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Mr. Mac Taylor, Legislative Analyst (4)
Mr. Craig Cornett, Senate President pro Tempore's Office
Mr. Christopher W. Woods, Assembly Speaker's Office (2)
Mr. Ivan Altamura, Chief of Staff, Assembly Republican Leader's Office
Mr. Ronald Kadish, Director of State Special Schools and Services Division, Department of Education
Mr. C. Allen Young, Construction Maintenance Supervisor, Department of Education
Ms. Rosa Wright, Fiscal Officer, Department of Education
Ms. Roxanne Eres, Chief, Budget Officer, Department of Education

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Honorable Denise Moreno Ducheny, Chair
Senate Budget and Fiscal Review Committee

Attention: Mr. Danny Alvarez, Staff Director (2)

Honorable Noreen Evans, Chair
Assembly Budget Committee

Attention: Mr. Christian Griffith, Chief Consultant (2)

**Addition of Budget Bill Items 6440-301-0660 and 6440-402, Capital Outlay, University of California**

The following requests would address changes to proposed capital outlay projects:

**Los Angeles—Center for Health Sciences, South Tower Renovation—Working drawings and construction.** The University of California (UC) requests $123,276,000 from lease revenue funds, combined with $87,175,000 in campus funds, to jointly-fund the renovation of the South Tower in the Center for Health Sciences (CHS). The requested project will renovate 443,387 gross square feet (gsf) of the South Tower, which is the single largest building (10-story building) in the 2.4 million gsf in the CHS complex, and has a current seismic rating of "Poor" (Department of General Services Level V). The South Tower is largely vacant as the inpatient care and academic and research programs have been moved to the nearby Westwood Replacement Hospital that was completed in 2008. Following renovation, the intended use for the South Tower will be for various academic and research programs by medical sciences disciplines at UC Los Angeles. The project will include demolition and hazardous materials abatement, seismic retrofit, building shell upgrades and infrastructure components, and build out of the 10 stories for the proposed uses. Upon completion, the building's seismic rating would be upgraded to "Good" (Department of General Services Level III).

Therefore, it is requested to add Item 6440-301-0660 to reflect the addition of this new project.

**Garamendi Financing Authorization for Two Projects: UC Santa Barbara Bioengineering Building and UC San Diego Marine Laboratory.** The UC requests authority, pursuant to Government Code Section 15820.21, to establish a funding mechanism known as "Garamendi Financing," to allow increased federal indirect costs generated from research conducted in a proposed new research building on the UC San Diego (UCSD) and UC Santa Barbara (UCSB) campuses to pay debt service and maintenance costs for the proposed new buildings. The ability to finance research facilities under this program will allow facilities to "pay for themselves" by permitting the campuses to use the gross indirect cost recovery attributable to the new facilities to pay for debt service and maintenance.

The proposed UCSB Bioengineering Building will provide research into the emerging field of bioengineering including regenerative (stem cell) medicine to answer problems and questions in areas such as diabetes and viral and bacterial infections. The proposed UCSD Scripps Institution of Oceanography will develop a Marine Ecosystem Sensing, Observation, and Modeling Laboratory to study marine ecosystems as it relates to climate change and to develop

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a marine ecosystem forecasting model to improve marine ecosystem management. Since fiscal year 1990-91, 20 capital projects totaling approximately $654 million were financed using Garamendi Financing.

Therefore, it is requested that Item 6440-402 be added as follows:

(a) The Santa Barbara Campus—Bioengineering Building is authorized pursuant to Section 15820.21 of the Government Code.

(b) The San Diego Campus—Marine Ecosystem Sensing, Observation, and Modeling Laboratory is authorized pursuant to Section 15820.21 of the Government Code.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Theresa Gunn, Principal Program Budget Analyst, at (916) 445-9694.

MICHAEL C. GENEST
Director
By:

/s/ Ana J. Matosantos

ANA J. MATOSANTOS
Chief Deputy Director

Attachment

cc: Honorable Christine Kehoe, Chair, Senate Appropriations Committee
Attention: Mr. Bob Franzoia, Staff Director
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Attention: Mr. Geoff Long, Chief Consultant
Honorable Roger Niello, Vice Chair, Assembly Budget Committee
Attention: Mr. Peter Schaafsma, Staff Director
Honorable Gloria Romero, Chair, Senate Budget and Fiscal Review Subcommittee No. 1
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Mr. Mac Taylor, Legislative Analyst (4)
Mr. Craig Cornett, Senate President pro Tempore's Office
Mr. Christopher W. Woods, Assembly Speaker's Office (2)
Mr. Ivan Altamura, Chief of Staff, Assembly Republican Leader's Office
Mr. Patrick Lenz, Vice President for Budget, University of California
Ms. Deborah Obley, Associate Vice President for Budget Operations, University of California

