

**Office of Christine Lizardi Frazier
Kern County Superintendent of Schools
Administration and Finance
The District Advisor
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1. Legislative Analyst Identifies \$15 Billion in Proposition 98 Obligations
Robert Miyashiro - SSC

In a report issued the week of October 5, the Legislative Analyst's Office (LAO) identified more than \$15 billion in outstanding Proposition 98-related funding obligation in 2009-10, up from \$2.2 billion in 2007-08. These obligations fall into three main categories: funding deferrals, mandates, and revenue limits. In addition, the report notes the state's obligation to provide \$2.8 billion in non-Proposition 98 funds to low performing schools under the Quality Education Investment Act (QEIA).

The report, titled 2009-10 California Spending Plan, details the initial Budget agreement adopted in February 2009, and its subsequent revision in July 2009. The 75-page report covers all expenditure areas of the General Fund budget, as well as economic developments and tax law changes. Go to: http://lao.ca.gov/2009/spend_plan/spending_plan_09-10.pdf) to obtain a copy of the report.

The LAO indicates that overall funding under Proposition 98 has dropped from \$56.6 billion in 2007-08 to \$50.4 billion in the current year. This drop in education funding has followed the drop in the minimum guarantee, as the state's economy and tax revenues have plummeted over the past year. The LAO notes that the reduction in Proposition 98 funding has not necessarily eliminated the obligations to which these funds have previously been assigned. For example, the LAO points out that revenue limit funding has been cut \$7.3 billion from the level required by statute, after accounting for the foregone cost-of-living adjustments (COLA) and the cuts to the base funding level. Tracking of this reduction through the deficit factor creates a "statutory commitment" to use future Proposition 98 funds to restore these cuts.

Similarly, the state continues its policy of deferring payment for state mandates, despite a lower court ruling that found this practice to be unconstitutional. The state is appealing this ruling, which allows for another year of deferrals pending a decision from the appellate court. Mandate deferrals for K-12 education now exceed \$1 billion and are continuing to grow at a rate of \$245 million annually. Ultimately, this obligation will have to be paid.

The LAO report also identifies as a Proposition 98 obligation \$5.7 billion in apportionment deferrals, including the \$1.3 billion deferral dating back to 2001-02. The Analyst, however, does not recognize the intra year deferrals, which total \$6 billion, as a Proposition 98 obligation. Instead, these changes affect state and school district cash flow within the year but do not result in future Proposition 98 obligations.

It is worth noting that the LAO report does not include within its list of Proposition 98 obligations the cuts imposed on most categorical programs. Categorical programs included in Tier II and Tier III have been cut almost 20% from their 2007-08 levels. However, unlike revenue limits, there is no underlying statutory requirement to eventually restore these cuts. Thus, the LAO has not recognized the restoration of these cuts as a requirement to be funded under Proposition 98.

Finally, the report details more than \$60 billion in overall Budget "solutions" for 2008-09 and 2009-10 to cover the gap between statutory spending requirements and actual revenues, noting the one-time or temporary nature of most of the adjustments. How the state backfills for the loss of these one-time savings and revenues in 2010-11 will be the starting point for Budget discussions in January 2010.

2. Governor kills QEIA fix, proposes to use SFSF dollars instead Tom Chorneau – SI&A

In a move unlikely to win much applause among many public school administrators, Gov. Arnold Schwarzenegger chose late Sunday to solve the QEIA funding issue with the last big allocation from the federal State Fiscal Stabilization Fund.

Breaking the weeks-long deadlock over bill signings with legislative leaders, Schwarzenegger announced he had vetoed SB 84, by Senate President Pro Tem Darrell Steinberg, D-Sacramento, a bill aimed at protecting some of the state's lowest performing districts from a \$400 million budget cut.

But in making that announcement, the governor also said that he would use \$355 million in federal stabilization dollars to offset the QEIA-related cuts – even though that money had been earmarked by Congress as economic stimulus for all districts in California.

Meanwhile, the governor announced signing a string of bills intended to help jumpstart the state's entry into the \$4.35 billion Race to the Top competition – including SB19, by Sen. Joe Simitian, D-Palo Alto, that will allow linkage of student-teacher test data.

Schwarzenegger also signed SB 60, by Sen. Gloria Romero, D-Los Angeles, which expands and extends the state's school of choice program. The governor said he also intends on signing AB 1130, by Assemblyman Jose Solorio, D-Santa Ana, which would make a legislative recommendation to the state superintendent and State Board of Education to adopt best-practice models used in other states for measuring student growth.

On the final day before the constitutional deadline for the governor to act on pending legislation, Schwarzenegger had more than 700 bills on his desk.

