

EDUCATION GENERAL SUMMARY—Continued

Table 1
General Fund Expenditures for Education

	Actual 1973-74	Estimated 1974-75	Proposed 1975-76	Change from 1974-75	
				Amount	Percent
State Operations:					
Department of Education	\$22,277,688	\$26,576,640	\$27,034,242	\$+457,602	1.7%
Commission for Teacher Preparation and Li- censing	9,326	10,674	—	-10,674	-100.0
Postsecondary Education Commission	199,174	1,050,349	1,022,533	-27,816	-2.6
Coordinating Council for Higher Education	435,174	—	—	—	—
Western Interstate Com- mission for Higher Education	28,000	28,000	28,000	—	—
University of California ..	445,910,138	511,904,720	543,372,496	+31,467,776	6.1
Hastings College of Law	2,136,571	2,729,816	3,067,913	+338,097	12.4
California State Univer- sity and Colleges	428,919,019	487,213,528	499,082,747	+11,869,219	2.4
California Maritime Academy	1,232,084	1,450,505	1,663,169	+212,664	14.7
California Community Colleges	1,188,398	1,343,622	1,526,428	+182,806	13.6
State Scholarship and Loan Commission	35,577,036	43,330,771	52,648,927	+9,318,156	21.5
Totals—State Opera- tions	\$937,912,608	\$1,075,638,625	\$1,129,446,455	\$+53,807,830	5.0
Subventions:					
Early Childhood Educa- tion	24,065,086	40,934,914	43,200,000	+2,265,086	5.5
Educationally Disadvan- tagged Youth	81,324,226	84,600,000	91,302,400	+6,702,400	7.9
Compensatory education	10,814,352	3,837,000	2,650,000	-1,187,000	-31.0
Project SHARE	400,000	—	—	—	—
Abstract conceptually ori- ented mathematics program	355,000	—	—	—	—
Special elementary school reading program	18,399,069	15,349,625	15,349,625	—	—
Pilot program for severe- ly retarded	152,600	—	—	—	—
Special Education Master Plan	—	450,000	10,300,000	+9,850,000	2,188.9
Sheltered workshops	—	85,000	170,000	+85,000	100.0
Development centers	5,401,250	8,322,630	10,990,760	+2,668,130	32.0
Vocational education	425,000	—	—	—	—
Career guidance centers	—	52,219	73,396	+21,177	40.5
Child development	31,960,803	41,854,441	44,906,344	+3,051,903	7.3
Indian education	371,312	660,590	400,000	-260,590	-39.4
Bilingual-crosscultural	4,185,141	4,493,346	5,247,538	+754,192	16.8
Instructional materials	23,989,497	25,031,936	26,387,277	+1,355,341	5.4
Instructional television	559,020	840,000	840,000	—	—
Continuous schools	427,000	218,000	155,000	-63,000	-28.9
Child nutrition	—	12,500,000	13,595,400	+1,095,400	8.8
K-12 apportionments	1,837,111,617	1,909,659,234	1,998,171,590	+88,512,356	4.6

Novato Unified School District	143,474	—	—	—	—
PL-874 court judgments ..	—	9,475,222	—	-9,475,222	-100.0
Loans to school districts ..	-343,150	-271,396	-148,446	+122,950	82.8
Public libraries	1,000,000	1,000,000	1,000,000	—	—
Teachers' retirement	135,000,000	135,000,000	135,000,000	—	—
Debt service on public school building bonds	45,840,134	45,213,942	46,180,107	+966,165	2.1
Community college apportionments	281,676,246	326,578,774	373,785,400	+47,206,626	14.5
Assistance to new community colleges	326,370	549,173	2,650,131	+2,100,958	382.6
Community colleges extended opportunity programs	6,170,500	6,170,500	6,849,255	+678,755	11.0
Totals—Subventions	<u>\$2,509,754,547</u>	<u>\$2,672,605,150</u>	<u>\$2,829,055,777</u>	<u>\$+156,450,627</u>	<u>5.9</u>
GRAND TOTALS/General Fund	\$3,447,667,155	\$3,748,243,775	\$3,958,502,232	\$+210,258,457	5.6

SUMMARY OF FEDERAL AID TO CALIFORNIA SCHOOLS

Federal assistance to California is composed of a wide variety of programs which are designed to provide special assistance for (1) a particular element of the pupil population, (2) instruction in specific subject areas and (3) support to relieve significant problems. Table 2 identifies the major programs and subprograms of federal assistance and indicates the anticipated amounts California will receive under each. The table demonstrates that \$460.6 million is anticipated in the budget year from all programs.

STATE AND LOCAL SUPPORT TO PUBLIC SCHOOLS

The two principal sources of support for California's public schools are State School Fund apportionments and local property tax levies. In past years the relationship between these sources of support has varied substantially as is illustrated in Table 3. It has been frequently suggested as a result of this wide variance in the state contributions to the total cost of education that a standard measure of state responsibility be established. Most frequently proposals to do this provide that the state contribute 50 percent of the total cost of education. It should be recognized, however, that recommendations of this type usually define the relationship between state and local expense in the narrowest possible sense, i.e., the percentage of State School Fund apportionments to total state and local school district General Fund revenues.

This relationship, however, is an inaccurate picture of the state's total effort regarding public education because it does not reflect other educational expenditures appropriated through budget action. Table 3 also reviews all state expenditures for education and indicates that the state has assumed a greater share of total educational expenditures than the former, more narrowly defined, relationship would indicate.

Table 2
Federal Support to California Public Schools

<i>Program</i>	<i>Actual 1973-74</i>	<i>Estimated 1974-75</i>	<i>Estimated 1975-76</i>	<i>Change from 1974-75 Amount</i>	<i>Percent</i>
Elementary and Secondary Education Act:					
Title I: Compensatory Education					
Low-income families (disadvantaged)	\$125,067,364	\$119,736,620	\$119,736,620	\$—	—
In schools for handicapped	2,143,162	1,477,000	1,477,000	—	—
In institutions for delinquent	1,362,394	1,688,000	1,688,000	—	—
Migrant—assistance to impacted districts	8,056,384	8,501,500	8,501,500	—	—
Migrant—preschool	512,310	250,000	250,000	—	—
Urban and rural schools	1,518,849	2,226,170	2,266,170	—	—
State administration	1,780,362	2,260,582	2,029,944	—230,638	—10.2
Subtotals, Title I	\$140,440,825	\$136,139,872	\$135,909,234	\$—230,638	—0.2
Title II: School Library Resources	3,857,500	8,703,516	8,715,933	+12,417	+0.1
Title III: Supplementary Centers and Services	4,081,533	11,228,045	11,154,204	—73,841	—0.7
Title IV: Planning and Evaluation—(Right to Read)	275,369	365,470	381,664	+16,194	+4.4
Title V: Strengthening State Department	2,072,543	2,884,756	2,260,116	—624,640	—21.7
Title V: Regional Evaluation Centers	13,379	862,000	320,100	—541,900	—62.9
Title V: Determinates of School Success	86,234	—	—	—	—
Title VII: Bilingual Education	12,000,000	16,000,000	20,000,000	+4,000,000	+25.0
Subtotals, ESEA	\$162,827,383	\$176,183,659	\$178,741,251	\$+2,557,592	+1.5
Economic Opportunity Act:					
Followthrough programs	5,722,642	5,920,876	6,047,674	+126,798	+2.1
National Defense Education Act:					
Title III	5,355,332	2,178,918	2,243,581	+64,663	+3.0
Education Professions Development Act:					
Vocational-Technical	825,976	880,778	880,778	—	—
Vocational Education Act:					
Occupational preparation	45,983,933	46,370,562 ¹	46,364,620	—5,942	—0.1
Adult Education Act (Basic)	5,077,656	3,607,603	3,616,291	+8,688	+0.2
Manpower Development and Training Act:					
Occupational preparation	13,406,498	558,486	—	—558,486	—100.0
Economic Opportunity Act:					
Headstart	25,100,889	25,100,889	25,100,889	—	—
Aid to Federally Impacted Areas, PL 874	80,000,000	80,000,000	80,000,000	—	—
Child Nutrition Act of 1966, PL 93-150	98,342,426	114,089,000	114,078,488	—10,512	—0.1
Food and nutrition services payments to welfare agencies ..	432,755	—	—	—	—
Rural Area Redevelopment Act, PL 87-27	142,758	—	—	—	—
Education of the Handicapped Act, Title VI:					
Special Education	4,840,007	3,564,891	3,564,891	—	—
Totals, Federal Aid	\$448,058,255	\$458,455,662	\$460,638,463	\$+2,182,801	+0.5

¹ Excludes \$10,730,385 in carryover.

EDUCATION GENERAL SUMMARY—Continued

Table 3
Revenues for Public School Support from State and Local Sources
1963-64 Through 1973-74
(Thousands)

<i>Year</i>	<i>Total General Fund revenues of school districts (state and local) ^a</i>	<i>State School Fund</i>	<i>Other state subventions ^b</i>	<i>Total state subventions</i>	<i>Percent of State School Fund to total revenue</i>	<i>Percent of total state subventions to total revenue</i>
1963-64	\$2,193,337	\$839,341	\$103,443	\$942,784	38.3%	43.0%
1964-65	2,443,975	937,400	117,880	1,055,280	38.5	43.4
1965-66	2,663,827	997,288	127,473	1,124,761	37.4	42.3
1966-67	2,973,706	1,049,793	170,627	1,220,420	35.3	41.0
1967-68	3,403,000	1,271,933	169,579	1,441,512	37.4	42.4
1968-69	3,699,560	1,315,158	189,810	1,504,968	35.5	40.7
1969-70	4,067,690	1,432,997	201,851	1,634,848	35.2	40.2
1970-71	4,491,956	1,518,899	212,991	1,731,890	33.8	38.6
1971-72	4,829,150	1,500,341	240,794	1,741,135	31.1	36.1
1972-73	5,198,500	1,582,366	242,035	1,824,401	30.4	35.1
1973-74	5,879,623	2,122,340	390,967	2,513,307	36.1	42.7

^a From Controller's reports: financial transactions concerning school districts of California, and state budget documents, 1963 to present.

^b Includes many items funded outside State School Fund (i.e., free textbooks, child care centers, contributions to Teachers' Retirement Fund, etc.).

Department of Education STATE OPERATIONS

General Fund

Requested 1975-76	\$26,466,117
Estimated 1974-75.....	25,243,671
Actual 1973-74	20,381,168
Requested increase \$1,222,446 (4.8 percent)	
Total recommended reduction	\$145,120

<i>Budget Act Item</i>	<i>Budget page</i>	<i>Analysis page</i>
322 General activities	819	602
325 Spécial schools	831	622
326 Advisory council on vocational education	848	657
327 State library	848	659

State School Building Aid Fund

Requested 1975-76	\$323,954
Estimated 1974-75.....	354,515
Actual 1973-74	319,272
Requested decrease \$30,561 (8.6 percent)	
Total recommended reduction	None

<i>Budget Act Item</i>	<i>Budget page</i>	<i>Analysis page</i>
323 State school building aid	841	642

Surplus Property Revolving Fund

Requested 1975-76	\$5,287,850
Estimated 1974-75.....	5,085,594
Actual 1973-74	4,343,710
Requested increase \$202,256 (4.0 percent)	
Total recommended reduction	None

<i>Budget Act Item</i>	<i>Budget page</i>	<i>Analysis page</i>
324 Educational agency for surplus property	839	641

Department of Education LOCAL ASSISTANCE

General Fund

Requested 1975-76	\$227,198,549
Estimated 1974-75.....	212,172,416
Actual 1973-74	158,872,533
Requested increase \$15,026,133 (7.1 percent)	
Total recommended increase	\$5,028,525

<i>Budget Act Item</i>	<i>Budget page</i>	<i>Analysis page</i>
306 Early childhood education	822	609
308 Disadvantaged youth	828	612
309 Compensatory education	828	617
310 Miller-Unruh reading program	829	619
311 Occupational training for handicapped	832	623
312 Development centers	832	625
313 Career guidance centers	841	648
314 Child care and preschool	834	603
315 Indian education centers	836	633
316 Bilingual education	836	633
317 Bilingual reading aides	830	620
318 Instructional television	839	647
319 Child nutrition programs	840	648
321 Assistance to libraries	848	659

California Environmental Protection Fund

Requested 1975-76	\$275,000
Estimated 1974-75.....	275,000
Actual 1973-74	95,000
No requested increase or decrease	
Total recommended reduction	None

<i>Budget Act Item</i>	<i>Budget page</i>	<i>Analysis page</i>
307 Conservation education	827	630

State Transportation Fund

Requested 1975-76	\$100,000
Estimated 1974-75.....	300,000
Actual 1973-74	271,807
Requested decrease \$200,000 (66.7 percent)	
Total recommended reduction	None

<i>Budget Act Item</i>	<i>Budget page</i>	<i>Analysis page</i>
320 Severance aid for highway land	861	651

DEPARTMENT OF EDUCATION—Continued

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS
PROGRAM I—INSTRUCTIONAnalysis
page

1. *Child Development. Augment General Fund Local Assistance (Item 314) by \$3,781,115.* Recommend eight percent inflation increase to the fixed federal matching funds. 605
2. *Child Development.* Recommend expenditure report for each child development program on February 15 of each fiscal year. 605
3. *Educational Liaison. Delete \$206,396 from General Fund (Item 268).* Recommend AB 99 program responsibilities be transferred from Department of Health and Welfare to Department of Education. Not included in education totals. 606
4. *Migrant Day Care.* Recommend transfer of \$563,973 in Employment Development to Department of Education (Item 269). 606
5. *Migrant Child Care.* Recommend report by June 30, 1975. 607
6. *Preschool Evaluation.* Recommend report by April, 1976. 608
7. *Early Childhood Education (ECE).* Recommend identification and report of all positions redirected to ECE program. 612
8. *ECE Evaluation.* Recommend ECE schools submit achievement data and raw scores to Department of Education. Further recommend comparative evaluation of ECE students to non ECE students of similar socio-economic status. 611
9. *EDY Formula.* Recommend update of Educationally Disadvantaged Youth program (EDY) formula indices. 615
10. *EDY Noninstructional Costs.* Recommend specific expenditure guidelines for EDY funds. 616
11. *Information Dissemination.* Recommend use of service delivery system to disseminate and collect information on Demonstration Programs in Reading and Math. 619
12. *Miller-Unruh. Augment General Fund Local Assistance (Item 310) by \$1,247,410.* Recommend inflation factor adjustment. 620
13. *Teacher In-service.* Recommend preparation of rules and regulations. 621
14. *Office of In-service.* Recommend establishment of Office of In-service Training in Department of Education. 621
15. *Development Centers.* Recommend Legislative review after special report submitted by Department of Finance. 626
16. *Diagnostic School. Augment \$1.7 million from COFPHE fund.* Recommend purchase of diagnostic school-Fresno. 627
17. *Educationally Handicapped.* Recommend denial of proposed position transfer. 628
18. *ROC/ROP.* Recommend report on Regional Occupation 630

- Centers and Programs be submitted on completion.
19. Driver Training. Recommend in-depth evaluation of driver training effectiveness. 630
 20. *Health Education. Augment General Fund support (Item 322) \$28,020.* Recommend establishment of consultant position in health education. 631
 21. *Industrial Arts. Delete \$48,140 from General Fund (Item 322).* Delete one professional and .5 clerical positions. 632
 22. Bilingual-Bicultural. Recommend report of unduplicated student count and expenditures by November 1, 1975. 634
 23. Bilingual Coordination. Recommend Department of Education demonstrate ability to coordinate programs. 634
 24. Bilingual Expenditures. Recommend quarterly reporting procedure. 636
 25. Bilingual Administration. Recommend adoption of administrative rules and regulations. 636
 26. Indian Education. Recommend transfer of \$324,590 from Item 306 to continue Indian ECE pilot programs. 637
 27. Indian Education Centers. Recommend Budget language be added to reappropriate unexpended funds from 1974-75 to 1975-76 with comparable reduction in Item 315. 638
 28. Mentally Gifted. Recommend change in program application procedure. 639
 29. Adult Education. Recommend administrative staff deletion. 640

PROGRAM II—INSTRUCTIONAL SUPPORT

30. Textbook Adoptions. Recommend total review of textbook ordering, manufacturing and distribution process with a report by December 1, 1975 based on maximum textbook evaluation cycle of 15 months. 644
31. *Educational Technology. Delete \$75,000 from General Fund (Item 322).* Recommend elimination of two Educational Technology consultant positions. 647
32. Food Subsidy. Recommend review of local agency participation in federal and state school food subsidy programs with annual report by November 1. 649

PROGRAM III—SCHOOL FINANCE AND STATE AID TO SCHOOL DISTRICTS.