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Honorable Noreen Evans, Chair
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Attention: Mr. Christian Griffith, Chief Consultant (2)

**Amendment to Various Budget Bill Items and Reimbursements, Support and Local Assistance, California Community Colleges**

**Item 6870-001-0001, State Operations, California Community Colleges (Issues 001 and 004)**

**Increase Reimbursements for Emergency Planning and Preparation (Issue 001)**—It is requested that Schedule (2) of this item be amended to reflect an increase of $400,000 in Reimbursements from one-time federal homeland security funding received through an interagency agreement with the California Emergency Management Agency. The funding will be used to continue vulnerability assessments and emergency preparedness plans at community college districts. This is the third grant provided for this purpose and is consistent with the goals of Chapter 461, Statutes of 2007.

It is further requested that provisional language be added to conform to this action as follows:

X. The funds appropriated in Schedules (2) and (5) reflect an interagency agreement with the California Emergency Management Agency for $400,000 in reimbursements to conduct emergency planning and preparedness training for community college districts.

**Increase Reimbursements to Administer the Federal Workforce Investment Act (Issue 004)**—It is requested that Schedule (2) of this item be amended to reflect an increase of $600,000 in Reimbursements from the federal Workforce Investment Act (WIA) funding received through an interagency agreement with the Employment Development Department. The funding will be used to continue support of Economic and Workforce Development activities such as the Nursing Initiative and other WIA related programs that increase employment, job retention, earnings, and improved occupational skills for program participants.

It is further requested that provisional language be added to conform to this action as follows:

X. The funds appropriated in Schedules (2) and (5) reflect an interagency agreement with the Employment Development Department for $600,000 in Reimbursements to support Economic and Workforce Development activities such as the Nursing Initiative and other Workforce Investment Act related programs.

**Item 6870-111-0001, Local Assistance, California Community Colleges (Issues 003, 005, 006, and 007)**

**Increase Reimbursements for Vocational Education (Issue 003)**—It is requested that Schedule (3) of this item be amended to reflect an increase of $19,546,000 in Reimbursements from the federal Carl D. Perkins Vocational and Technical Education Act received through an interagency agreement with the State Department of Education. The community colleges have experienced an increase in vocational program enrollments and have the capacity to serve more students with the additional funding.

**Increase Reimbursements for the Nurse Education Initiative (Issue 005)**—It is requested that Schedule (5) of this item be amended to reflect an increase of $6.0 million in Reimbursements from the federal Workforce Investment Act funding received through an interagency agreement with the Employment Development Department. The funding will be used to support the ongoing Governor's Nurse Education Initiative (Initiative). The Initiative addresses the shortage of licensed nurses by expanding enrollment capacity, increasing enrollments, and enhancing student success within Associate Degree Nursing-Registered Nurse programs.

**Increase Reimbursements for the Allied Health Initiative (Issue 006)**—It is requested that Schedule (5) of this item be amended to reflect an increase of $2.0 million in Reimbursements from the federal Workforce Investment Act (WIA) funding received through an interagency agreement with the Employment Development Department. The funding will support the Allied Health Initiative (Initiative), which will expand enrollments in allied health occupation programs in community colleges with additional enrollment slots, instructional support, and student support services. The Initiative is part of the ongoing WIA program addressing critical shortage industries.

**Increase Reimbursements for the Corpsmen/Paramedic to Registered Nurse Program (Issue 007)**—It is requested that Schedule (5) of this item be amended to reflect an increase of $1.2 million in Reimbursements from the federal Workforce Investment Act (WIA) funding received through an interagency agreement with the Employment Development Department. The funding will support the Corpsmen/Paramedic to Registered Nurse Program (Program), which will allow community colleges to offer bridging courses and programs for licensed vocational nurses, paramedics, or independent duty corpsman to meet the requirements for taking, and successfully completing, examinations for becoming a registered nurse. The Program is part of the ongoing WIA program to expand the number of registered nurses.

