

May 5, 2015

The 2015-16 Budget: Broadband Infrastructure Improvement Grants for Schools

L E G I S L A T I V E A N A L Y S T ' S O F F I C E

Presented to:
Assembly Budget Subcommittee No. 2 on Education Finance
Hon. Kevin McCarty, Chair





Background



California Recently Began Administering New Tests for Accountability Purposes

- State and federal laws require that students in grades 3 through 8 and grade 11 take standardized tests annually for accountability purposes.
- In 2011, California joined the Smarter Balanced Assessment Consortium (SBAC) for testing purposes. The SBAC requires that all students take tests online by spring 2018 but allows schools to administer a pencil and paper version of the test during the first three years of implementation.
- California required its schools to administer trial tests (whose results did not count for accountability purposes) in spring 2014. Most schools successfully administered the online version of the test, though a small number of schools reported difficulty or an inability to administer the test online.
- Schools currently are administering the first official tests during spring 2015. Results from these tests will be used for federal accountability purposes.



Background

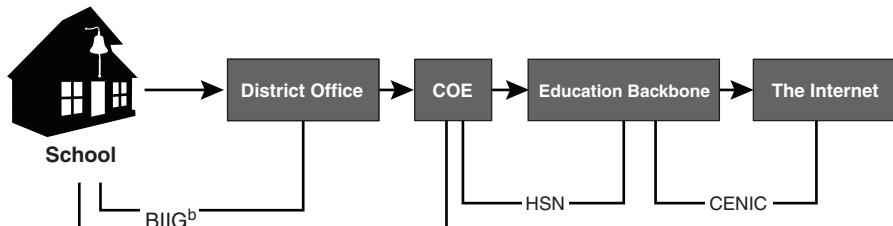
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State Recently Created Grants for Certain Schools to Improve Online Testing Capabilities

- In 2014-15, the state created Broadband Infrastructure Improvement Grants (BIIG) and provided \$26.7 million on a one-time basis.
- BIIG was designed to pay for a portion of certain schools' Internet infrastructure known as the last-mile connection. Most schools' last-mile connection consists of wiring running from the school site to the district office and then to the county office of education (COE).
- An existing state program known as the K-12 High Speed Network (HSN) pays for the connection from the COE to a high-speed education Internet backbone (fiber-optic cables that run across very large distances) operated by the nonprofit Corporation for Educational Network Initiatives in California (CENIC).
- The CENIC backbone connects to the Internet (which is made up of a series of interconnected backbones around the world).

BIIG Intended to Help Some Schools Access the Internet^a



^a Distances not to scale. Distance from school to district office and from district office to backbone or other sites vary significantly across state.

^b Schools use BIIG for their last-mile connections—connecting them either to their district office or COE, depending on existing infrastructure.

BIIG = Broadband Infrastructure Improvement Grants; COE = county office of education; HSN = High-Speed Network; and CENIC = Corporation for Education Network Initiatives in California.



Background

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State Limited Eligibility for BIIG to Certain Schools

- To qualify for a grant, a school either must have been unable to administer the trial test onsite due to low Internet capacity or must have had to shut down other core online activities (such as email) in order to administer the online test.

