

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: May 27, 2011
POSITION: Oppose
SPONSOR: California Council for Adult Education

BILL NUMBER: AB 189
AUTHOR: M. Eng

BILL SUMMARY: Education Funding

This bill would require the governing board of a local education agency (LEA) to provide increased public notice of proposed uses of "categorical flexibility" funding as a condition of receiving these funds. Specifically, a governing board would be required to discuss and approve or disapprove the proposed use of this funding, including the proposed closure of a program, at a public hearing prior to and independent of a meeting where the board adopts a budget. This bill would also require changes to the way categorical flexibility funding is tracked. Finally, this bill would authorize school districts offering Adult Education classes to charge fees for a class in English and citizenship until July 1, 2015.

FISCAL SUMMARY

Because the requirements of this bill are a condition of receipt of funds, any new costs would be absorbed by an LEA that continues to receive categorical flexibility funding. An LEA would have the option to forgo these funds, but that is unlikely to occur, especially in the current fiscal environment. Costs associated with the following activities are estimated to total hundreds of thousands of dollars statewide:

- Adding agenda items for one or more regularly scheduled meetings. Costs would include preparation, review and posting of agenda items relating to the use of funding for and the closing of specified categorical programs.
Changing the way flexed categorical program funds are tracked. Costs would include increased staff resources and computer system modifications to link allocation of specified categorical program funds with expenditure of funds.

According to the State Department of Education (SDE), state operations costs to assign unique resource codes for funding subject to categorical flexibility would be minor and absorbable.

This bill could also generate up to \$13.5 million in local revenues to support Adult Education in English and citizenship classes. This assumes an average cost of \$30 per student and enrollment of approximately 450,000.

COMMENTS

The Department of Finance is opposed to this bill because it is unnecessary and would impose additional requirements on LEAs estimated to cost hundreds of thousands of dollars annually. According to the author's office, the purpose of this bill is to provide the public a greater role in decisions regarding the use of funds subject to categorical flexibility and to better track how those funds are spent. However, current law already contains public hearing and expense reporting requirements.

Current law governing categorical flexibility allows LEAs that receive funds for specified categorical programs to use these funds for any educational purpose through fiscal year 2014-15. As a condition of receiving these funds, a governing board of a school district or county office of education is required to discuss and approve or disapprove, at a regularly scheduled meeting, the proposed uses of the funding.

Analyst/Principal Date Program Budget Manager Date
(0352) L. Del Castillo Nick Schweizer

Department Deputy Director Date

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

BILL ANALYSIS Form DF-43 (Rev 03/95 Buff)

M. Eng

May 27, 2011

AB 189

We note that the purpose of categorical flexibility was to help school districts manage recent reductions in the state budget by providing funding flexibility and streamlining the categorical funding system. Finance is opposed to requiring additional public hearings due to the increased costs and resources needed. We also note that an LEA receiving flexed categorical funding would be required to adhere to the provisions of this bill whether or not it opts to redirect its categorical funding. Further, nothing in current law prohibits a governing board from hearing funding-related issues at meetings prior to a meeting to adopt the budget.

This bill would require the SDE to establish a unique resource code for categorical flexibility funding, the goal of which is to generate information linking categorical program funding with actual expenditures. According to the SDE, however, it is questionable whether this bill's provisions would result in more information than is currently available. Further, results from two surveys (published May 2010 and February 2011) conducted by the Legislative Analyst's Office provide some measure of how districts are spending their categorical flexibility funding and the extent to which districts are diverting funds from or discontinuing specified categorical programs.

Current law prohibits the governing board of a school district from charging a fee for an Adult Education class in English or citizenship or for a class in an elementary subject. This bill would allow fees to be charged for a class in English or citizenship through July 1, 2015, in order to keep programs open and ensure that services are provided, according to the author's office. Providing LEAs flexibility to collect fees for these courses could help preserve English and citizenship classes when budget cuts and categorical flexibility provisions might otherwise discontinue or severely reduce course offerings.

According to the data provided by the State Department of Education, English as a Second Language and Citizenship enrollment accounted for 37 percent of the total enrollment in Adult Education Programs in 2008-09.

Previous, related legislation includes:

- Chapter 2, Statutes of 2009 (ABX4 2) established "categorical flexibility," providing LEAS with broad flexibility in regards to spending funds for approximately 40 categorical programs for any educational purpose through 2012-13.
- Chapter 7, Statutes of 2011 (SB 70) extended categorical flexibility through 2014-15.

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)								Fund Code	
	LA	(Dollars in Thousands)									
	CO	PROP	2011-2012		2012-2013		2013-2014				
	RV	98	FC	FC	FC	FC					
6110/Dept of Educ	LA	Yes	----- See Fiscal Summary -----								0001