It is further requested that provisional language be added to conform to Issues 006 and 007 as follows:

X. The funds appropriated in Schedule (5) reflect increases of $3,200,000 to support interagency agreements between the Office of the Chancellor of the California Community Colleges and the Employment Development Department for the purposes of: (1) offering bridging courses and programs for licensed vocational nurses, paramedics, or independent duty corpsman to meet the requirements for taking, and successfully completing, examinations for becoming a registered nurse, and (2) expanding enrollments in allied health occupation programs in community colleges.

**Item 6870-493, Reappropriation for the Community College Logistics Program (Issue 002)**—It is requested that Item 6870-493 be added to reappropriate $100,000 federal funds for the Community College Logistic Program. Reappropriating the funding will allow the community colleges to fully expend the federal United States Department of Labor grant. The Community College Logistics Program leverages community colleges and regional employers to implement a training program that will address the shortage of qualified workers within the Logistics Industry.

It is further requested that the language be added to conform to this action as follows:

6870-493—Reappropriation, Board of Governors of the California Community Colleges. The balances of the appropriations provided in the following citations are reappropriated for the purposes specified in Provision 1 and shall be available for encumbrance or expenditure until June 30, 2010.
(1) Item 6870-002-0890, Budget Act of 2008 (Chs. 268 and 269, Stats. 2008)

Provisions:
1. The funds appropriated in this item are available to support personnel and operating expenses necessary for the implementation of the community college logistics program pursuant to a grant from the United States Department of Labor pursuant to Public Law 105-220.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Ed Hanson, Principal Program Budget Analyst, at (916) 445-0328.

MICHAEL C. GENEST
Director
By:

/s/ Ana J. Matosantos

ANA J. MATOSANTOS
Chief Deputy Director

Attachment

cc: On following page

cc: Honorable Christine Kehoe, Chair, Senate Appropriations Committee
Attention: Mr. Bob Franzoia, Staff Director
Honorable Bob Dutton, Vice Chair, Senate Budget and Fiscal Review Committee
Attention: Mr. Seren Taylor, Staff Director
Honorable Kevin de Leon, Chair, Assembly Appropriations Committee
Attention: Mr. Geoff Long, Chief Consultant
Honorable Roger Niello, Vice Chair, Assembly Budget Committee
Attention: Mr. Peter Schaafsma, Staff Director
Honorable Gloria Romero, Chair, Senate Budget and Fiscal Review Subcommittee No. 1
Honorable Wilmer Amina Carter, Chair, Assembly Budget Subcommittee No. 2
Mr. Mac Taylor, Legislative Analyst (4)
Mr. Craig Cornett, Senate President pro Tempore's Office
Mr. Christopher W. Woods, Assembly Speaker's Office (2)
Mr. Ivan Altamura, Chief of Staff, Assembly Republican Leader's Office
Mr. Erik Skinner, Vice Chancellor, Chancellor's Office, California Community Colleges
Ms. Sharon Taylor, Fiscal Administration Services Division, Department of Education

DEPARTMENT OF FINANCE
OFFICE OF THE DIRECTOR

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Honorable Denise Moreno Ducheny, Chair
Senate Budget and Fiscal Review Committee

Attention: Mr. Danny Alvarez, Staff Director (2)

Honorable Noreen Evans, Chair
Assembly Budget Committee

Attention: Mr. Christian Griffith, Chief Consultant (2)

**Amendment to Budget Bill Item 7980-001-0001, State Operations, Student Aid Commission**

**Amend Provisional Language for Compliance Audits (Issue 007)**—It is requested that Provision 3 of Item 7980-001-0001 be amended to clarify the California Student Aid Commission's ability to conduct compliance reviews of specialized grant programs such as the Law Enforcement Personnel Dependents Scholarship Program and the Child Development Teacher and Supervisor Grant Program, and to complete reviews of the California Student Opportunity and Access Program.

It is further requested that Provision 3 of Item 7980-001-0001 be amended to conform to this action:

"3. Of the funds appropriated in Schedule (1), $850,000 is only available for the support of 7.0 auditor positions and 1.0 audit supervisor position for the purpose of conducting program compliance reviews for institutions participating in the Cal Grant Program under Chapter 1.7 (commencing with Section 69430) of Part 42 of Division 5 of Title 3 of the Education Code and the Assumption Program of Loans for Education under Article 5 (commencing with Section 69612) of Chapter 2 of Part 42 of Division 5 of Title 3 of the Education Code, and other specialized grant programs as deemed necessary by the Student Aid Commission (Commission), with the objective of auditing higher risk institutions once every three years. The audits shall emphasize verification of applicant eligibility, fund disbursement, and payment reconciliation. The ~~Student Aid Commission~~ Commission shall prioritize its review of institutions that have demonstrated noncompliance in prior audits. The Commission may also conduct compliance reviews of the California Student Opportunity and Access Program, under Article 4 (commencing with Section 69560) of Chapter 2 of Part 42 of Division 5 of Title 3 of the Education Code. The ~~c~~Commission shall report to the Legislature and the ~~Governor~~ Department of Finance by September 30, 2009, on the institutions audited in 2007-08 and 2008-09, the rate of noncompliance with each major program requirement, the amount of funding that was not expended in compliance with applicable requirements, the amount of funding repaid due to noncompliance, and the steps taken to address noncompliance."