33. School Finance. Recommend critical evaluation of department's request for additional general school finance in 1975-76 and its interrelationship with requested increases in categorical aid programs. 652

PROGRAM IV—DEPARTMENTAL MANAGEMENT AND SPECIAL SERVICES.

34. *Executive. Delete \$50,000 from General Fund (Item 322).* Recommend deletion of one professional position in the office of deputy superintendent for program. 655

DEPARTMENT OF EDUCATION—Continued

35. Matrix Organization. Recommend report by April 15, 1975 on plan to improve or abandon matrix organization. 656
36. Program Crossover. Recommend crossover document displaying actual utilization of budget positions and recommend that any position which is utilized for more than nine months in a function other than for which it was budgeted be transferred to the function of utilization. 657
37. Indirect Costs. Recommend Department of Finance audit the Department of Education's indirect cost distribution of departmental administrative costs for 1974-75 and 1975-76 with report by October 31, 1975. 658

PROGRAM V—LIBRARY SERVICES

38. State Library. Recommend that consideration of inflation adjustment for local assistance be given after completion of study on cooperative system. 661

**Summary of Recommended Fiscal Changes
to 1975-76 Education Budget**

<i>Program or Activity</i>	<i>Amount</i>	<i>General Fund</i>	<i>COPPHE Fund</i>
Child Development	\$+3,781,115	\$+3,781,115	
Educational Liaison	(-206,396) *	(-206,396) *	
Miller-Unruh Reading ..	+1,247,410	+1,247,410	
Health Education	+28,020	+28,020	
Industrial Arts	-48,140	-48,140	
Educational Technology ..	-75,000	-75,000	
Diagnostic School	+1,700,000	—	\$1,700,000
Executive.....	-50,000	-50,000	
Subtotal—Increases.....	\$+6,756,545	\$+5,056,545	\$+1,700,000
Subtotal—Decreases	-173,140	-173,140	—
Net Increase	\$+6,583,405	\$+4,883,405	\$+1,700,000

* Not included in education totals since this item is recommended for reduction from Health and Welfare Agency Budget Bill Item 268.

GENERAL PROGRAM STATEMENT

The budget of the State Department of Education is composed of both state operation and local assistance items. The state operation items provide support for state level administration of the public school system, the State Library and the state special schools. The local assistance items provide for specified subvention programs such as bilingual education and early childhood education. The state school apportionments for basic aid and equalization aid, which will total \$2.0 billion (K-12) in 1975-76, are not appropriated in the budget act. Table 1 displays all Budget Act items related to the Department of Education for 1975-76.

Budget Overview

The Department of Education's expenditure budget is organized into five major programs: (1) instruction, (2) instructional support, (3) school

Table 1
State Department of Education
1975 Budget Bill Items

<i>Item</i>	<i>Purpose</i>	<i>Actual 1973-74</i>	<i>Estimated 1974-75</i>	<i>Proposed 1975-76</i>	<i>Analysis Page</i>
Local Assistance:					
306	Early Childhood Education	24,065,086	40,934,914	43,200,000	609
307	Conservation Education	(95,000)	(275,000)	(275,000) ^a	630
308	Educationally Disadvantaged Youth	81,324,226	84,600,000	91,302,400	612
309	Compensatory Education	10,814,352	3,837,000	2,650,000	617
310	Miller-Unruh Reading Program	18,399,069	15,349,625	15,349,625	619
311	Occupational Training for Hand- icapped	—	85,000 ^c	85,000	623
312	Development Centers	5,401,250	8,322,630	10,990,760	625
313	Career Guidance Centers	—	52,219	73,396	648
314	Child Care and Preschool	17,868,550	40,008,028 ^d	43,164,430	603
315	Indian Education Centers	—	400,000 ^e	400,000	633
316	Bilingual Education	—	4,000,000	4,304,538	633
317	Bilingual Reading Aides	—	243,000	243,000	620
318	Instructional Television	—	840,000	840,000	647
319	Child Nutrition Programs	—	12,500,000 ^f	13,595,400	648
320	Highway Severance Aid	(271,807)	(300,000)	(100,000) ^a	651
321	Assistance to Libraries	1,000,000	1,000,000	1,000,000	659
Subtotal, General Fund only		\$158,872,533	\$212,172,416	\$227,198,549	
State Operations:					
322	General Activities	\$7,679,263	\$9,616,906	\$10,195,829	602
323	State School Building Aid	(319,272)	(354,515)	(323,954) ^a	642
324	Surplus Property Revolving Fund ..	(4,343,710)	(5,085,594)	(5,287,850) ^a	641
325	Special Schools	10,417,976	12,695,681	13,193,437	622
326	Advisory Council on Vocational Education	—	106,052 ^b	150,000	657
327	State Library	2,283,929	2,825,032	2,926,851	659
Subtotal, General Fund only		\$20,381,168	\$25,243,671	\$26,466,117	
Totals—General Fund		\$179,253,701	\$237,416,087	\$253,664,666	
Totals—All Funds		\$184,283,490	\$243,431,196	\$259,651,470	

^a Special funds^b Appropriated by Chapter 1457, Statutes of 1974^c Appropriated by Chapter 1472, Statutes of 1974^d Includes appropriation by Chapter 1533, Statutes of 1974^e Appropriated by Chapter 1425, Statutes of 1974^f Appropriated by Chapter 1487, Statutes of 1974

finance, (4) department management and (5) state library as shown in Table 2.

The crossover between the budget act items shown in Table 1 and the planned expenditures shown in Table 2 is displayed in Table 3. The analysis which follows will address all five major programs in the sequence shown in Table 2.

It should be noted that the Governor's Budget is primarily a workload budget reflecting a total General Fund increase of only 4.8 percent (\$105,955,725) in 1975-76 over 1974-75. There are no major program augmentations. In our review of this budget we have supported the policy decision of a workload budget. The emphasis of our Analysis is on the improvement of program management.

DEPARTMENT OF EDUCATION—Continued

Management Improvement Needed

Improvement of the department's management is necessary. Throughout our analysis of its activity in the past year we have encountered deficiencies which include:

(a) *Lack of fiscal control.* Examples of this occur in the bilingual program, the child care program, the internal budget reporting system and the food services program.

(b) *Fragmented organization.* Examples of this occur again in the bilingual program, in the addressing of major educational needs in reading and mathematics and in the general failure of the program matrix form of organization.

(c) *Improper expenditures.* Examples of this occur in the industrial arts program, noninstructional expenses in educational disadvantaged youth program and the use of an adult education consultant for the early childhood education program.

(d) *Deficient dissemination of promising program practices.* Examples of this occur in the demonstration in reading and mathematics program and the early childhood education program.

(e) *Deficient evaluations.* Examples of this occur in the SHARE program, bilingual program, early childhood education program and the vocational education program.

These deficiencies must be rectified if the State of California is to achieve its goal of providing the best level of education, particularly in the areas of reading and mathematics, to its children.

**PROGRAM I
INSTRUCTION**

The instruction program consists of eight budgeted elements. Table 4 displays expenditures and funding for these elements in their order of importance for legislative review purposes.

The Governor's Budget displays nine elements in the instruction program. We have combined secondary and adult education to simplify program review. All totals tie to the Governor's Budget.

Table 2
State Department of Education
State Operations and Local Assistance
Expenditures and Revenue by Program

Program	Actual 1973-74	Estimated 1974-75	Budgeted 1975-76	Change	
				Amount	Percent
I. Instruction					
(a) State Operations	\$30,284,252	\$39,518,698	\$39,531,220	\$12,522	—
(b) Local Assistance	420,718,218	458,431,153	477,981,305	19,550,152	4.2%
Subtotal	\$451,002,470	\$497,949,851	\$517,512,525	\$19,562,674	4.2%
II. Instructional Support					
(a) State Operations	9,367,770	10,752,328	10,906,386	154,058	1.4
(b) Local Assistance	111,773,493	164,334,497	166,272,118	1,937,621	1.2
Subtotal	\$121,141,263	\$175,086,825	\$177,178,504	\$2,091,679	1.2
III. School Finance					
(a) State Operations	713,076	889,582	937,312	47,730	5.4
(b) Local Assistance	2,121,996,953	1,922,163,060	2,001,123,144	78,960,084	4.1
Subtotal	\$2,122,710,029	\$1,923,052,642	\$2,002,060,456	\$79,007,814	4.1
IV. Departmental Management and Services					
(a) State Operations	5,155,811	7,256,957	6,332,310	-924,647	12.7
V. State Library					
(a) State Operations	3,484,102	4,375,784	4,451,379	75,595	1.7
(b) Local Assistance	2,235,095	8,291,529	4,632,053	-3,659,476	44.1
Subtotal	5,719,197	12,667,313	9,083,432	-3,583,881	28.3
Reimbursements					
(a) State Operations	-4,282,330	-5,073,431	-6,079,990	1,006,559	19.8
(b) Local Assistance	-32,365,729	-49,411,188	-56,013,871	6,602,683	13.4
Subtotal—State Operations	44,722,681	57,719,928	56,078,617	-1,641,311	2.8
Subtotal—Local Assistance	2,624,358,030	2,503,809,051	2,593,994,749	90,185,698	3.5
Grand Total	\$2,669,080,711	\$2,561,528,979	\$2,650,073,366	\$88,544,387	3.4
General Fund	2,345,021,601	2,185,669,401	2,291,625,126	105,955,725	4.8
State School Fund	2,781,876	3,000,000	3,000,000	—	—
Federal funds	327,853,837	355,304,364	349,461,436	-5,842,928	1.6
Surplus Property Revolving	4,343,710	5,085,594	5,287,850	202,256	4.0
School Building Aid Fund	319,272	354,515	323,954	-30,561	8.6
California Water Fund	28,713	—	—	—	—
Environmental Protection Fund	—	275,000	275,000	—	—
State Transportation Fund	—	—	100,000	100,000	—
Transportation Tax Fund	271,807	300,000	—	-300,000	—
Instructional Materials Fund	-11,540,105	11,540,105	—	—	—
Total Man-Years	2,219.4	2,549.1	2,499.7	49.4	1.9

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Table 3
Crossover Between Budget Bill Items and Education Programs

<i>Item</i>	<i>Purpose</i>	<i>Instruction I</i>	<i>Instructional Support II</i>	<i>School Finance III</i>	<i>Department Management IV</i>	<i>State Library V</i>	<i>Total</i>
306	Early childhood education	\$43,200,000	\$—	—	—	—	\$43,200,000
307	Conservation education	(275,000)	—	—	—	—	(275,000) ^a
308	Educationally disadvantaged youth	91,007,138	—	—	295,262	—	91,302,400
309	Compensatory education	2,650,000	—	—	—	—	2,650,000
310	Miller-Unruh reading	15,349,625	—	—	—	—	15,349,625
311	Occupational training for handicapped	85,000	—	—	—	—	85,000
312	Development centers	10,990,760	—	—	—	—	10,990,760
313	Career guidance centers	—	73,396	—	—	—	73,396
314	Child care and preschool	43,164,430	—	—	—	—	43,164,430
315	Indian education centers	400,000	—	—	—	—	400,000
316	Bilingual education	4,266,388	—	—	38,150	—	4,304,538
317	Bilingual reading aides	243,000	—	—	—	—	243,000
318	Instructional television	—	840,000	—	—	—	840,000
319	Child nutrition programs	—	13,595,400	—	—	—	13,595,400
320	Highway severance aid	—	—	(100,000)	—	—	(100,000) ^a
321	Assistance to public libraries	—	—	—	—	1,000,000	1,000,000
322	Support, Department of Education	3,931,577	2,300,335	937,312	3,026,605	—	10,195,829
323	State School Building Aid	(32,321)	(291,633)	—	—	—	(323,954) ^a
324	Surplus Property Revolving Fund	—	(5,287,850)	—	—	—	(5,287,850) ^a
325	Special schools	13,193,437	—	—	—	—	13,193,437
326	Advisory council on vocational education	—	—	—	150,000	—	150,000
327	State Library operations	—	—	—	—	2,926,851	2,926,851
Totals, General Fund		\$228,481,355	\$16,809,131	\$937,312	\$3,510,017 ^b	\$3,926,851	\$253,664,666 ^c

^a Special funds—not included in totals.

^b Governor's Budget Program IV, General Fund total of \$3,601,463 includes \$91,446 of federal funds in error.