The governor and legislative leaders had been engaged in a stalemate over a package of water-related bills Schwarzenegger wanted and he had threatened to veto all the pending bills before him unless lawmakers acted.

Although no deal appeared to have been worked out on water, the governor nonetheless began releasing bills from his office late afternoon, with the last package going out around 3 a.m. Monday.

For public schools, Steinberg's SB 84 was perhaps most important and clearly the most lobbied on by districts and statewide agencies.

In a statement following the veto, Steinberg seemed to concur with the governor's decision.

"I remain committed to ensuring these school districts, which serve many of California's poorest children, receive the education funds needed to become whole again," he said. "I am currently

working with the Administration on using federal funds to backfill the cuts from this year's budget."

As part of the July budget agreement, revenue-limit funding for districts enrolled in QEIA was reduced in an amount equal to state support for the low-performing school program. Affected districts were told that they could apply for federal improvement grants to offset the cut, but no promises to be made whole were offered.

Steinberg's bill would have prohibited the revenue-limit cut until other state or federal funds could be found.

Although the governor's plan to use dollars from the State Stabilization Fund will help those schools directly affected by the QEIA cut, it is not likely to be embraced by many other schools who were awaiting the second and last big payment from the federal fund as badly needed general fund support.

There had been some hope in recent days that the governor would instead chose to use revenue-limit dollars left unspent because of the rollback in the class-size reduction program – but that was not the governor's choice.

In his veto message, Schwarzenegger said the bill was unnecessary.

"The state made many tough decisions to balance the budget for 2009-10, including reducing general-purpose funding for certain local educational agencies in order to ensure the continuation of the QEIA program," he said.

"The intent in making these reductions was to direct available federal resources to compensate for the reductions. This bill would delay implementation of these reductions until comparable resources are identified, but does not provide a solution."

3. PPIC study finds mixed results from full-day kindergarten

Tom Chorneau – SI&A

Based on the results of several national studies, the Governor's Committee on Education Excellence recommended two years ago that the state provide incentives to expand full-day kindergarten in lower-income areas.

But a new study from the Public Policy Institute of California raises questions about the benefits of full-day kindergarten especially among a key target of concern from the governor's committee – English learners.

After looking at nearly 300,000 students in the Los Angeles Unified School District, over a seven-year period – researchers found students in full-day kindergarten didn't perform significantly better academically through second grade than their half-day counterparts.

No significant improvement was also found when it came to English-learners.

"We went into this thinking that the extra time would benefit English-learners," said Jill Cannon, lead author of the PPIC study. "But overall we found that English-learners in full-day classes do not seem to have higher English proficiency skills than half-day students at least through second grade."

They concluded that full-time kindergarten provides some benefits but only among some groups. Given the cost of creating such programs statewide – especially during the current economic crisis – the study authors cautioned school districts to look closely at their needs and the potential benefits.

"We didn't study whether or not there are differences in behavioral outcomes or whether children enjoyed going to school more if they had a less rushed schedule in a kindergarten year," she said. "And also, the extra child care can be a benefit to parents."

"So there are reasons that districts might want to consider it," she said. "Where it is being considered, we are trying to guide them on where they might try to target it to get more benefit."

Perhaps the biggest benefit of the full-day kindergarten, the authors said, was that students exposed to the longer school day were 5 percentage points less likely to be held back before the second grade than their half-day peers.

They found that full-day classes also appeared to provide a small improvement in basic reading by the end of the kindergarten year and a very small improvement for first-grade reading skills.

"Little benefit was found for second-grade California Standards Test (CST) performance in English-Language Arts (ELA) or Mathematics," they reported. "All students examined on average appear to be 1.5 percentage points more likely to be proficient in ELA in second grade, but no differences were found for math outcomes or for actual ELA scores. Moreover, the ELA proficiency benefit is not evident for economically disadvantaged or English learner students."

Most surprising to the researchers, however, is that they "did not find a difference between full- and half-day kindergartners in English fluency through second grade, as measured by California English Language Development Test (CELDT) first and second-grade scores and by the probability of being reclassified as fluent-English proficient by the end of second grade."

The study focused on LAUSD in part because the district began shifting to a full-day kindergarten in 2004. They reported having a study pool of seven cohorts of kindergartners that attended 500 schools between 2001-02 and 2007-08 – which totals about 297,000 students.

Data provided by LAUSD was at the student level too, which allowed for more sophisticated analysis. Also, the district is the largest in the state with close to 12 percent of the state's kindergarten population and about 16 percent of the state's kindergarten EL population.

4. Bill for pass-through overpayments comes due

Allen Young – SI&A

Some districts may have already received notice from the California Department of Education about the costs related to overpayments from redevelopment pass-through entitlements.