**Reintroduction of Proposals Not Included in February 2009 Enacted Budget**

Pursuant to agreement with the Legislature in the enactment of the February 2009 Budget Act, it was the Administration's understanding that several proposals in the Governor's Budget that were not included or omitted without prejudice will be reviewed and considered in the Legislature's further deliberations.

- **Decentralize Cal Grants and Consolidate the Functions of the Student Aid Commission and California Postsecondary Education Commission**—This proposal is estimated to save $2.0 million General Fund in the 2009-10 fiscal year if implemented in this session and to save over $4.0 million on an ongoing basis. A trailer bill proposal was previously transmitted through RN 0902499.

During these extraordinary economic times, it is necessary to rethink how the state conducts business, with an eye to more effective service delivery and efficiency. This proposal will improve services and streamline delivery of financial aid for students, while creating cost savings in the delivery of services on an ongoing basis. The Education Roundtable has indicated its unanimous support for decentralizing the Cal Grant program, believes the implementation costs to be minimal, and that improvements in serving students will be substantial. Further, the Legislative Analyst has pointed out that the administration of statutorily defined student financial aid programs by an independent commission makes little policy sense.

**Item 7980-101-0001**

- **Freeze Cal Grant Income Eligibility Levels at Current Year Levels**—This proposal would save $7.0 million General Fund. Holding income eligibility constant while inflation is minimal and family incomes are dropping should have minimal affect on the number of students that would otherwise qualify for Cal Grants. Applicable control language was proposed in Provision 3 of this item in the Governor's Budget.

- **Reduce Maximum Cal Grant Amount for Students Attending Private Institutions**—This proposal would save $11.0 million dollars. Reducing maximum grants for students attending private institutions will largely be mitigated by increases in Pell Grants and Tuition Tax Credit enhancements authorized in recently enacted federal stimulus legislation. Applicable control language was proposed in Provision 4(c) of this item in the Governor's Budget.

- **Partially De-couple Cal Grant Award Levels from Public Segment Fee Increases**—This proposal is estimated to save $16.6 million. This proposal would still cover two-thirds of the anticipated fee increases, the difference of which would be mitigated by the increases in Pell Grants and federal tuition tax credits. Applicable control language was proposed in Provision 4(a) and (b) of this item in the Governor's Budget.

- **Eliminate New Awards for the Competitive Cal Grant Program**—This proposal is estimated to save $52.9 million. Applicable trailer bill language that would make new awards subject to the Budget Act was transmitted previously in RN 0902567. Given that the Cal Grant High School Entitlement Program has been in place since 2001, most students who would qualify for the Competitive program had the opportunity for a Cal Grant when they graduated from high school. Additionally, the Community Colleges Transfer Entitlement affords students a second opportunity for a Cal Grant upon completion of transfer requirements. For any student whose circumstances would not entitle them to take advantage of these programs, many other forms of financial aid and

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federally guaranteed loans are available which still ensures the ability of older students with modest means to achieve a Bachelors Degree.

While it would be desirable to maintain all Cal Grant programs with current eligibility requirements and increasing award levels, and to offer grants to every student, the state's financial condition requires that hard choices be made. We believe the Competitive Cal Grant Program is largely redundant and unaffordable at this time and that the other cost savings measures proposed in the Governor's Budget are necessary to help achieve a balanced budget.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Ed Hanson, Principal Program Budget Analyst, at (916) 445-0328.

MICHAEL C. GENEST
Director
By:

/s/ Ana J. Matosantos

ANA J. MATOSANTOS
Chief Deputy Director

Attachment

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Mr. Craig Cornett, Senate President pro Tempore's Office
Mr. Christopher W. Woods, Assembly Speaker's Office (2)
Mr. Ivan Altamura, Chief of Staff, Assembly Republican Leader's Office
Ms. Diana Fuentes-Michele, Executive Director, Student Aid Commission