^c Reconciles to total General Fund expenditures shown in Table 2 as follows:

Budget Bill items, as above	\$253,664,666
Apportionments to school districts	1,998,023,144
Miscellaneous legislation	13,031,914
Statutory requirements	518,125
Instructional materials fund	26,387,277
	<u>2,291,625,126</u>

Table 4
Program 1
Instruction Program Expenditures and Funding

Program Element	Actual 1973-74	Estimated 1974-75	Proposed 1975-76	Change	
				Amount	Percent
A. Child Development/Preschool.....	\$65,466,255	\$93,386,489	\$96,738,155	\$3,351,666	3.6
B. Early Childhood Education.....	24,288,430	41,337,029	43,597,491	2,260,462	5.5
C. Educationally Disadvantaged.....	251,791,256	240,006,910	245,091,844	5,084,934	2.1
D. Special Education ..	24,490,622	33,207,723	46,407,148	13,199,425	39.7
E. Occupational Preparation.....	60,683,756	58,415,271	54,440,819	-3,974,452	-6.8
F. General Education Management	14,054,098	21,903,873	21,332,441	-571,432	-2.6
G. Special Programs	5,099,664	5,835,382	6,224,880	389,498	6.7
H. Secondary-Adult Education.....	5,128,389	3,857,174	3,679,747	-177,427	-4.6
Totals.....	\$451,002,470	\$497,949,851	\$517,512,525	\$19,562,674	3.9
State Operations.....	30,284,252	39,518,698	39,531,220	12,522	—
Local Assistance	420,718,218	458,431,153	477,981,305	19,550,152	4.3
General Fund	192,290,880	217,861,787	241,876,394	24,014,607	11.0
Federal Funds.....	223,503,960	226,528,089	214,449,099	-12,078,990	-5.3
Reimbursements.....	35,184,758	53,255,576	60,879,711	7,624,135	14.3
School Building Aid	22,872	29,399	32,321	2,922	9.9
Environmental Protection	—	275,000	275,000	—	—

A. CHILD DEVELOPMENT/PRESCHOOL

Child development services of the Department of Education include child care services and the state preschool program with expenditures and funding as shown in Table 5.

Table 5
Child Development/Preschool
Expenditures and Funding

	Actual 1973-74	Estimated 1974-75	Proposed 1975-76	Change
1. Child care services.....	\$44,426,940	\$71,416,383	\$73,069,566 ^a	\$1,653,183
2. Preschool program	21,039,315	21,970,106	23,668,589 ^b	1,698,483
Total	\$65,466,255	\$93,386,489	\$96,738,155	\$3,351,666
State Operations.....	1,303,670	2,565,773	2,799,321	233,548
Local Assistance	64,162,585	90,820,716	93,938,834	3,118,118
General Fund	31,878,583	41,854,441	44,906,344	3,051,903
Federal funds	613,364	408,106	405,869	-2,237
Reimbursements	32,974,308	51,123,942	51,425,942	302,000

^a Includes \$286,000 of local matching funds.

^b Includes \$23,512,720 in Budget Bill Item 314 and \$155,869 federal ESEA Title I funds.

1. Child Care Services

Pursuant to Chapter 670, Statutes of 1972 (AB 99), the Child Development Act, as amended by Chapter 1191, Statutes of 1973 (AB 1244), the State Department of Education has administrative responsibility for a variety of child care services. The services overseen by the department are provided by public and private agencies for prekindergarten children and school age children up to 14 years, as well as for the parents of such children. Services may include supervision, developmental activities, and

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instruction for any part of a workday including night shifts. In addition, social services, referral and counseling services, health screening and treatment, and nutrition services may be included.

Administration

The Child Development Act requires the Department of Education to (1) formulate and promote a child development program in all California communities where the need exists; (2) adopt rules, regulations and standards for neighborhood family day care homes; (3) establish rules for program eligibility and priority of service; (4) establish fee schedules; (5) prescribe minimum educational standards; (6) give priority to children of families who qualify under federal regulations as former, current or potential recipients of public assistance and other low-income and disadvantaged families; and (7) generate maximum federal reimbursement for federally eligible children.

Table 6 summarizes state funding for child development programs as budgeted in 1974-75 and as proposed by the Governor's Budget for 1975-76.

Table 6
Child Development Programs
Allocation of State and Federal Funds
1974-75 and 1975-76

	<i>Actual 1974-75</i>		<i>Proposed 1975-76</i>	
	<i>General Fund</i>	<i>Federal Matching</i>	<i>General Fund</i>	<i>Federal Matching</i>
Children's Centers—				
Federally eligible	\$7,833,000	\$23,499,000	\$8,459,640	\$23,499,000
State means test	4,809,000	—	5,193,720	—
Total	12,642,000	23,499,000	13,653,360	23,499,000
Campus children's centers	625,000 ^a	225,000 ^b	675,000 ^a	225,000 ^b
AB 282 county programs	2,800,000	8,400,000	3,024,000	8,400,000
County maintenance of effort programs	1,188,314	3,564,942	1,283,379	3,564,942
Special allowances:				
Rent	276,437	—	298,552	—
Handicapped	464,277	—	501,419	—
Total	740,714	—	799,971	—
Migrant expansion	200,000 ^c	—	216,000	—
Subtotal	\$18,196,028	\$35,688,942	\$19,651,710 ^d	\$35,688,942
AB 99 program	3,400,000	10,200,000	3,672,000 ^e	10,200,000
Migrant program	424,000 ^f	1,375,000 ^g	454,000 ^f	1,375,000
Subtotal	\$22,020,028	\$47,263,942	\$23,777,710	\$47,263,942
High School infant care	—	—	600,000 ^h	—
Pilot program	1,841,913	—	1,141,914	—
TOTAL	\$23,861,941 ⁱ	\$47,263,942 ⁱ	\$25,519,624 ⁱ	\$47,263,942 ⁱ

^a Matched by \$209,000 local funds.

^b Matched by \$75,000 local funds.

^c Chapter 1533, Statutes of 1974 (AB 4134).

^d 1975 Budget Bill Item 314.

^e 1975 Budget Bill Item 269.

^f From EDD Budget Bill Item 282 of which \$375,000 is matched by federal funds.

^g Includes \$250,000 ESEA Title I funds.

^h Chapter 1504, Statutes of 1974 (SB 1860).

ⁱ 1974-75 total—\$71,125,883; 1975-76 total—\$72,783,566.

The table shows an increase of \$1,757,682 in General Fund support of child development programs in 1975-76. This amount represents a continuation of the 1974-75 program level with an eight percent inflation factor applied only to the General Fund portion of each of these programs.

Reporting Requirement

In our report *Publicly Subsidized Child Care Services in California* dated August 22, 1974, we outlined a problem concerning an estimated substantial underexpenditure of state and federal matching child care funds in 1973-74 in child care programs managed by the Department of Education.

Table 7 summarizes budgeted funds and estimated expenditures for various child development programs in 1973-74.

Table 7
Child Development Programs
Budgeted Funds and Estimated Expenditures
1973-74

	<i>Budgeted Funds</i>			<i>Estimated Expenditures*</i>	<i>Unexpended Balance</i>
	<i>General Fund</i>	<i>Federal</i>	<i>Total</i>		
Children's centers...	\$12,642,000	\$23,499,000	\$36,141,000	\$33,000,000	\$3,141,000
Campus children's centers	625,000	225,000	850,000	850,000	—
AB 99 child care	3,400,000	10,200,000	13,600,000	10,500,000	3,100,000
Migrant child care	424,000	1,375,000	1,799,000	1,400,000	399,000
TOTAL	\$17,091,000	\$35,299,000	\$52,390,000	\$45,750,000	\$6,640,000

* Final expenditure totals should not differ from these estimates by more than one percent.

The table shows an estimated \$6.6 million underexpenditure of combined state/federal funds which is 12.7 percent of the total available. In our opinion the Department of Education did not adequately manage child care programs to prevent the large underexpenditure which occurred.

In accordance with a recommendation of our report, Resolution Chapter 186, Statutes of 1974 (SCR 160) was enacted. It requested the Department of Education to report to the Legislature by February 15, 1975 the actual and estimated expenditures in 1974-75 of all child care funds for which the department is responsible. We believe such a report should be made on an annual basis and that the Department of Education should be required to state the reasons for any projected underexpenditure in child care funds. The 1975-76 Budget Bill incorporates a new Section 19.8 to accomplish this task. We concur.

Adjustment for Inflation

We recommend a General Fund augmentation of \$3,781,115 for child development programs which receive federal matching funds to provide an eight percent inflation increase to the fixed federal matching funds. Table 6 indicates that child development programs will receive the same allocation of federal matching funds in 1975-76 as in 1974-75. This results from a ceiling placed on federal Title IV A social services funds in 1972-73 which will be continued in 1975-76. As a consequence the Governor's Budget proposes an overall inflation increase of only 2.5 percent for child care programs which receive federal matching funds. This will cause an

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overall reduction in the operating level of these programs unless a General Fund inflation factor is applied to the federal matching funds. We believe the current operating level should be continued in 1975-76 with the eight percent inflation adjustment.

Termination of Office of Educational Liaison

We recommend that \$3,672,000 proposed by the Governor's Budget for AB 99 programs assigned to the Health and Welfare Agency's Office of Education Liaison (Budget Bill Item 269) be reassigned to the Department of Education. We further recommend that \$206,396 proposed for the Office of Educational Liaison administration of this program (Budget Bill Item 268) be deleted.

The Office of Educational Liaison (OEL) was established by the Child Development Act of 1972 (AB 99) to coordinate (1) the child care activities of the Departments of Education, Health, Benefit Payments, and Employment Development and, (2) the transfer of administrative responsibilities for child care from the former Department of Social Welfare to the Department of Education. OEL was also assigned budgetary responsibility for \$3 million appropriated by AB 99 for expansion and development of innovative child care programs. Actual management of these programs has been assigned the Department of Education through an interagency agreement.

OEL has performed several useful functions by assisting in the negotiation of various interagency child care agreements, monitoring Department of Education policies regarding the expenditure of funds appropriated by AB 99 (1972) and SB 796 (1971), and reporting on the Department of Education's progress in developing a state plan for child development. However, now that the Department of Education has begun to carry out its full responsibilities, it is unnecessary for one state administrative agency to monitor the work of another in this fashion. Such monitoring (a) represents an unnecessary fragmentation of authority, (b) prevents the Department of Education from being fully responsible and accountable for its actions, and (c) conflicts with the expressed intent of AB 99 to make the Department of Education the single state agency responsible for child care programs.

As specified by AB 99, the Office of Educational Liaison is to be terminated effective January 1, 1976. We believe the child care coordination functions of the Office can be terminated at the end of the current fiscal year rather than continuing six months into the budget year.

Reassignment of Migrant Day Care Funding

We recommend that the \$563,973 proposed by the Governor's Budget (Item 269) for day care for preschool age migrant children be transferred from the Department of Employment Development to the Department of Education.

The Governor's Budget proposes \$563,973 for the day care program for preschool age children of migrant farm workers as a budget responsibility of the Department of Employment Development (EDD). However, \$454,000 of this amount is actually for operation of these programs, and is

transferred to the Department of Education which has operational management responsibility. The balance of \$109,973 is scheduled to remain the administrative responsibility of EDD, to be used for maintenance and improvement of day care facilities.

We believe the Department of Education should have management responsibility for the entire General Fund appropriation both for operation of migrant preschool programs and maintenance and improvement of day care facilities. This would eliminate the present unnecessary transfer of operational funds and would also assign maintenance funds as the management responsibility to the Department of Education.

The day care facilities in a migrant camp are subject to specified federal and state standards for group care of children. Compliance with these standards is at present the undefined joint responsibility of the State Department of Education and the Employment Development Department. We believe the Department of Education should have full responsibility for all aspects of this program since this is compatible with the Legislature's designation of the department as the single state agency responsible for child care in California.

Migrant Child Care

We recommend that the Department of Education prepare and submit to the Legislature by June 30, 1975 a detailed plan for correcting the deficiencies in the migrant child care program and improving the quality of child care available to migrant families. The plan should address the problems specified in our report "Child Care Services for Migrant Families in California" dated October 18, 1974.

Our October report noted various deficiencies in the migrant child care program and a need to improve substantially the quality of child care available to migrant families. We found examples of insufficient and poorly selected staff, insufficient supplies and equipment, inadequate and poorly maintained facilities, insufficient in-service training, a lack of parent education and participation, a lack of bicultural materials and curricula and unusually low staff pay. We believe the Department of Education should develop a plan to improve the quality of care now being provided in migrant centers. Our recommendation for a plan to remove these deficiencies was included in the October report but to date the Department of Education has not responded.

2. Preschool Program

Chapter 1248, Statutes of 1965 (AB 1331), instructed the State Department of Social Welfare to contract with the State Department of Education to operate a statewide system of preschool programs for three- to five-year-old children from low-income families. This legislation required all programs to follow program guidelines developed by the Department of Education.

Table 8 summarizes the scope of the preschool program from 1971-72 through 1974-75. The table indicates about the same program level for the last three years.

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Table 8
Scope of Preschool Program from 1971-72 through 1974-75

<i>Year</i>	<i>Number of Applicant Agencies</i>	<i>Number of Sites (est)</i>	<i>Number of Children (est)</i>
1971-72.....	166	669	16,317
1972-73.....	191	852	19,445
1973-74.....	184	852	19,449
1974-75.....	184	852	19,500

Until 1973-74, state appropriations for the preschool program were matched by federal social services funds on a 75-25 (federal-state) ratio under the Federal Social Security Act Amendments of 1967. However, beginning in 1973-74 the preschool program was funded entirely by a state General Fund appropriation due to (1) a ceiling placed on federal social services funds available to California, (2) a greater demand for such funds for all social services programs than could be funded by the available ceiling amount and (3) anticipated revised federal social services regulations which would have precluded the preschool program from qualifying for such funds. Table 9 summarizes funding of the preschool program since 1971-72.

Table 9
Funding of the Preschool Program
1971-72 through 1975-76

<i>Year</i>	<i>State</i>	<i>Federal Matching</i>	<i>Total</i>
1971-72	\$5,122,000	\$15,366,000	\$20,488,000
1972-73	5,328,453	15,985,359	21,313,812
1973-74	23,314,100	—	23,314,100
1974-75	21,812,000	—	21,812,000
1975-76 (proposed)	23,512,720	—	23,512,720 ^a

^a Budget Bill Item 314

Table 9 indicates a 1975-76 General Fund appropriation of \$23,512,720, of which \$22,959,720 is for local assistance and \$553,000 is for Department of Education administration. The \$1,700,720 increase over 1974-75 consists of an eight percent inflation factor on the local assistance portion (\$21,259,000) of the 1974-75 appropriation. The amount allocated for Department of Education administration remains at \$553,000. In addition to General Fund support, \$117,873 of federal ESEA Title I funds are allocated to administration of Title I preschool programs in 1975-76 and \$37,996 of Title I funds representing one preschool consultant assigned to the early childhood education management team in 1975-76.

We believe the program should continue in 1975-76 at the same support level as 1974-75.

Refined Evaluation Needed

We recommend that the Department of Education examine preschool programs at the operating level to determine what elements (or combination of elements) make some preschools more effective than others and submit a report to the Legislature of its findings by April 1, 1976 together with recommendations for reallocation of state resources to maximize the

benefits of the program.