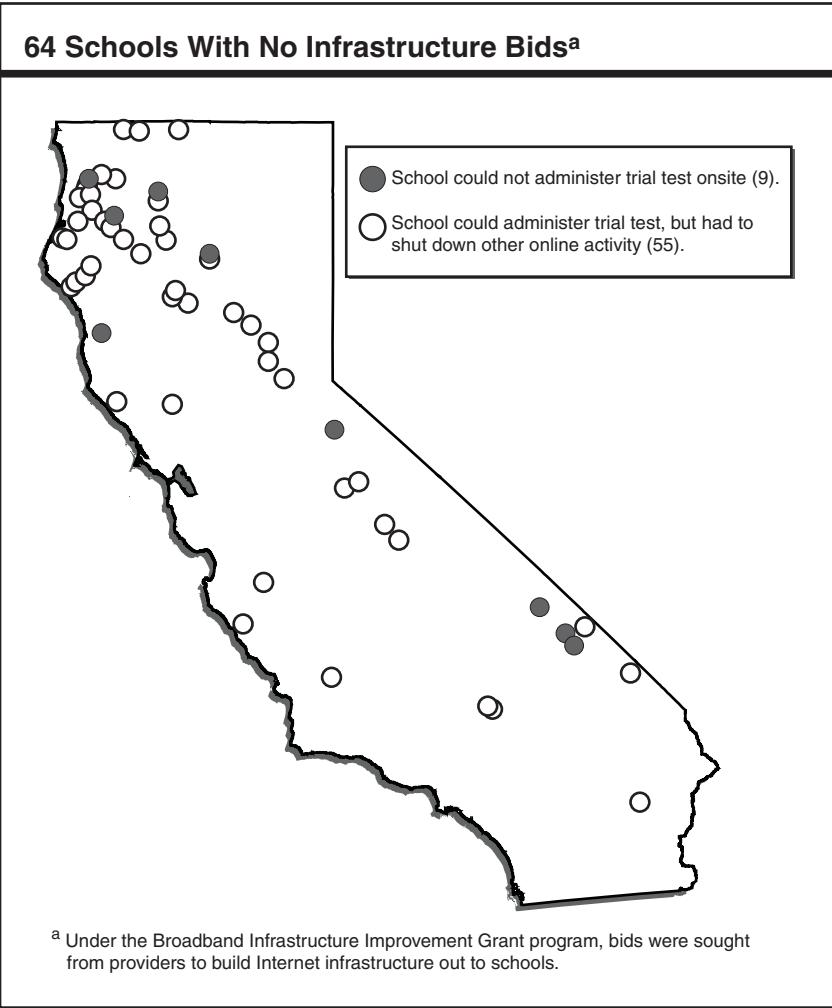


HSN Tasked With Identifying Eligible Schools and Finding Infrastructure Providers

- HSN identified 304 schools eligible for BIIG.
- HSN entered into contracts with commercial infrastructure providers (such as AT&T) to build last-mile connections for 227 schools at an estimated total cost of \$22 million. (Among these schools, 31 were unable to give the test online and 196 had to shut down other online activities to give the test online.)
- HSN was unable to find a commercial infrastructure provider for 64 eligible schools. An additional 13 schools declined to participate in BIIG.

Background

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Governor's Proposal



Provides \$100 Million to Administer Second Round of BIIG

- Grants intended to address remaining eligible sites.
- Eligibility criteria the same as 2014-15.



Provides an Additional \$8.8 million for BIIG From HSN's Budget Reserve

- HSN currently reports a budget reserve that is over 100 percent of its expenditures. HSN built up this reserve over several years because costs for the Internet services it purchases have gone down while its state funding has remained stable.
- The Governor proposes to spend \$8.8 million of HSN's reserve on BIIG, thereby lowering the reserve from \$14.3 million to \$5.5 million. The administration indicates that the remaining reserve would allow HSN to save for large equipment purchases and manage unevenness in federal reimbursements HSN receives.



LAO Assessment



Options for Serving Remaining Eligible Schools Range From Very Expensive to Very Inexpensive

- Building last-mile connections using fiber-optic cables to the remaining schools could cost millions of dollars to serve very small numbers of students. This option is expensive because it requires installing cables across areas that may be difficult to reach.
- Connecting the remaining schools to the Internet using satellite or microwave technologies would be far less expensive because it does not require installing cables for last-mile connections. (HSN indicates it likely could connect remaining schools with remaining 2014-15 BIIG funding by using satellite or microwave technologies.)
- Alternatively, these schools could either (1) test small numbers of students at a time to reduce congestion on their Internet connections, (2) bus students to other locations with faster Internet connections (such as COEs), or (3) administer the paper and pencil version of the test.



HSN Budget Reserve Raises Concerns

- HSN's budget reserve far exceeds the median reserve of 22 percent for school districts with annual expenditures similar to HSN.
- State law requires an annual audit of HSN. Currently, however, this audit is embedded in the general audit of the COE administering HSN (Imperial COE). No HSN-specific financial information is provided as part of this general audit.



LAO Recommendations



Recommend Legislature Not Fund Extraordinary Costs at BIIG Schools

- Recommend using low-cost options available that would allow students to take the tests online.
- Recommend Legislature set a maximum per-pupil amount for serving remaining schools eligible for BIIG.



Suspend Budget Appropriation for HSN in 2015-16

- Reject Governor's proposal to spend \$8.8 million from HSN reserve on BIIG, as additional funds likely are not needed for BIIG.
- Instead, require HSN use \$8.3 million of its reserve for operating costs. This frees up \$8.3 million in one-time Proposition 98 funds for other purposes.
- Based on information from the improved audit, the Legislature could determine an appropriate operating and reserve level for HSN in 2016-17.



Strengthen State Oversight of HSN

- Modify state law to require audit of HSN to be distinct from Imperial COE's general audit.