In May 2008, the state controller issued a detailed report indicating that many local educational agencies failed to properly report payments received from redevelopment agencies. These payments are important because the state counts them as property taxes when it calculates state revenue limit funding.

Gov. Schwarzenegger vetoed legislation aimed at protecting low-performing school districts from a \$400 million cut, but proposed instead to use the last of the SFSF dollars as backfill. [Get the latest here.](#)

PPIC took a long look at the performance of L.A. Unified's program for full-time kindergarten and came away with some findings that raise questions about the idea. [Read all about it here.](#)

The controller found that errors in reporting and computing pass-through payments by K-12 school districts, community colleges, and redevelopment agencies resulted in excess state general fund obligation to the schools of \$33.8 million in 2005-06 and \$29.4 million in 2006-07.

This week the bill comes due.

Under legislation passed last year, the CDE was ordered to calculate the over or under payment to districts based on revised reports to the controller's office filed by redevelopment agencies earlier this year.

Scott Hannan, head of the CDE's Fiscal Services Division, said in an e-mail that certified letters are going out to districts because amounts owed may be appealed to the Education Audit Appeals Panel. He noted that the panel has specific time constraints (Education Code 41344, 60 days to appeal).

Districts are warned that if there's money due back the state, it will be taken back throughout the months remaining in the fiscal year, Hannan said.

5. Schwarzenegger releases some bills; plans new water special session jsanders@sacbee.com

Gov. Arnold Schwarzenegger and lawmakers failed to reach final agreement on ways to solve the state's water problems Sunday, but the governor nevertheless released scores of bills after concluding some progress had been made.

Schwarzenegger's action reversed a threat last week in which he vowed to kill "a lot" of the 704 bills on his desk unless he and legislators reached an agreement.

The governor said progress in closed-door talks was enough so that he is calling a special session on water, and discussions could continue. It was not announced when the session will start.

"While we still have a few remaining issues to work out, I commend the legislative leaders for their focus and commitment to solving this crisis, and I will weigh all the bills on their merits," he said in a statement Sunday evening.

For the past six days, Schwarzenegger and legislative leaders have met privately in tense talks aimed at solving decades of conservation, supply, environmental and other water-related problems.

Lawmakers released no details on their progress, although Assembly Republican Leader Sam Blakeslee, R-San Luis Obispo, said "there's evidence we're now moving in the right direction, which gives me cause for hope."

Senate President Pro Tem Darrell Steinberg, D-Sacramento, said he expects leaders to prepare bills for public hearings this week.

Schwarzenegger faced a midnight deadline for signing the mountain of bills passed by the Legislature recently on issues ranging from education to health care to criminal justice.

Although no final deal was in sight, the governor began releasing bills late Sunday afternoon.

Steinberg issued a statement criticizing the governor's veto of Senate Bill 14, a hotly contested bill to require all electric utilities to generate one-third of their power from renewable sources by 2020.

Schwarzenegger, objecting to details of the bill, signed an executive order last month to assign the California State Air Resources Board - rather than legislators - the task of charting how utilities reach the 33 percent goal.

Opponents note that future governors could rescind such an executive order.

"I hope the governor keeps an open mind in future discussions about an enforceable state law, because California has an opportunity to lead the nation on this very important issue," Steinberg said in a written statement.

Schwarzenegger's actions Sunday will create dozens of new state laws, most of them taking effect Jan. 1.

Among the bills Schwarzenegger signed:

- Senate Bill 148 by Sen. Jenny Oropeza, D-Long Beach, requires providers of mammograms to post, within two working days, notices of "serious violations" on machines in an area visible to the public if a Department of Health inspection finds such violations.
- Senate Bill 239 by Sen. Fran Pavley, D-Agoura Hills, creates the new offense of "mortgage fraud," a public offense punishable by imprisonment in the state prison or in a county jail for not more than one year.
- Assembly Bill 329 by Assemblyman Mike Feuer, D-Los Angeles, requires lenders to provide borrowers with a checklist that highlights the risks and alternatives to reverse mortgages.
- Senate Bill 481 by Sen. Dave Cox, R-Fair Oaks, encourages biologically sound management of wildlife, such as shooting or harassing birds, to protect public safety at airports.
- Assembly Bill 636 by Assemblyman Dave Jones, D-Sacramento, imposes new restrictions and requirements on charter-party buses and other carriers, including five-year suspension of a license of any driver who lacks the proper license.
- Assembly Bill 91 by Feuer creates a pilot project requiring the installation of an ignition interlock device - which tests drivers for sobriety - on every vehicle owned or operated by a first-time DUI offender in Alameda, Los Angeles, Sacramento and Tulare counties.
- Senate Bill 598 by Sen. Bob Huff, R-Diamond Bar, allows a repeat DUI offender to apply for a restricted license, if he or she voluntarily installs ignition interlock devices on all of his or her vehicles.
- Senate Bill 532, by Sen. Dave Cogdill, R-Modesto, helps Stanislaus County obtain \$91 million in traffic relief funding for the North County Corridor project through the California Transportation Commission.
- Assembly Bill 1015 by Assemblyman Tom Torlakson, D-Antioch, prohibits the sale of nitrous oxide to minors.
- Assembly Bill 1020 by Assemblyman Bill Emmerson, R-Redlands, requires public swimming pools to be equipped with anti-entrapment devices or systems that meet federal requirements.
- Assembly Bill 1319 by Assemblyman Paul Krekorian, D-Burbank, imposes restrictions on "talent scouts" who solicit people who hope to be stars on television or other acting endeavors.