Chapter 1005, Statutes of 1973, (AB 451) directed our office to undertake an evaluative study of the preschool program's success in achieving the objectives of improved performance, motivation and productivity of preschool children in grades K through three.

Our report "An Evaluation of the State Preschool Program" dated November 1, 1974, summarized the evaluation of the state preschool program which was conducted by the Center for the Study of Evaluation at the University of California, Los Angeles under contract with our office. This study found the preschool program to be "probably successful in improving the performance and motivation of 'disadvantaged' children when they enter school but not successful in improving their productivity". The center defined productivity as the "ability to attend to a task and follow it through to completion".

UCLA's findings indicate that the preschool program is accomplishing at least part of its goals but that more data are needed to identify those elements of the program that contribute the most to increasing the level of achievement of children who enroll in a state preschool. What is needed now is to examine these programs at the operating level to determine what elements or combinations of elements make some preschools more effective than others and how the state can allocate resources to maximize the benefits of the programs.

B. EARLY CHILDHOOD EDUCATION

Chapter 1147, Statutes of 1972, (SB 1302), authorized an Early Childhood Education (ECE) program for children in grades K-3 and appropriated \$25 million for local assistance expenditures in 1973-74 and \$40 million in 1974-75. Funds are allocated on the basis of \$130 per ADA for each child in an ECE school plus an additional \$65 for pupils with a demonstrated educational need, taking into consideration low levels of academic achievement and family income. The Department of Education limits the allocation of the \$65 to not more than 25 percent of an ECE school's K-3 enrollment.

Goals

The stated goal of the Department of Education for this program is "to ensure that each participating child receives individualized instruction permitting him or her to make continuous progress toward developing his or her maximum potential. The program is also designed to ensure that every participating child who completes the third grade or its equivalent will have attained competence in basic skills, a positive self-image, and social competencies sufficient to ensure success through the remainder of his or her schooling".

Table 10 summarizes program participation and funding.

Table 10 indicates that the proposed funding of \$43,200,000 in 1975-76 will support the same program level as 1974-75. The increase of \$3.2 million is to provide an inflation adjustment of eight percent with a com-

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Table 10
Early Childhood Education Participation and Funding

<i>Factors</i>	<i>Actual 1973-74</i>	<i>Estimated 1974-75</i>	<i>Proposed 1975-76</i>
Districts	800	829	829
Schools	1,010	1,314	1,314
Pupils	172,073	256,000	256,000
Percent of K-3 population ^a	14%	20%	20%
Appropriation (General Fund)	\$25,000,000	\$40,000,000	\$43,200,000 ^b

^a 2.5 million estimated statewide K-3 pupils

^b Budget Bill Item 306

mensurate increase per ADA to \$140 for all K-3 children in the program and \$70 for pupils with a demonstrated educational need.

We agree that the ECE program should continue in 1975-76 without increase above the 1974-75 program level because of (a) questionable program performance, (b) the interrelationship of the ECE program with proposed Serrano solutions and (c) the overall fiscal constraints on program expansion. As demonstrated below, the Department of Education's evaluation report of program operation in 1973-74 shows that the ECE program was no more successful than other programs which provide supplementary funds for pupils in grades K-3.

Performance

Table 11 summarizes average monthly reading and mathematics gains of pupils in grades one, two and three who have benefited from various supplementary federal or state categorical programs. Included are the state funded Educationally Disadvantaged Youth (EDY) program authorized by SB 90, the federal funded ESEA Title I program, and the early childhood education program.

Table 11
Early Childhood Education (ECE) and
Educationally Disadvantaged Youth (EDY)
Average Monthly Gain per Month of Instruction
1973-74

	<i>Grade 1</i>		<i>Grade 2</i>		<i>Grade 3</i>	
	<i>Reading</i>	<i>Math</i>	<i>Reading</i>	<i>Math</i>	<i>Reading</i>	<i>Math</i>
ECE	1.1	1.3	1.3	1.4	1.1	1.4
EDY	1.3	1.4	1.0	1.6	1.3	1.4
Title I	1.0	1.1	1.1	1.3	1.1	1.3
ECE-EDY	1.1	1.4	1.1	1.1	1.0	.9
ECE-Title I	1.1	1.3	1.3	1.4	1.1	1.4
ECE-EDY-Title I	1.0	1.0	1.1	1.3	1.1	1.4
ECE-Title I-Other ^a	1.3	1.1	1.1	1.4	1.3	1.4
ECE-EDY-Title I-Other ^a	1.3	1.0	1.0	1.3	1.1	1.3

^a Other includes Miller-Unruh reading program, AB 2284 bilingual program and/or Indian education program.

Table 11 shows that no particular combination of supplemental categorical programs consistently produced greater reading or mathematics achievement in first, second and third grade pupils. However, the table does indicate that schools which had only the program for educationally disadvantaged pupils (EDY), authorized by SB 90, achieved as high or

higher reading and math test results in grades one and three as schools which had ECE, or a combination of ECE and other supplemental funding, such as ESEA Title I or Miller-Unruh reading program. The test results fail to demonstrate that the ECE program is superior to other categorical programs but indicate that supplemental categorical programs generally aid in increasing pupil performance.

A further consideration before the ECE program is expanded should be its relationship with any system of school financing developed to comply with the *Serrano v. Priest* decision. The stated ultimate objective of the Superintendent of Public Instruction is to include every K-3 pupil in California in the ECE program at a total state cost of over \$200 million. The fiscal implications of such a subsidy for each K-3 pupil must also be related to the foundation program level of expenditure per pupil which is established to meet the requirements of the *Serrano* decision.

We believe the ECE program should continue in 1975-76 at the same program level as 1974-75 with a refined evaluation design to provide a more accurate evaluation of the program, particularly to show incremental growth beyond that which is normally achieved by these students.

Evaluation Data

We recommend that the Department of Education require all schools in the Early Childhood Education program to collect achievement data on normative standardized tests annually and submit raw test score results for all pupils tested to the Department of Education.

We further recommend that the Department of Education include in future evaluation reports of the ECE program comparative test score results of first, second and third grade pupils who have not benefited from supplemental compensatory programs but who have similar socio-economic characteristics.

In 1973-74, ECE schools which did not receive any other categorical program funds were not required to administer normative standardized tests to measure pupil achievement. We believe the Department of Education should have obtained this information to adequately comply with the legislative requirement that it determine a composite score for each ECE school, and determine relative performance as compared to predicted school achievement levels.

The Department of Education should (a) obtain raw test score results to permit more precise comparisons of achievement results of the ECE program compared to other categorical programs or combinations of programs and (b) present in its annual evaluation report test score comparisons of first, second and third grade pupils who have not benefited from supplemental compensatory programs but who have similar socio-economic characteristics. The data presently obtained, i.e., the average months of gain per month of instruction, are not sufficiently precise to develop meaningful comparisons. In addition, the evaluation report of the 1973-74 ECE program fails to make intradistrict comparisons of students attending ECE schools and students attending ordinary schools. Therefore, it is not possible to determine whether ECE reading or mathematics gains are due to the particular characteristics of the ECE program or to

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other external influences such as district-wide improved instruction techniques or materials that favorably affected most students.

It should be noted that the 1973-74 ECE evaluation report emphasizes the concept of "gain" whereas the data provided show that second and third graders in the program scored considerably below grade level in the post tests. Post tests indicated an average grade level equivalent of 2.5 in the second grade and 3.3 in the third grade. This compares with normal second and third grade equivalent scores of 2.9 and 3.9 respectively.

The department's evaluation of the 1974-75 ECE program on the more comprehensive basis recommended above will assist in determining the future of the program.

Staff Redirection

We recommend that the Department of Education (1) identify the early childhood education management team as an organization unit, (2) transfer all positions currently redirected to that unit from other activities of the department and (3) submit to the legislative fiscal committees before the Early Childhood Education (ECE) program budget is reviewed an ECE administrative budget which includes all resources allocated to the administration of the early childhood education program.

The ECE program is managed by a Department of Education early childhood education management team (ECEMT). In 1974-75 approximately \$400,000 was allocated directly for administration of the program. In addition, an estimated \$840,000, including 19 positions, were redirected to the ECEMT from other departmental activities. The Governor's Budget proposes \$397,491 for administration of the 1975-76 program and, in addition, the continued utilization of the 19 redirected positions. Thus, the total combined ECEMT administrative budget in 1975-76 will be approximately \$1.3 million.

This is about triple the ECEMT administrative budget allocated directly to this unit. Thus, the Governor's Budget fails to disclose the total combined resources and manpower allocated to administration of the program. Such poor management and budget practice creates a false impression of the full cost of administering the ECE program. It also provides a misleading picture of the manpower actually made available to the various other support activities of the department.

C. INSTRUCTION FOR EDUCATIONALLY DISADVANTAGED STUDENTS

Instruction for educationally disadvantaged students consists of (1) federal and state subventions for educationally disadvantaged students, (2) special state compensatory education projects, (3) the Miller-Unruh Reading Program and (4) Migrant Education. These programs are administered by the Department of Education's Division of Compensatory Education.

Table 12 summarizes expenditures and funding sources for this program as shown in the Governor's Budget.

Table 12
Instruction for Educationally Disadvantaged Students
Expenditures and Funding Sources

	<i>Actual</i> 1973-74	<i>Estimated</i> 1974-75	<i>Proposed</i> 1975-76	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
State Operations					
Personal Services	\$2,899,952	\$3,548,739	\$3,145,327	\$-403,412	-11.4%
Local Assistance					
ESEA Title I	130,091,769	125,127,790	125,127,790	—	—
Educationally Disadvantaged Youth	81,073,188	83,780,000	90,482,400	6,702,400	8.0
State Compensatory Education Programs	10,814,352	3,837,000	2,650,000	-1,187,000	-30.9
Miller-Unruh Reading	19,114,069	15,349,625	15,349,625	—	—
Bilingual Reading Aides	—	243,000	243,000	—	—
Migrant Education	7,797,926	8,120,756	8,093,702	-27,054	-0.3
Subtotal	\$248,891,304	\$236,458,171	\$241,946,517	\$5,488,346	2.3%
TOTAL	\$251,791,256	\$240,006,910	\$245,091,844	\$5,084,934	2.1%
General Fund	112,107,575	104,505,970	109,837,222	5,331,252	5.1
Federal funds	139,656,159	135,471,541	135,222,301	-249,240	-0.2
State School Building Aid Fund	22,872	29,399	32,321	2,922	9.9
Reimbursements	4,650	—	—	—	—

INSTRUCTION—Continued

Table 13 presents General Fund support by Budget Act item.

Table 13
Instruction for Educationally Disadvantaged Students
General Fund Budget Act Appropriations

<i>Budget Act Item</i>	<i>Purpose</i>	<i>Amount</i>
State operations		
308 (partial)	Educationally Disadvantaged Youth	\$437,236
322 (partial)	Department of Education general activities	674,961
Local assistance		
308 (partial)	Educationally Disadvantaged Youth	90,482,400
309	State Compensatory Education Programs	2,650,000
310	Miller-Unruh Reading Program	15,349,625
317	Bilingual reading aides	243,000
Total, General Fund.....		\$109,837,222

1. Federal and State Subvention Programs

Title I

The federal Elementary and Secondary Education Act (ESEA) Title I and the state Educationally Disadvantaged Youth program (EDY) provide subventions to school districts for compensatory education on the basis of a.) the number of low income, b.) transient or c.) bilingual children. Estimated expenditures for ESEA Title I as presented in the 1975-76 Governor's Budget are summarized in Table 14.

Table 14
Elementary and Secondary Education Act Title I

	<i>Actual 1973-74</i>	<i>Estimated 1974-75</i>	<i>Proposed 1975-76</i>	<i>Change</i>
Children of low-income families	\$125,067,364	\$119,736,620	\$119,736,620	-
Institutions for delinquent children ..	1,480,121	1,688,000	1,688,000	-
Schools for handicapped children	2,025,435	1,477,000	1,477,000	-
Urban and rural schools.....	1,518,849	2,226,170	2,226,170	-
Total	\$130,091,769	\$125,127,790	\$125,127,790	-

Allocation Shift

The figures presented in the Governor's Budget for the 1974-75 and 1975-76 fiscal years do not reflect the supplemental appropriation passed by Congress and signed into law by the President in December 1974. Although the allocation for California has not yet been determined, the Department of Education estimates that it will receive at least as much as in 1973-74 (\$130 million). However, it is important to note that the formula by which these allocations are derived was significantly revised during the last session of Congress. The effect of this revision is a shift in emphasis from urban to rural areas. Thus, while California may receive approximately the same allocation statewide, rural areas may receive proportionately more than in past years while urban areas may receive proportionately less. The extent of this shift will not be known until the final allocations are released by the U.S. Office of Education.

State Disadvantaged Youth Program

Chapter 1406, Statutes of 1972, (SB 90) established the Educationally Disadvantaged Youth Program (EDY) and appropriated \$82 million for 1973-74, primarily for local assistance. This program provides for compensatory education programs similar to those established under ESEA Title I.

Chapter 1232, Statutes of 1974, (SB 1864) appropriated \$2.6 million to include Long Beach and San Diego Unified School Districts in the EDY program. Table 15 summarizes administration and local assistance expenditures for the program.

Table 15
State Educationally Disadvantaged Youth Program

	<i>Actual</i> 1973-74	<i>Estimated</i> 1974-75	<i>Proposed</i> 1975-76	<i>Change</i>
Administration	\$251,038	\$820,000	\$820,000	\$ —
Local assistance	81,073,188	83,780,000	90,482,400	6,702,400
Total	\$81,324,226	\$84,600,000	\$91,302,400	\$6,702,400

Inflation Adjustment

Table 15 indicates that the Governor's Budget proposes an increase for this program of \$6,702,400 in 1975-76. The entire increase is due to an eight percent inflation adjustment applied to the local assistance portion of the program. We believe this increase is justified and should provide adequate funds to maintain the present program level through the budget year. It should also be noted that the Governor's Budget is continuing the \$2.6 million appropriation to include Long Beach and San Diego in the program in 1975-76.

Update of Formula Needed

We recommend that the Department of Education utilize the most recent data available in determining the 1975-76 apportionments to school districts under the Educationally Disadvantaged Youth program.

Chapter 1406, Statutes of 1972, (SB 90) established an educational needs factor formula to determine the EDY apportionments to school districts. This formula is based upon the following three indices: (1) an index of "potential impact of bilingual-bicultural pupils", (2) a ratio of the district's "index of family poverty", and (3) a ratio of the district's "index of pupil transiency". Table 16 lists the factors which are utilized in formulating the indices and the date at which they were collected.

