

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: June 4, 2007
POSITION: Oppose

BILL NUMBER: SB 830
AUTHOR: C. Kehoe
RELATED BILLS: AB 1570 of 2006

BILL SUMMARY: Public Schools: Partnership Academies

This bill makes a number of changes to the current Partnership Academy program. Most notably, this bill would increase the cap on Partnership Academies from 290 to 390, increase the maximum amount of funding provided to all 290 current academies, and authorize instruction to 9th graders in at least one subject area.

FISCAL SUMMARY

This bill would drive significant new Proposition 98 General Fund costs in excess of \$54 million to establish and allow 100 new academies to fully mature over five years. Additional costs of more than \$11.3 million annually would be incurred to provide rate increases for all current academies that are receiving the maximum rate of funding under existing law. Finally, this bill would impose additional costs of \$1.5 million annually to support instruction in at least one academic subject for 9th graders participating in academy programs.

COMMENTS

Although the Administration supports greater opportunities for students to attain high quality career technical instruction that prepares them for postsecondary education or employment, the Department of Finance is opposed to this bill for the following reasons:

- This bill would commit the state to tens of millions of additional Proposition 98 General Fund costs annually. This bill has not been considered in the pending 2007-08 budget and, based on the requirements of Proposition 98, it is not clear what level of resources will be available in the near future to fund major program expansions and enhancements as called for in this bill.
The rate increases proposed in this bill drive unnecessary new state costs. Partnership Academy grants are supplemental funding for schools over and above industry matching requirements and the revenue limits that schools earn for average daily attendance. Thus, the grants are intended as an incentive to help pay for the additional coordination expenses involved in operating these schools within a school and other costs essential to the career specialty of focus. School districts may utilize revenue limit funding earned for each student enrolled in a partnership academy if current grant levels are deemed inadequate. Revenue limits are fully funded in the pending 2007-08 budget and will receive a cost of living adjustment of 4.53 percent.
This bill does not require articulation efforts by Partnership Academies with postsecondary institutions as a condition of funding which is inconsistent with the priorities of the Governor's Career Technical Education (CTE) initiative. Therefore, the benefits of this model are limited and do not assure that courses may not have to be repeated when students advance to community colleges or four year segments. The Governor's CTE initiative seeks full articulation of career technical programs between K-12 and postsecondary education segments.
The pending 2007-08 budget already includes \$20 million for the Governor's Career Technical Education initiative. Chapter 751, Statutes of 2006 provides another \$32 million for this same purpose. Thus, the budget already includes \$52 million for various incentives and grants for enrolling

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Governor's Office: By: Date: Position Approved
Position Disapproved

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additional students in high quality, fully articulated career technical education programs and addressing other improvements in CTE programs for high school students.

ANALYSIS

A. Programmatic Analysis

Current law allows participating school districts to establish partnership academies and criteria for qualified students in grades 10 through 12 to enroll in the academies. Partnership Academies serve the purpose of integrating academic and CTE curriculum for largely "at-risk" students who are not otherwise motivated by standard high school curriculum. Current funding provided in the annual Budget Act (Item 6110-166-0001) supports a maximum of 290 Partnership Academies. Additionally, current control provisions governing this item in the annual Budget Act prevent the SPI from authorizing new Partnership Academies without the approval of the Department of Finance and 30-day notification to the Joint Legislative Budget Committee.

This bill would expand the maximum number of Partnership Academies from 290 to 390 by June 30, 2014, and authorize the SPI to issue an additional 20 new grants each year, to be used for the implementation of new academies and the maintenance of existing academies. Additionally, this bill would allow qualified ninth graders to enroll in Partnership Academies and receive instruction in at least one subject area beginning in the 2008-09 fiscal year.

This bill would also modify annual funding allocations and provide an additional fourth year of funding for Partnership Academies. Specifically the bill would establish a per pupil funding allowance for each qualifying student of \$1,000, with total caps of \$30,000 (30 students) per academy for first-year operations, \$60,000 (60 students) for the second year, \$90,000 (90 students) for the third year, and an additional fourth year of funding of \$120,000 (120 students). Current law provides a different sliding scale, where districts are provided \$1,400 per student with a maximum cap of \$42,000 (30 students) for first-year operations, \$1,200 per student with a maximum cap of \$72,000 (60 students) for the second year, and \$900 per student with a maximum cap of \$81,000 (90 students) for third year operations and beyond.

According to the Assembly Education Committee's analysis, a recent report by ConnectED found that in most cases, students participating in Partnership Academies passed the California High School Exit Exam at a higher rate than students not enrolled in these programs. Additionally, the report also found that graduation rates for seniors participating in these programs was 96 percent, as compared to a statewide senior graduation rate of 87 percent. The analysis goes on to indicate that there is a great deal of interest from school districts in expanding these models.

B. Fiscal Analysis

Adding 100 new academies over the next 5 years would result in additional ongoing Proposition 98 General Fund costs of \$20.4 million over that period. This estimate is predicated on the following assumptions: 1) 20 new academies are added each year over the next five years and receive the maximum amount of funding for year one, two, three, and four, and 2) no academies created during the next five years drop out. However, by the 2013-14 fiscal year, only 40 of the 100 academies would receive the maximum funding rate of \$120,000. To allow for the remaining 60 academies to fully mature, and qualify for the maximum rate of funding over the following three years (2014-15 to 2016-17), would create additional cost pressures of \$33.6 million. As a result, this bill would create total Proposition 98 General Fund cost pressures of \$54 million over an eight-year period. The table below summarizes fiscal effect over this time period.

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<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>Totals</u>
20x\$30,000	20x\$30,000	20x\$30,000	20x\$30,000	20x\$30,000				\$3,000,000
	20x\$60,000	20x\$60,000	20x\$60,000	20x\$60,000	20x\$60,000			\$6,000,000
		20x\$90,000	20x\$90,000	20x\$90,000	20x\$90,000	20x\$90,000		\$9,000,000
			20x\$120,000	40x\$120,000	60x\$120,000	80x\$120,000	100x\$120,000	\$36,000,000
\$600,000	\$1,800,000	\$3,600,000	\$6,000,000	\$8,400,000	\$10,200,000	\$11,400,000	\$12,000,000	\$54,000,000

Furthermore, this bill would create additional Proposition 98 cost pressures to ensure that all 290 existing academies can be provided with the new maximum funding rate of \$120,000. This results in additional annual cost pressures of \$11.3 million (the difference between 290 @ \$120,000 and 290 @ \$81,000, the current maximum amount).

Finally, this bill calls for the provision of 50 annual grants (\$1,000 per student) to support instruction in at least one academic subject for 9th graders participating in academy programs. Assuming 30 ninth graders per course, this requirement would result in additional Proposition 98 cost pressures of \$1.5 million (50 Grants/Year X 30 9th Grade Pupils X \$1,000/Pupil).

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							Fund Code
	LA	(Dollars in Thousands)							
	CO	PROP							
	RV	98	FC	2007-2008	FC	2008-2009	FC	2009-2010	
6110/Dept of Educ	LA	Yes			-----	See Fiscal Analysis	-----		0001