Among the bills vetoed:

- Assembly Bill 911 by Assemblyman Ted Lieu, D-Torrance, was designed to ease emergency room overcrowding by establishing a measurement system - based on the number of people in an emergency waiting room, how many beds are available, and how quickly patients are seen. Schwarzenegger said the law is unnecessary.
- Senate Bill 242 by Sen. Leland Yee, D-San Francisco, would have made it a civil rights violation to adopt policies against the use of a foreign language in a business. Schwarzenegger's veto message said the bill would give rise to "frivolous lawsuits" against businesses. "While no one should be treated differently based on their race or national origin, no single business can accommodate every language spoken in California," he wrote.
- Assembly Bill 98 by Assemblyman Hector De La Torre, D-South Gate, would have required health plans to cover maternity services. It was the third time Schwarzenegger had vetoed such a bill. "I continue to have serious concerns about the rising costs of health care and believe the potential benefits of a mandate of this magnitude will translate to fewer individuals being able to afford coverage."
- Assembly Bill 241 by Assemblyman Pedro Nava, D-Santa Barbara, would have banned so-called "puppy mills" by prohibiting a business or individual that buys and sells animals to have more than 50 unsterilized dogs and cats. Schwarzenegger's veto message said the bill "goes too far ... this measure has the potential to criminalize the lawful activities of reputable breeders, pet stores, kennels, and charitable organizations engaged in raising service and assistance dogs."
- Senate Bill 257 by Pavley would have required state agencies to inform employees nearing maternity leave of their breast-feeding rights. Schwarzenegger said there is no evidence that employees "are unaware of their options."
- Assembly Bill 513 by Assemblyman Kevin De León, D-Los Angeles, would have required health plans that cover maternity services to provide a lactation consultant and breast pump rental. "This, like other mandates, only increases cost in an environment in which health coverage is increasingly expensive," the governor wrote.
- Assembly Bill 517 by Assemblywoman Fiona Ma, D-San Francisco, would have established statewide standards for tattoo and body piercing salons. The governor said many local governments regulate such businesses.
- Senate Bill 400 by Sen. Ellen Corbett, D-San Leandro, would have banned electronic cigarettes until the U.S. Food and Drug Administration begins regulating them. Schwarzenegger said he supported banning sales to minors, but if "adults want to purchase and consume these products with an understanding of the associated health risks, they should be able to do so unless and until federal law changes."
- Assembly Bill 632 by Assemblyman Mike Davis, D-Los Angeles, would have required social networking sites to post disclosures that photographs can be copied. "It is common knowledge that digital images can be copied, saved, and manipulated by anyone who views them," Schwarzenegger wrote.

6. Bakersfield Forecast as of 2:48 am PDT on October 12, 2009 – The Bakersfield Californian

Today

Mostly cloudy. Highs 70 to 75. Light winds in the morning becoming southwest up to 10 mph in the afternoon.

Tonight

Mostly cloudy with a 20 percent chance of rain. Lows 55 to 65. West winds up to 10 mph in the evening shifting to the southeast after midnight.

Tuesday

Rain...breezy. Highs 67 to 75. Southeast winds 15 to 25 mph with gusts to around 50 mph.

Tuesday Night

Rain...windy. Lows 54 to 64. Southeast winds 20 to 30 mph.

Wednesday

Mostly cloudy with a 50 percent chance of rain. Highs 71 to 77. Southwest winds 10 to 15 mph.

Wednesday Night

Mostly cloudy with a slight chance of showers in the evening...then partly cloudy after midnight. Lows 50 to 60.

Thursday and Thursday Night

Partly cloudy. Highs 74 to 79. Lows 50 to 60.

Friday through Sunday

Mostly clear. Highs 78 to 86. Lows 50 to 60.