Table 16
Input Data for Educational Needs Factor

<i>Factors</i>	<i>Date of data collection</i>
Average Daily Attendance, 1-12 (ADA)	1971-72 school year
Enrollment, 1-12	1971-72 school year
ESEA Title I grant	1971-72 school year
Title I AFDC count	January 1972
Number of Spanish surname pupils	1971-72 school year
Number of Oriental surname pupils	1971-72 school year
Number of American Indian pupils	1971-72 school year

INSTRUCTION—Continued

Table 16 indicates that the data used to compute the EDY indices dates back to 1971-72. The Department of Education has indicated that it does not intend to update the factors in determining the EDY apportionments for 1975-76. The department justifies this action on the basis that the formula is too unstable and any change would significantly alter the apportionment pattern and consequently disrupt planning at the school district level.

This rationale may have had merit prior to the enactment of Chapter 1232, Statutes of 1974, which provided for the inclusion of the San Diego and Long Beach unified school districts in the EDY program. At that time, it was feared that any revision of the data in the formula resulting in the inclusion of these two major school districts could lead to a substantial reduction in funds for a number of smaller districts. Chapter 1232 eliminated that problem by appropriating \$2.6 million to fund the EDY program in San Diego and Long Beach.

Information on the number of bilingual-bicultural pupils was gathered through the department's racial and ethnic survey. It is important to note that the index for bilingual-bicultural pupils refers only to American Indian, Spanish surname and Oriental surname pupils. The department's 1971-72 racial and ethnic survey defined Orientals as including only people of Chinese, Japanese and Korean origin. All other persons of Asian origin were thereby excluded from the educational needs formula. We understand that more recent surveys have revised the definition to include all persons of Asian origin but data from these surveys have not been used in the formula. We believe this should be rectified.

Determination of educational need for 1975-76 should not be based on conditions as they existed in 1971-72. Accordingly, we believe the department should use the most recent data available in determining the EDY apportionments for 1975-76.

EDY Noninstructional Costs

We recommend that the Department of Education prepare, and the Department of Finance approve, specific guidelines for the expenditure of Educationally Disadvantaged Youth (EDY) funds for noninstructional costs as provided for in Chapter 1406, Statutes of 1972.

We further recommend that no district application for such expenditure be approved without the concurrence of the Director of Finance.

Chapter 1406, Statutes of 1972, (SB 90) provides that the Superintendent of Public Instruction, with the concurrence of the Director of Finance, may approve district requests to use a portion of their EDY entitlements for "noninstructional costs". The total statewide expenditure for such costs may not exceed \$2 million. Although a complete report is not yet available, the Department of Education estimates that approximately \$350,000 was expended by 23 districts on noninstructional costs in 1973-74.

Chapter 1406 vaguely defines noninstructional costs as "including but not limited to costs for vandalism, security and insurance". The department's guidelines are not much more explicit. They describe noninstructional costs as those "... related to personal and property protection

services such as guards, alarm systems, security devices and for repairs and maintenance related to vandalism". Neither statement defines expenditures which are not permissible as noninstructional costs. As a result of this lack of clarity, there has been substantial disagreement between the Department of Education and some school districts as to what may properly be included as a noninstructional cost. We also understand that some districts have expended funds for security improvements in schools and administrative offices in non-EDY target areas. Accordingly, we believe the department should prepare new guidelines providing a clear and precise definition of the types of expenditures which are and are not authorized as noninstructional costs. The guidelines should also direct that EDY funds for noninstructional costs should be expended only for projects in EDY target areas.

Chapter 1406 requires that the Director of Finance concur with the Superintendent of Public Instruction's decision to approve any request to use EDY funds for noninstructional purposes. This provision of the law has not been complied with. We understand that while there was some coordination between the two departments at the beginning of the program, the decision to approve or disapprove these district applications presently is made solely by the Superintendent of Public Instruction. The concurrence of the Director of Finance adds a necessary level of review and control and should be complied with. Accordingly, we recommend that the Department of Education submit the proposed guidelines to the Department of Finance for approval and that no future expenditures for noninstructional costs pursuant to Chapter 1406 be approved without the concurrence of the Director of Finance.

2. State Compensatory Education Programs

State Compensatory Education, in addition to subventions authorized under the Educationally Disadvantaged Youth Program, consists of the following special programs as listed in Table 17.

Table 17
State Compensatory Education Programs

<i>Program</i>	<i>Actual 1973-74</i>	<i>Estimated 1974-75</i>	<i>Proposed 1975-76</i>	<i>Change</i>
Demonstration programs in reading and math	\$3,000,000	\$3,045,000	\$2,000,000	-\$1,045,000
Professional Development Centers (PDC)	750,000	650,000	650,000	—
Research and Teacher Education (RATE)	568,000	142,000	—	-142,000
New Careers Program	251,143	261,715	288,159	26,444
	<u>\$4,569,143</u>	<u>\$4,098,715</u>	<u>\$2,938,159</u>	<u>-\$1,160,556</u>

Demonstration Programs in Reading and Math

The state demonstration programs in reading and math utilize innovative teaching techniques, materials and low pupil-to-teacher ratios to teach low-achieving students in grades 7-9. The legislation authorizing these programs terminates at the end of the 1974-75 fiscal year. We understand that the department will request that legislation be enacted to

INSTRUCTION—Continued

continue the program with only minor revisions.

Program Reduction

Table 17 indicates that the 1975-76 Governor's Budget proposes to reduce support for these programs to \$2 million, a decrease of \$1,045,000 in the budget year. We believe this action is justified. While the demonstration programs are among the most successful compensatory programs in the state, we question the high per pupil expenditure in some of the projects. It is important to note in this regard that the original legislation stipulated the projects should be "adaptable within the budgets of other similar school districts throughout the state".

Table 18 indicates that the average cost per student in the established programs is \$377. This includes a range from \$183 per student in Los Angeles Unified School District to \$649 per student in Pittsburg Unified School District. Five districts operate programs with per pupil expenditures of \$550 or more at a total expenditure of \$579,198. We believe that

Table 18
Demonstration Programs in Reading and Math
1974-75

<i>District</i>	<i>Number of Projects</i>	<i>Estimated Project Expenditure</i>	<i>Number of Students</i>	<i>Cost per Student</i>
Full Programs:				
Bakersfield.....	1	\$60,500	110	\$550
Cotton.....	1	78,753	250	315
Compton.....	1	124,407	226	550
Fresno.....	1	89,779	180	499
Garvey.....	1	87,099	186	468
Greenfield.....	1	116,109	374	310
Jurupa.....	1	144,284	340	424
Long Beach.....	1	119,927	196	612
Los Angeles.....	2	223,335	1,223	183
Monrovia.....	1	79,679	200	398
Oakland.....	2	278,665	497	561
Ontario-Montclair.....	1	164,000	342	480
Pittsburg.....	1	130,449	201	649
Pomona.....	1	124,335	326	381
Riverside.....	1	63,146	415	152
San Francisco.....	2	226,801	675	336
San Diego.....	1	90,466	237	382
San Jose.....	1	114,817	245	469
Santa Barbara.....	1	177,398	400	443
Total.....	22	\$2,493,949	6,623	\$377
Partial components:				
Bakersfield.....	1	\$59,000	300	\$197
Garvey.....	1	45,033	395	114
Jurupa.....	1	75,500	419	180
Long Beach.....	1	42,693	227	188
Monrovia.....	1	55,000	244	225
Ontario-Montclair.....	1	71,233	419	170
San Diego.....	1	72,000	596	121
San Jose.....	1	71,558	520	138
Total.....	8	\$492,017	3,120	\$158

projects with such a high per pupil expenditure are not adaptable within the budgets of other school districts and that further efforts should be made to reduce the average per pupil expenditure for the entire program.

It should be noted that the Department of Education is presently implementing a less costly program whereby only certain components of the original models will be utilized. Table 18 indicates an average per pupil expenditure of \$158 or only 42 percent of the average per pupil expenditure of the full programs. However, these programs were only recently begun and an evaluation of their effectiveness will not be available until the fall of 1975.

Information Dissemination and Data Collection

We recommend that the Department of Education utilize the service delivery system to: (1) disseminate information on the Demonstration Programs in Reading and Math and (2) aggregate data on the extent of program replication by local school districts.

The demonstration projects are designed to serve as models to be replicated by other school districts using alternate funding sources. The success of a model program should be assessed not only by the achievements of participating students at the model sites but also by the extent to which other districts adopt the program with their own funds. The Department of Education is able to assess student achievement through its annual program evaluation but is unable to provide comprehensive data on the extent of replication by other districts.

Successful replication requires not only that projects be low in cost but that information on the program be widely disseminated. Presently, information dissemination is the responsibility of the program manager in the Compensatory Education Unit and the individual demonstration projects at the district level. There is no coordination with other units in the department which could supplement this effort.

Both the dissemination and data collection functions can be improved by utilization of the service delivery system. The delivery system provides assistance to school districts in assessing individual district needs and coordinating the available funding sources to meet those needs. Regional Service Teams (RST's), a component of the delivery system, provide direct assistance through on-site visits to the districts. The delivery system, through the RST's provide a logical and effective means of disseminating information on the demonstration program at no additional cost to the General Fund. This same system should collect data on the extent of replication of the demonstration projects so that the program can be fully evaluated.

3. Miller-Unruh Reading Program

The Miller-Unruh Basic Reading Program provides state allowances to enable school districts to employ reading specialists in grades K-3. Miller-Unruh specialists are chosen by examination from school district personnel. In 1974-75, 249 school districts are participating in the Miller-Unruh program. 1,536 specialist reading teachers will receive an average state subsidy of \$9,818 or 79 percent of the statewide average elementary teach-

INSTRUCTION—Continued

er salary. The balance of the salaries of Miller-Unruh teachers is provided by school district resources. \$15,349,625 was authorized for local assistance to this program in 1974-75 plus \$243,000 for bilingual reading aides. In addition, \$145,000 was provided for Department of Education administration of the program.

No Inflation Factor

We recommend a General Fund augmentation of \$1,247,410 for local assistance (Item 310) of Miller-Unruh reading specialists and bilingual reading aides.

The Governor's Budget proposes continuation in 1975-76 of the same local assistance funding of \$15,349,625 for Miller-Unruh teachers (Budget Bill Item 310) and \$243,000 for bilingual reading aides (Budget Bill Item 317) plus \$163,958 for Department of Education administration.

Both the ECE program and the Miller-Unruh reading program serve pupils in grades K-3. In 1974-75 ECE program funding increased from \$25 million to \$40 million while the Miller-Unruh program support for specialist teachers was reduced by \$2.8 million. We supported the Miller-Unruh program reduction in 1974-75 as the ECE program expanded and also supported the ultimate objective of phasing out the Miller-Unruh program if the ECE program expands to serve all K-3 pupils in California.

However, because the early childhood education program is not proposed for expansion in 1975-76 we believe the Miller-Unruh program should remain at the same operating level as 1974-75. This requires a \$1,247,410 augmentation to provide the same eight-percent inflation factor which the Governor's Budget proposes for other local assistance programs including ECE.

4. Teacher Training

The remaining three components of the compensatory programs listed in Table 17 are all related to teacher training. The New Careers program provides stipends to low-income persons to enable them to earn elementary teaching credentials for the purpose of teaching disadvantaged students. The Governor's Budget provides \$288,159 to continue the present program level through the budget year.

Chapter 1499, Statutes of 1974, (AB 4151) revised the Professional Development Center program (PDC) to include the program in Research and Teacher Education (RATE) a similar but previously separate project. The centers operating in the PDC program provide in-service training to teachers and administrators in selected schools with a high percentage of low-achieving students. As passed by the Legislature, Chapter 1499 appropriated \$1,300,000 to fund the PDC program in 1974-75. In signing the measure, the Governor reduced the appropriation to \$650,000. The Governor's Budget proposes to continue funding the program at \$650,000 for 1975-76.

Regulations Needed

We recommend that the Department of Education develop rules and regulations pursuant to Chapter 1499, Statutes of 1974. These rules and regulations should be submitted to the State Board of Education no later than their April 1975 meeting.

Chapter 1499, Statutes of 1974, (AB 4151) required the State Board of Education to adopt rules and regulations including the establishment of minimum standards for in-service programs. Chapter 1499, an urgency statute, was signed into law on September 27, 1974. Regulations have not yet been drafted for submission to the State Board of Education. This reflects a lack of adequate program management on the part of the department. From August through December the program has had three separate managers. It is apparent that during a substantial portion of that period there was no one actively responsible for program administration. Consequently, we are concerned that the formulation and adoption of regulations will be put over to the next fiscal year. Regulations are essential to proper program management and should be adopted as soon as possible.

Office of In-Service Training

We recommend that the Department of Education establish an Office of In-service Training to (1) review and evaluate school district in-service training programs, (2) operate an information and dissemination center for effective programs, (3) assist and review development of in-service programs on a regional basis and (4) administer a grant program for regional in-service training programs.

The 187,000 teachers now actively employed in California continue to receive professional training under a variety of local, state and federal in-service training programs. Although a few of these in-service programs require mandatory attendance by teachers, the vast majority of in-service training depends on the individual teacher's initiative to continually upgrade his or her professional skills. To encourage teachers to participate in in-service programs, most school districts have established salary incentive schedules which provide a salary increase of 3-6 percent (of total income) for every 15 units of credit accumulated. Unfortunately, many of the in-service training classes maintain enrollments only because the fiscal incentive program virtually compels teachers to continually accumulate college or district credits. In-service training often becomes a mechanical, unrelated accumulation of credits taken from a variety of separate colleges, extension offices, private corporations, county offices and school districts.

The current structure and funding of in-service training is in need of reorganization and coordination. It is apparent that the myriad forms of in-service training now offered by a variety of separate agencies and pursued individually by school teachers must be organized into an integrated in-service training program. District in-service programs must be coordinated with categorical aid, student teaching, county superintendent of schools, extension college and private corporation programs. In addition, any successful district program must be closely coordinated with the

INSTRUCTION—Continued

pre-service training programs of the colleges and universities in the area so that these two major categories of teacher training—pre-service and in-service—do not operate in mutual isolation.

School districts must be encouraged to develop plans for a comprehensive in-service training model which would coordinate a full-faculty intervention approach with the traditional in-service resources in the area. Such an effort would require leadership and coordination from a state-level office. The office could review the in-service training plans developed by groups by school districts and the county superintendent of schools, and assist these agencies to implement and evaluate their models. The office could also act as an evaluator, information center and disseminator of the results of in-service models tested in districts or regions.

The initial operational year of this office would involve the development of guidelines and the allocation of "seed" grants to districts and regional representatives who wish to develop comprehensive regional proposals. Following an experimental stage, this office could develop an operational funding formula based on data collected from a variety of successful projects.

In many ways, an effective in-service education program could have a far greater impact on the quality of education in California than the reform of pre-service training programs. Only 10,000 of a total working force of 187,000 teachers in the state are replaced each year. Thus, an improvement in the quality of pre-service training programs would not appreciably affect the overall quality of teaching in the state for a number of years. The development of effective in-service training programs could, on the other hand, result in an immediate improvement in the quality of education programs.

D. INSTRUCTION FOR SPECIAL EDUCATION STUDENTS

The Instruction for Special Education Students Program is composed of the activities of the Division of Special Education and Local Assistance to school districts for the support of education programs for exceptional children. Exceptional children are students requiring special assistance beyond the regular school program because of mental or physical handicaps.

Table 19 summarizes expenditures and funding sources for all activities supervised by the division.

Table 20 summarizes budget act items which appropriate support for special education programs.

1: Handicapped Students

Responsibility for the many categories of handicapped students is divided among three bureaus in the Division of Special Education: (1) the Bureau for Physically Exceptional Children which offers guidance to deaf, blind, orthopedically handicapped and multi-handicapped programs in school districts, (2) the Bureau for Mentally Exceptional Children which

Table 19
Expenditure and Funding Sources for the Division of Special Education

	<i>Actual 1973-74</i>	<i>Estimated 1974-75</i>	<i>Proposed 1975-76</i>
State Operations:			
Handicapped children	\$1,066,642	\$1,381,851	\$1,557,634
Regional deaf blind center	993,619	2,005,000	2,027,234
Clearinghouse depository	123,703	219,472	242,731
Administration	251,926	312,149	323,794
Compressed speech	57,947	—	—
Program development and evaluation	647,974	1,182,745	974,094
Special schools	12,156,494	14,332,612	15,054,637
Subtotal	\$15,298,305	\$19,433,829	\$20,180,124
Local Assistance:			
Pilot Program for Mentally Retarded	152,600	—	—
Development Centers	5,401,250	8,322,630	10,990,760
Master Plan for Special Education	—	300,000	10,000,000
Sheltered Workshops	—	85,000	170,000
Federal funds	3,638,467	5,066,264	5,066,264
Subtotal	\$9,192,317	\$13,773,894	\$26,227,024
Totals	\$24,490,622	\$33,207,723	\$46,407,148
Funds:			
State Operations:			
General Fund	\$12,130,801	\$14,545,439	\$15,428,085
Federal funds	1,745,573	3,251,459	2,890,839
Reimbursements	1,421,931	1,636,931	1,861,200
Subtotal	\$15,298,305	\$19,433,829	\$20,180,124
Local Assistance:			
General Fund	5,553,850	8,707,630	21,160,760
Federal funds	3,638,467	5,066,264	5,066,264
Subtotal	\$9,192,317	\$13,773,894	\$26,227,024
TOTAL	\$24,490,622	\$33,207,723	\$46,407,148

Table 20
Budget Act Appropriations for Special Education

<i>Item</i>	<i>Amount</i>
State Operations	
322 (Partial) Division of Special Education	\$2,234,648
325 Special Schools	13,193,437
Local Assistance	
312 Development Centers	\$10,990,760
311 Occupational Training for Handicapped	85,000
Totals	\$26,503,845

offers guidance to educable and trainable mentally retarded, educationally handicapped and (3) the federally supported Bureau for Educational Improvement for Handicapped Children which administers federal aid programs and assists local school districts to initiate, expand and improve programs for handicapped children.

Table 21 presents expenditures for special education programs conducted by districts. Figures for the physically handicapped program include children who receive only a few hours of remedial physical education and speech and thus contribute little to ADA. The per pupil expense for the special schools includes a comprehensive residential program.

INSTRUCTION—Continued

Table 21
Expenditures for Special Education Programs
(1973-74)

<i>Program</i>	<i>ADA</i>	<i>Local district expenditure (millions)</i>	<i>State apportionments (millions)</i>	<i>Total expenditure (millions)</i>	<i>Percent paid by state</i>	<i>State and local expense/ADA</i>
Physically Handicapped						
Hearing.....	4,267	\$3.0	\$12.6	\$15.6	80.7%	\$3,655
Vision	1,714	1.7	3.8	5.5	69.0	3,208
Orthopedic or other	5,697	5.1	10.2	15.3	66.7	2,685
Aphasic	1,427	.7	4.8	5.5	87.2	3,854
Deaf-Blind	82	.1	.5	.6	83.3	7,317
Other multi-handicapped	609	.4	2.1	2.5	84.0	4,105
Pregnant minors	2,321	.8	3.7	4.5	82.2	1,939
Other—physically handicapped	22,114	16.2	32.7	48.9	66.8	2,211
Special blind allowance	1,294	.2	1.2	1.4	85.7	1,082
Subtotal, Physically Handicapped	39,525	\$28.2	\$71.6	\$99.8	71.7%	\$2,524
Mentally Retarded						
Educable	27,934	\$20.2	\$37.3	\$57.5	64.9%	\$2,058
Trainable	7,667	6.2	13.9	20.1	69.2	2,622
Subtotal, Mentally Retarded	35,601	\$26.4	\$51.2	\$77.6	65.9%	\$2,179
Special Transportation	20,124	\$3.9	\$8.8	\$12.7	69.2%	\$631
Educationally Handicapped	50,626	40.0	87.0	127.0	68.5	2,508
Mentally Gifted	166,554	6.2	11.2	17.4	64.3	104
Development Centers	2,415	8.4	5.4	13.8	37.0	5,714
Special Schools	1,145	.7	10.4	11.1	93.6	9,694
Totals	315,990	\$113.7	\$245.6	\$359.4	68.3%	\$2,288 ¹

¹ Excludes mentally gifted.

Master Plan for Special Education

In 1971 the Division of Special Education conducted a series of conferences throughout the state with parents, teachers, and administrators to discuss every aspect of special education. Opinions gathered at these conferences were then developed into a Master Plan for Special Education approved at the January, 1974 meeting of the State Board of Education.

The Master Plan for Special Education (MPSE) was enacted into legislation by Chapter 1532, Statutes of 1974 (AB 4040). Chapter 1532 provides for the testing of the MPSE in a limited number of districts and counties in fiscal years 1975-76, 1976-77, and 1977-78. Statewide implementation will be determined at a later date by the Legislature.

Table 22 summarizes the appropriations for MPSE implementation by purpose and fiscal year.

Table 22
Master Plan for Special Education
Support and Local Assistance

	<i>Estimated 1974-75</i>	<i>Proposed 1975-76</i>
State operations		
Administration	\$150,000	\$300,000
Local assistance		
Increased special education cost	300,000	10,000,000
Shift of existing special education allowances	-	14,000,000
TOTAL	\$450,000	\$24,300,000
TOTAL New Cost	\$450,000	\$10,300,000

Appropriations for the second and third year of the three year implementation plan are to be included as separate items in subsequent budget acts.

2. Development Centers for Handicapped Minors

Chapter 1235, Statutes of 1965, established the Development Center Program to provide day care and treatment for children unable to attend special education classes because of a severe physical handicap and/or mental retardation. The program is designed to develop basic self-help skills and to provide a placement alternative to the state mental hospitals. State allowances include \$1.75 per attendance hour plus \$675 per ADA for transportation. For the 1974-75 school year, the state appropriated \$8.3 million from the General Fund for development centers. State costs for the program are shown in Table 23.

Table 23
State and Local Support for Development Centers

	<i>Actual 1973-74</i>	<i>Estimated 1974-75</i>	<i>Proposed 1975-76</i>	<i>Change</i>
State operations	\$47,266	\$50,063	\$57,576	\$7,513
State local assistance	5,401,250	8,322,630	10,990,760	2,668,130
Total	\$5,448,516	\$8,372,693	\$11,048,336	\$2,675,643
Enrollment	2,850	3,400	3,400	-

INSTRUCTION—Continued

The proposed local assistance expenditure of \$10,990,760 in 1975-76 includes (1) \$1,859,000 for state participation in funding all development center students as required by Chapter 407, Statutes of 1974, (SB 1782) and (2) an eight percent inflation adjustment of \$814,130. The Department of Finance is proposing budget language to increase the statutory maximum reimbursement amount for development centers from \$1.75/hour to \$1.89/hour. We approve of this proposed change.

Audit Needed

We recommend that final legislative approval of this item be withheld until after the Department of Finance fiscal and management audit of the development center program has been submitted and reviewed.

The Legislature requested in Chapter 407, Statutes of 1974, (SB 1782) that the Department of Finance in cooperation with the Departments of Education and Health conduct a study of the fiscal and program components of the development center program. A report of findings and recommendations is to be submitted to the Legislature by March 1, 1975. The study is primarily concerned with demand, cost and services associated with anticipated growth in this program. It is not clear from the Governor's Budget if additional funds will be recommended after the issuance of this report, but it should provide future policy direction for development center growth.

3. Special Schools

The State of California operates six special schools to provide services to handicapped minors whose districts of residence do not offer adequate special education services. These six schools are the: (1) California School for the Deaf, Berkeley, (2) California School for the Deaf, Riverside, (3) Diagnostic School for Neurologically Handicapped Children, Northern California, (4) Diagnostic School for Neurologically Handicapped Children, Southern California, (5) Diagnostic School for Neurologically Handicapped Children, Central California and (6) California School for the Blind, Berkeley. Table 24 summarizes support for the schools and per capita expenditures.

Table 24
Estimated Support for Special Schools—1975-76

	General Fund	Reimburse- ments	Total local and state support	Enroll- ment	Expendi- ture per capita
Special Schools					
California School for Deaf, Berkeley.....	\$3,470,350	\$542,000	\$4,012,350	400	\$10,030
California School for Deaf, Riverside	5,007,001	569,818	5,576,819	600	9,295
California Schools for Neurologically Handicapped Children					
Northern	1,092,177	67,408	1,159,585	41	28,282
Southern	1,023,741	244,641	1,268,382	38	33,378
Central	997,592	10,800	1,008,392	37	27,253
California School for Blind, Berkeley	1,602,576	426,533	2,029,109	120	16,909
TOTALS	\$13,193,437	\$1,861,200	\$15,054,637	1,235	\$12,189

Purchase of Diagnostic School—Fresno

We recommend that the Legislature purchase the temporary facility occupied by the Diagnostic School for the Neurologically Handicapped Children in Fresno at an estimated cost of \$1.7 million from the Capital Outlay Fund for Public Higher Education.

Chapter 634, Statutes of 1973, authorized establishment of a third diagnostic school to be located in central California. Funds were included in the act for operation in the second half of fiscal year 1973-74 but not for purchase or construction of a facility.

The Department of Education was able to secure a 10-year lease of a four year old facility located in Fresno. The lease is effective from January 1, 1974 to December 31, 1983. The facility is comprised of approximately 34,000 square feet of space on 6.1 acres. The state and the owner have shared in the cost of building modifications to meet the diagnostic needs of the students and Field Act requirements. The state is responsible for maintenance of equipment, minor repairs and maintenance of the building, grounds and landscape.

Recently, the Department of Education did an evaluation of the educational benefits of the facility which concludes that it meets both the short term (lease period) and long term objectives of a diagnostic educational facility. Because of the need for residential long term diagnosis it appears that the state will continue to operate a similar program beyond the lease period.

The owners of the facility have indicated that they would consider selling the property for approximately \$1.7 million. Based on current construction costs of \$40-\$50/sq. ft. (plus land), \$1.7 million appears to be a reasonable price. (Ultimately an appraisal of the property by General Services would be required). We believe the state could achieve substantial savings through immediate purchase of this facility.

We have estimated substantial savings to the state based upon the following two alternatives: (1) the state acquires land and builds a new facility of comparable size at the end of the nine-year lease period or (2) the state purchases the existing facility at the end of the nine-year lease period based on the increased appraised value. These alternatives and their comparative costs are shown in Table 25.

The table shows that the state could save \$1.8 to \$3.2 million by immediate purchase of the leased facility over either alternative.

The COFPHE fund can be utilized for this purpose based on the precedent established by the School for the Deaf decision in the 1974-75 Budget.

INSTRUCTION—Continued

Table 25
Diagnostic School Lease/Purchase Comparison

	<i>Alternative No. 1 (Build New Facility)</i>	<i>Alternative No. 2 (Purchase Leased Facility)</i>
1. Lease cost of \$162,000/year for nine years.....	\$1,458,000	\$1,458,000
2. Interest loss to state on lease payments (8 percent/year for 9 years)	625,000	625,000
3. Plus: (a) Building cost increase over existing purchase price based on 10 percent annual increase over next nine years.....	4,009,000	N/A
or		
(b) Next value of the building over nine years at 5 percent per year (including depreciation).	N/A	2,637,000
Subtotal	\$6,092,000	\$4,720,000
4. Less: Interest cost to state on purchase price over nine years (at 8 percent/year) and,	1,224,000	1,224,000
5. Cash purchase price	1,700,000	1,700,000
Subtotal	\$-2,924,000	\$-2,924,000
Savings to state from purchase	\$3,168,000	\$1,796,000

New Schools for the Deaf and Blind

The Legislature has authorized the expenditure of \$23 million to relocate the blind and deaf schools away from the present site in Berkeley.

In December 1974, the Public Works Board approved the purchase of up to 92.46 acres of land in Fremont for a site for the new schools. Tentatively, two architectural firms are being considered to design the two schools. We estimate that the new schools will not be ready for occupation before 1978.

Improper Position Transfer

We recommend that the proposed budget year transfer of a consultant for the educationally handicapped (EH) to the Early Childhood Education Management Assistance Team be denied.

The Governor's Budget shows a proposed transfer of an EH consultant to the ECE Management Assistance Team for the current and the budget year. The position authorization would continue in the Division of Special Education. We question the wisdom of this transfer because of the important staff needs in the Division of Special Education.

The Department of Education has included the implementation of the Master Plan for Special Education (MPSE) among its budget year priorities. It appears inconsistent that staff capability in the Division of Special Education should be redirected away from the division while at the same time asking for additional positions to implement the MPSE. We believe this proposed transfer should be denied.

E. OCCUPATIONAL PREPARATION

The Occupational Preparation Program in the Department of Education is 100 percent federally funded and has a professional and clerical staff of 188 positions. The purpose of the occupational preparation unit is to assist local education agencies in providing training and retraining in

occupational skills, including remediation for persons with either physical, mental or socio-economic handicaps.

Four program components comprise the occupational preparation unit: (1) training of personnel; (2) research, development and evaluation; (3) program compliance and (4) provision of services. The major program emphasis of this unit in 1975-76 will be in the area of consumer education.

Occupational preparation including local assistance is supported by federal, state and local funds. Federal funds are authorized under the Vocational Education Act of 1968 (PL 90-576), Comprehensive Employment and Training Act (CETA), (PL 93-203), and the Education Professions Development Act (PL 93-35). Table 26 shows the expenditures and funding by source of the occupational preparation program as presented in the Governor's Budget.

Table 26
Support for Occupational Preparation

	<i>Actual 1973-74</i>	<i>Estimated 1974-75</i>	<i>Proposed 1975-76</i>
State Operations			
Administration—Contracts	839,363	915,284	955,285
Regional Offices	130,899	145,048	161,419
Program Operations	3,369,372	4,300,512	4,550,286
MDTA	581,323	600,000	—
Special Projects	1,138,773	1,437,027	1,542,376
CETA	—	—	601,521
Subtotal	\$6,059,730	\$7,397,871	\$7,810,887
Local Assistance			
Special Needs—part A	2,453,517	2,345,940	1,852,514
Basic—part B	32,622,233	38,945,512	31,751,371
Research—part C	567,257	1,598,675	723,243
Innovation—part D	320,149	570,587	387,092
Consumer—part F	2,398,455	4,117,333	2,626,403
Cooperative	991,061	1,440,457	1,133,628
Work Study—part H	1,012,990	1,189,463	820,267
MDTA	13,486,220	—	—
EPDA—part F	772,144	809,433	798,947
CETA	—	—	6,536,467
Subtotal	\$54,624,026	\$51,017,400	\$46,629,932
Total	\$60,683,756	\$58,415,271	\$54,440,819
State Operations			
General Fund	\$—	\$85,000	\$25,000
Federal funds	5,863,959	7,123,503	6,993,518
Reimbursements	195,771	189,368	792,369
Local Assistance			
General Fund	425,000	—	—
Federal funds	54,058,842	51,017,400	40,093,465
Reimbursements	140,184	—	6,536,467

1. Area Planning and Adult Coordinating Councils

Noncompliance with Legislative Directive. In the 1974-75 Analysis we recommended that the Department of Education review the responsibilities of area adult education coordination councils and area vocational planning committees to determine which, if any, of their respective functions were duplicative. The department was to report its findings by De-

INSTRUCTION—Continued

cember 1, 1974 to the Joint Legislative Budget Committee. At this writing we have not received the report.

2. Comprehensive Employment and Training Act (CETA)

1974-75 is the first year of operation for the federal Comprehensive Employment and Training Act (CETA). This act replaces the former Manpower Development and Training Act (MDTA) that expired June 30, 1974. The major program change under the new act is the elimination of the state matching requirement. In addition, training proposals must comply with local comprehensive plans whereas under MDTA no comprehensive plans were required.

3. Regional Occupation Centers and Programs (ROC/ROP)

We recommend that the Department of Education report the findings of the pending ROC/ROP study to the Joint Legislative Budget Committee upon completion of the report.

In the 1974-75 Analysis we noted the rapid growth of ROC/ROPs and expressed our concern over the duplication of program offerings and facilities and the competition for students among high schools, ROC/ROPs and community colleges. We recommended that the Legislature conduct an interim hearing on this problem.

Relative to this problem, the Department of Education, with the approval of the State Board of Education, authorized a third party contractor to conduct a study of ROC/ROPs. This study should be very helpful to the department and the Legislature in establishing future policy for vocational education in California's public schools. Because of its important policy implications for vocational education we are requesting that the report be made available to the Joint Legislative Budget Committee upon its completion.

F. GENERAL EDUCATION MANAGEMENT

The General Education Management (GEM) unit provides consulting services to local districts on a variety of educational areas. Programs within GEM are assigned to the following five areas: (1) federal core, including ESEA Title II and Title III and National Defense Education Act programs, (2) health core, including health education, drug and alcohol abuse and nutrition programs, (3) curriculum core, including all traditional academic programs with particular emphasis on metric education, basic skills and fine arts, (4) physical education and safety core, including traffic safety, athletic and driver training programs and (5) high visibility core, including areas of special short-term emphasis such as conservation education, incentive grants and the right-to-read program. Expenditures and revenue for this program are shown in Table 27.

Driver Education and Training

We recommend that the Legislature require an in-depth evaluation of the effectiveness of driver education and training in meeting its stated goal of reducing traffic violations and accidents.

Table 27
General Education Management Expenditures and Funding Sources

<i>Core</i>	<i>Actual</i>	<i>Estimated</i>	<i>Proposed</i>	<i>Change</i>	
	<i>1973-74</i>	<i>1974-75</i>	<i>1975-76</i>	<i>Amount</i>	<i>Percent</i>
Federal core	\$11,867,786	\$18,856,666	\$18,783,930	\$-72,736	-0.4%
Health core	563,064	748,876	522,220	-226,656	-30.3
Curriculum core.....	550,664	891,960	535,321	-356,639	-40.0
Physical education and safety core	483,963	521,857	553,436	31,579	6.1
High visibility core	588,621	884,514	937,534	53,020	6.0
Totals.....	\$14,054,098	\$21,903,873	\$21,332,441	\$-571,432	-2.6
<i>Funding</i>					
<i>State Operations:</i>					
General Fund	\$1,127,602	\$1,429,492	\$1,096,016	\$-333,476	-23.3
Federal funds	1,968,723	2,623,149	2,420,035	-203,114	-7.7
Reimbursements.....	338,547	262,920	228,078	-34,842	-13.3
<i>Local Assistance:</i>					
California Environmental Protection Program Fund	—	275,000	275,000	—	—
Federal funds	10,524,226	17,313,312	17,313,312	—	—
Reimbursements.....	95,000	—	—	—	—

A stated goal in the Governor's Budget for the Department of Education's driver training program is to "develop a traffic safety program in conjunction with educational, law enforcement, engineering and licensing agencies to reduce property damage, injuries, and death caused by traffic accidents". While this is a worthwhile goal, existing research on driver education and training is inconclusive regarding the effectiveness of such programs in reducing violations and fatal or injury accidents.

Over 300,000 pupils receive driver education and training in California's public schools each year at a cost of over \$30 million annually. We question whether this expenditure is cost effective and therefore recommend that legislation be enacted to allow controlled experiments to determine the effectiveness of driver education and training. Experimental design and control should be under the direction of the Departments of Education and Motor Vehicles in cooperation with the Department of Transportation and the California Highway Patrol.

The Governor's Budget projects a \$2.1 million surplus in the Driver Training Penalty Assessment Fund in the current year and \$4.4 million in the budget year. We believe the cost of this experiment could be funded from the surplus.

Consultant in Health Education

We recommend a General Fund augmentation of \$28,020 to provide a consultant in Health Education and a half-time stenographer position (Item 322).

School health services in elementary and secondary schools are mandated by various provisions of the Health and Safety Code, Education Code and Administrative Code. In recent years the Legislature has enacted a number of new programs which significantly increase the scope of these provisions. As a result, the workload and duties of those responsible for providing health services at the school level have increased accordingly. For example, Chapter 1069, Statutes of 1973, established the Child Health Disability Program requiring that each child have a battery of screening

INSTRUCTION—Continued

tests prior to entering first grade. Those children having disabilities must then be referred for further action.

Chapter 1342, Statutes of 1971, revised the vision screening program and required the districts to make annual reports to the Department of Education. These reports indicate considerable discrepancy between the legal requirements and the reported practices in districts. However, the department does not have personnel available to follow up on these discrepancies.

In addition to the above programs which affect the provision of school health services directly, other new legislation, such as that establishing the Early Childhood Education program, includes significant health service components which further increase the department's responsibilities in this area. However, while the workload has been expanding, the number of positions to carry out that workload has not. The department reports that many districts have had to reduce their appropriations for school health services. In some cases, districts have been forced either to reduce the number of health service positions or transfer the duties to unqualified personnel. We believe that one health consultant and one-half stenographer position is justified to meet the increased state mandates in health services.

It should be noted that in considering the 1974-75 Governor's Budget, both the Assembly Ways and Means Committee and the Senate Finance Committee recommended the addition of a health consultant in the 1974-75 fiscal year. At that time, it was agreed that the position would be funded from savings realized through the elimination of two consultant positions in the General Education Management (GEM) unit. However, action by the conference committee eliminated the augmentation for the consultant and also eliminated the two GEM consultant positions.

Unneeded Positions

We recommend the elimination of 1.0 consultant and 0.5 clerical positions plus related benefits for a General Fund savings of \$48,140. (Reduce Item 322 \$48,140).

For the past 13 years the Department of Education has been responsible for an annual Industrial Arts Fair as part of the State Fair. The primary responsibility for coordinating the work of the fair was assigned to the Industrial Arts consultant in the General Education Management Unit (GEM). In the current year the fair was not held. The apparent reason is the retirement of the industrial arts consultant and the failure of the department to manage the assumption of the consultant's duties.

The responsibility for industrial arts program and the fair have been transferred to the vocational education unit. It is important to note that the duties were transferred without the consultant position or funds. The vocational education unit has hired an industrial arts consultant on a one year contract with federal funds. Because the duties were transferred between units without the related transfer of the position we believe no justification exists for the continuation of the consultant position in the GEM unit and recommend its deletion.

G. SPECIAL PROGRAMS

The 1975-76 Governor's Budget identifies three special programs which "display as accurately as possible major new department efforts that will not normally be incorporated into the regular program structure". These consist of (1) career education, (2) bilingual-bicultural education and (3) mentally gifted programs as shown in Table 28.

Table 28
Special Programs

<i>Program</i>	<i>Actual 1973-74</i>	<i>Estimated 1974-75</i>	<i>Budgeted 1975-76</i>	<i>Change</i>
Bilingual				
a) General	\$4,304,891	\$4,561,484	\$5,254,642	\$693,158
b) Indian	399,219	719,358	400,000	-319,558
Gifted				
a) Administrative.....	90,017	95,116	107,378	12,262
b) Local Assistance	(12,587,510) ^a	(14,167,160) ^a	(15,445,330) ^a	1,278,170 ^a
Career Education	305,537	459,224	462,860	3,636
Totals.....	\$5,099,664	\$5,835,382	\$6,224,880	\$389,498
<i>General Fund</i>	<i>4,770,797</i>	<i>5,345,975</i>	<i>5,762,020</i>	<i>416,045</i>
<i>Federal funds</i>	<i>324,191</i>	<i>453,752</i>	<i>427,205</i>	<i>-26,547</i>
<i>Reimbursements</i>	<i>4,676</i>	<i>35,655</i>	<i>35,655</i>	<i>-</i>

^a For information only. Totals carried in Program III—school finance.

1. Bilingual-Bicultural Education

The Superintendent of Public Instruction has identified bilingual-bicultural education as one of the Department of Education's major priorities for 1975-76. Accordingly, the department has requested an additional \$4 million for 1975-76 to expand the bilingual-bicultural program established by Chapter 1258, Statutes of 1972 (AB 2284). However, the Governor's Budget proposes an increase of only \$304,538 in the budget year as shown in Table 29. This increase reflects an eight percent adjustment for inflation to the local assistance portion of the program. We believe this increase is sufficient in that it maintains the present program level while recognizing the effect of inflation on the school districts.

Table 29
State Appropriations for Bilingual-Bicultural Education Program Pursuant to Chapter 1258, Statutes of 1972

	<i>Actual 1973-74</i>	<i>Estimated 1974-75</i>	<i>Proposed 1975-76</i>	<i>Change</i>
Bilingual-Bicultural Education	\$4,000,000	\$4,000,000	\$4,304,538	\$304,538

Management Problems

We believe that emphasis should be on improved management rather than program expansion. In our testimony before the Assembly Ways and Means Subcommittee on Bilingual Education in December, 1974, we noted that the operation of bilingual programs in California was ineffective and deficient. Serious management problems continue to exist which must be rectified before further program expansion is considered.

INSTRUCTION—Continued

Lack of Basic Information

We recommend that the Superintendent of Public Instruction submit to the Legislature by November 1, 1975, an unduplicated count of the number of students served and the amount expended by all state and federal programs which affect the limited-English speaking and non-English speaking K-12 population during 1974-75.

A minimum of eleven programs (six state, four federal and one combined state/federal) presently are directed at the limited and non-English speaking K-12 population in California. The programs vary in approach from English as a second language (ESL) to full bilingual-bicultural. This latter approach generally includes monolingual English students as well as limited and non-English speaking students. Table 30 summarizes the estimated identifiable expenditures, the total number of students participating (including monolingual English students) and the estimated number of limited and non-English speaking students served by the existing eleven programs.

These figures indicate that for 1975-76, a minimum of \$37.1 million is proposed to provide educational services to 124,000 students of which approximately 63 percent will be limited and non-English speaking pupils. It is important to note that this estimate does not include those bilingual programs which are, or could be, funded through Early Childhood Education (ECE), Educationally Disadvantaged Youth (EDY), federal ESEA Title I or local school district resources. The Department of Education can not provide information for either the number of students served or the amount expended for these programs. Because of this lack of basic information the total resources available for expenditure on bilingual education are understated and possibly misallocated. This information is essential before considering program expansion.

Lack of Coordination

We recommend that the Department of Education demonstrate to the fiscal committees the ability of the matrix management organization to coordinate the efforts of those programs directed at the limited and non-English speaking K-12 population.

Effective July 1, 1973, the Superintendent of Public Instruction established the matrix management organization for the Department of Education. According to the 1974-75 Governor's Budget, "... the new matrix system of educational management was established to coordinate the efforts of the department, to assure accountability, and especially to make the child and his education the focal point of department operations". We do not feel that the matrix organization has been successful in either coordinating the efforts or assuring accountability of the existing programs serving the limited and non-English speaking student.

No single unit within the Department of Education is responsible for directing or even monitoring all of the existing programs. For example, the Bilingual Task Force is responsible for the AB 2284 (Chapter 1258/72) projects, the bilingual pilot projects and the bilingual teacher corps.

Table 30
State and Federal Programs Related to Limited-English and Non-English Speaking Children

	1974-75			1975-76		
	<i>Estimated Expenditures</i>	<i>Estimated Number of Students Participating</i>	<i>Estimated Number of Limited-English Speaking Served</i>	<i>Proposed Expenditures</i>	<i>Estimated Number of Students Participating</i>	<i>Estimated Number of Limited-English Speaking Served</i>
State:						
Bilingual Education Act of 1972—Chapter 1258/1972 (AB 2284)	\$4,000,000	20,216 ^a	8,983 ^a	\$4,304,538	20,216 ^a	8,983 ^a
Bilingual Pilot Programs—Chapter 1521/1971 (AB 116)	133,968	300	210	Terminated	—	—
Bilingual Teacher Corps—Chapter 1496/1974 (AB 2817)	100,000	Planning only	—700,000	—	—	
Miller-Unruh Bilingual—Chapter 841/1972 (AB 612)	243,000	Not available	Not available	243,000	Not available	Not available
Educationally Disadvantaged Youth—Chapter 1406/ 1972 (SB 90)	Not available ^b	Not available ^b	Not available ^b	Not available ^b	Not available ^b	Not available ^b
Early Childhood Education—Chapter 1147/1972 (SB 1302)	Not available	Not available	Not available	Not available	Not available	Not available
Federal:						
Bilingual Education Act—Title VII						
Elementary and Secondary						
Education Act (ESEA)	\$13,800,000 ^c	25,000	12,500	13,800,000 ^{c d}	25,000 ^d	12,500 ^d
Migrant Education—Title I, ESEA	9,832,415	45,000 ^a	22,500 ^a	9,832,415 ^d	45,000 ^d	22,500 ^d
Educationally Disadvantaged—						
Title I, ESEA	Not available ^b	Not available ^b	Not available ^b	Not available ^b	Not available ^b	Not available ^b
Emergency School Aid Act (ESAA)	1,468,063	Not available	Not available	1,468,063 ^d	Not available	Not available
Combined:						
English as a Second Language—						
Title I, ESEA/EDY (SB 90)	\$6,742,600 ^a	33,713 ^a	33,713 ^a	6,742,600 ^a	33,713 ^a	33,713 ^a
TOTAL	\$36,320,046	124,229	77,906	\$37,090,616	123,929	77,696

^a Based on 1973-74 fiscal year.

^b The department provided a combined figure for Title I and SB 90 ESL programs. The department had no available data relating to other bilingual programs funded under these acts.

^c Department anticipates receiving approximately \$3 million in additional Title VII funds in 1974-75.

^d Based on 1974-75 fiscal year.

INSTRUCTION—Continued

However, the bilingual components of the EDY and ECE programs are administered by separate units within the department and there is little coordination with the Bilingual Task Force.

While these programs have the same broad objective of meeting the educational need of the limited-English speaking student, they do not share a common plan to attain that objective. The bilingual components of these various programs must be effectively coordinated and utilized before any additional state funds are expended on bilingual-bicultural education.

Unexpended Funds

We recommend that the Department of Education develop and implement a quarterly reporting procedure to insure fiscal accountability on the part of those districts receiving state funds for bilingual-bicultural programs pursuant to Chapter 1258, Statutes of 1972.

Chapter 1258, Statutes of 1972 (AB 2284) provided \$4 million for the development of bilingual-bicultural programs in 1973-74. Local school districts received \$3,886,200 for bilingual-bicultural projects with the remainder allotted to state operations. The Department of Education reports that \$570,000 or 14.7 percent of the allocation to local school districts was unexpended in 1973-74. This was not the result of one large carryover by a single district, in that 26 of the 69 projects reported unexpended balances of 10 percent or more of their project grants.

This situation is indicative of the lack of fiscal control by the department. Presently funds are allocated to the participating projects on the basis of competitive application. However, once the funds are allocated, the department has established no regular process to ensure that they are expended for the intended purpose. The department should require those districts participating in the Chapter 1258 programs to submit quarterly statements providing a full accounting of program expenditures for the preceding quarter.

Lack of Regulations

We recommend that the State Board of Education adopt rules and regulations providing for the administration of the Bilingual Education Act of 1972, Chapter 1258, Statutes of 1972. These rules and regulations should be adopted no later than May 1975.

Chapter 1258, Statutes of 1972, (AB 2284) required the State Board of Education to "adopt all rules and regulations necessary for the effective administration of this chapter". The Board has failed to comply with this provision. While some general guidelines have been implemented, there have been no specific regulations adopted for inclusion in Title V of the Administrative Code. As a result, there is a lack of specific objectives and criteria by which a district can build a successful program. This failure is in part responsible for the inadequate program evaluation discussed below. We believe that the Department of Education should propose regulations to the State Board of Education. The regulations should be adopted no later than May 1975 in order that they may be considered in school planning for the 1975-76 school year.

Inadequate Evaluation

Under the Bilingual Education Act of 1972, the Department of Education is required to submit an annual evaluation report to the Legislature. The act also requires each district to submit to the department an annual evaluation of the children's progress, including but not limited to, reading comprehension and speaking skills in English and the second language of instruction. However, as we noted above, this requirement has not been adopted as a regulation and made binding upon the districts. Consequently, the department's program evaluation for 1973-74 was based upon only 5,033 student evaluations (of 20,216 participating students) with no breakdown of non-English, limited-English and monolingual-English speaking children. There was no uniform set of defined objectives nor was any standard set of tests administered. As a result, the evaluation is inadequate to provide the Legislature with any quantifiable measure of student performance.

The Department of Education maintains that this inadequacy is due in large part to the lack of a valid test to measure achievement by limited and non-English speaking students. We understand that the department plans to request that legislation be enacted to provide for the development of such a test. We also understand that the federal government is contracting presently to develop a valid means to assess such achievement.

High Number of Monolingual English Students

The bilingual-bicultural approach has several goals, only one of which is to make the non-English speaking student competent in English. Such a program also stresses cross-cultural exchange of ideas and consequently requires the inclusion of a significant number of monolingual English speaking students. Chapter 1258, Statutes of 1972 (AB 2284) requires that at least 33 percent of the students enrolled in any class funded by that program must be monolingual English. The department's 1973-74 evaluation of the program indicated that in practice 56 percent of the participating students were monolingual English. The Legislature should be aware of the high percentage of monolingual English speaking students in that it has a substantial effect in increasing the program costs of meeting the needs of the limited and non-English speaking students. We question the need for this high percentage of monolingual English students in view of the cost.

Indian Early Childhood Education

We recommend that \$324,590 be transferred from the Budget Bill appropriation for Early Childhood Education (Item 306) to provide third year funding for Indian Early Childhood Education pilot projects as authorized by Chapter 1052, Statutes of 1972.

Chapter 1052, Statutes of 1972, (SB 1258) authorized up to ten three year pilot projects for Indian pupils in grades K-4 in rural school districts receiving state equalization aid and having a concentration of at least 10 percent Indian students. Table 31 summarizes the state operations and local assistance expenditures for the program.

INSTRUCTION—Continued

Table 31
Indian Early Childhood Education

	Actual 1972-73	Actual 1973-74	Estimated 1974-75	Proposed 1975-76
State operations	\$314	\$76,993	\$58,968	—
Local assistance	97,000	322,226	260,590	—
Total	\$97,314	\$399,219	\$319,558	—

Table 31 indicates that the 1975-76 Governor's Budget proposes to eliminate support for Indian Early Childhood Education in the budget year. The Department of Finance justifies this action on the basis that the program has completed its third year of operation. We do not agree.

Chapter 1052, as passed by the Legislature, appropriated \$1.5 million, providing \$500,000 for each of three fiscal years, 1972-73 through 1974-75. In signing the measure, the Governor reduced the appropriation by \$1 million providing \$100,000 for 1972-73 and \$400,000 for 1973-74. Due both to the reduced funding level and a late start, the funds for 1972-73 were used primarily for planning and materials acquisition. Consequently, the pilot programs were not implemented fully until the 1973-74 fiscal year with the current fiscal year being only the second full year of operation. We believe the pilot project should continue through the full three-year cycle as contemplated by the enabling legislation.

The Department of Education has indicated its plans to include the Indian ECE projects in the future expansion of the statewide ECE program. Because of this and the limited resources available in the budget year, we believe the Indian ECE program should be funded by the transfer of \$324,590 from the new inflation money available to the statewide ECE program (Item 306). This would provide \$64,000 for state operations and \$260,590 for local assistance.

Indian Education Centers

We recommend that language be added to Item 315 to reduce the \$400,000 appropriation for Indian Education Centers in the 1975-76 fiscal year by the amount of the carryover available from the 1974-75 appropriation pursuant to Chapter 1425, Statutes of 1974.

Chapter 1425, Statutes of 1974, (SB 2264) appropriated \$400,000 to establish up to 10 California Indian Education Centers to serve as educational resource centers in Indian communities. The act was not signed into law until September 26, 1974. Consequently, the program is still in the planning stages and the Department of Education estimates that the first centers will not be approved until March 1975 at the earliest. Therefore, it is very unlikely that the full \$400,000 appropriation will be expended prior to June 30, 1975. Language was included in Chapter 1425 providing that funds appropriated but not expended during 1974-75 would be carried over to 1975-76. However, because the 1975-76 Governor's Budget proposes to continue funding the Indian Education Centers at \$400,000 the carryover is unnecessary. We believe that \$400,000 is sufficient to fund the program in 1975-76 and that the Budget Bill appropriation should be reduced by the amount of the available carryover.

2. Gifted Minors

In 1961 the Legislature established a permissive program for mentally gifted minors in California. When the student's schoolwork and general mental ability test scores indicate that the student is in the top 2 percent of the statewide school population, the student is identified as gifted and eligible for programs designed to encourage academic excellence, creative problem-solving and leadership development. In 1973-74, approximately 160,000 students were enrolled in two general categories of gifted programs. Ten percent of the total gifted enrollment attended special day classes consisting of advanced instruction certified as "qualitatively different" from regular classes. Ninety percent received special services, such as the use of advanced materials in the regular classroom, tutoring, correspondence courses, college courses, or special seminars.

Allowance Increases

Chapter 994, Statutes of 1972, authorized an increase from \$40 to \$50 in state allowances to local school districts in 1972-73 for the identification of gifted minors, and an increase from \$60 to \$70 in 1972-73, to \$80 in 1973-74, to \$90 in 1974-75, to \$100 in 1975-76 and subsequent years for the instruction of mentally gifted minors. This increase is estimated to result in an additional state cost of approximately \$1.6 million per year until full implementation in 1975-76. The apportionment estimate for this program is \$15.4 million for fiscal 1975-76.

Apportionments are limited to 3 percent of the statewide ADA. However, enrollments exceed 3 percent of the statewide ADA and consequently will result in a per pupil allowance that is less than the \$100/pupil specified for 1975-76. The statewide enrollment for mentally gifted minors programs is 160,000 in the current year which is 3.5 percent of total statewide ADA.

Until the current fiscal year, this program has been part of the Division of Special Education. It is now included in a category called "Special Programs" which is directly under the Deputy Superintendent for Program.

Change in Approvals Method Needed

We recommend that the Department of Education limit its program approval requirements for Mentally Gifted Minors programs to require initial program approval only with subsequent audits to assure program compliance.

Chapter 1339, Statutes of 1968, authorizes the State Board of Education to establish minimum standards for gifted minors programs. Regulations adopted in 1969 (Title 5, Administrative Code, Section 3831) require school districts to submit annual reports to the Department of Education demonstrating that their gifted programs are "qualitatively different" from the regular school program. All reports must be reviewed and approved by the department before school districts are eligible to receive state gifted allowances. Under Title 5 application approval for program operation may not exceed three years.

In the 1973-74 Analysis we recommended that the Department of Education report to the Joint Legislative Budget Committee by November 1, 1973 on simplification of the reporting requirements for gifted programs.

INSTRUCTION—Continued

We pointed out that districts submit voluminous reports which in some cases exceed 150 pages in length. Furthermore, the volume of material submitted made it unfeasible for the department consultants to review the reports and summarize the pertinent data for program review. The department submitted a report on program reporting which included proposals to substantially reduce district reporting requirements.

However, districts are still required to submit plans at least every three years for approval. We consider this requirement as unnecessary paperwork for department staff. The department could achieve greater program effectiveness by initial approval only and then concentrate its efforts on field review and audits. This procedure is the standard of operation in the educationally handicapped program and appears to be effective.

H. SECONDARY AND ADULT EDUCATION

Secondary and adult education represent two of the major education matrix age spans in the Department of Education. The department is working during the current year with a committee to develop recommendations on the reform of intermediate and secondary education (RISE). It is anticipated that the commission will issue a final report in February, 1975. Reform of junior high and high schools has been declared a priority by the State Board of Education for the next four years. We anticipate significant funding requests for this reform effort.

Adult education has also been declared a priority area by the State board of Education. The department has initiated a statewide ad hoc committee of adult and community educators to develop more relevant programs for adult education.

Support for these two activities is shown in Table 32.

Table 32
Support for Secondary and Adult Education

Element	Actual 1973-74	Estimated 1974-75	Budgeted 1975-76	Change
Adult Education	\$5,128,389	\$3,665,174	\$3,679,747	\$14,573
Secondary Education	—	192,000	—	— 192,000
Total	\$5,128,389	\$3,857,174	\$3,679,747	\$— 177,427
<i>State Operations</i>				
General Fund	41,042	57,571	63,456	5,885
Federal funds	260,897	554,958	371,646	— 183,312
Reimbursements	9,691	—	—	—
<i>Local Assistance</i>				
Federal funds	4,816,759	3,244,645	3,244,645	—

Adult Education

We recommend the deletion of 1.0 consultant position from the Adult Basic Education Unit for a savings of \$22,400 in federal funds (Item 322).

In the 1973-74 fiscal year the Department of Finance approved a consultant position for the Adult Education Unit to enable the Department of Education to collect, review and evaluate data on adult basic education. The position was made permanent in the 1974-75 Governor's Budget. This position is shown in the 1975-76 Governor's Budget as redirected to the Early Childhood Education Management Assistance Team. Because the original justification does not relate to current duties, we recommend deletion of the position.

While we have previously recommended the transfer of ECE related positions from the support units to the ECE unit (see page 612), this position is unique. We find no justification for the use of an adult education position in ECE and, because the position has not been utilized as justified, we recommend its deletion.

I. STATEWIDE TESTING/STUDENT PERFORMANCE

The results of the 1973-74 statewide testing program are reported in the Governor's Budget on pages 822-824.

The 1973-74 results of the *Reading Test* for grades 2 and 3 showed positive pupil performance as in previous years. Second and third grade pupils in California's public schools continued to score above the national norms.

The 1973-74 results of achievement testing for students in grades 6 and 12 showed a slight decline in reading, language, and spelling scores at both grade levels when compared to the scores from 1972-73. Achievement test scores in mathematics remained at the same level as the 1972-73 results. In both reading and mathematics California students in grades 6 and 12 continued to score below the publishers' national norm.

Assistance from Special Funding

We believe the testing results in grades 2 and 3 are due in part to the concentration of both federal and state supplementary categorical program funding such as ECE, EDY, Title I, and Miller Unruh reading, in the primary grades. See our discussion of the ECE program on page 609.

PROGRAM II INSTRUCTIONAL SUPPORT

The instructional support program is aimed at improving the education environment in which the student learns. Program expenditures and funding are shown in Table 33.

Table 33
Instructional Support Program — Expenditures and Funding

Program Elements	Actual 1973-74	Estimated 1974-75	Proposed 1975-76	Change
A. Direct instructional services	\$20,192,887	\$45,223,338	\$35,220,227	-\$10,003,111
B. Pupil services	99,702,149	128,496,801	140,591,302	12,094,501
C. Administrative services to LEAs*	1,246,227	1,366,686	1,366,975	289
Total	\$121,141,263	\$175,086,825	\$177,178,504	\$2,091,679
<i>Funding</i>				
<i>State Operations</i>				
General Fund	2,786,414	2,764,543	3,131,831	367,288
School Building Aid Fund	296,400	325,116	291,633	-33,483
Surplus Property Revolving Fund	4,343,710	5,085,594	5,287,850	202,256
Federal funds	936,640	2,040,908	1,678,596	-362,312
Reimbursements	1,004,606	536,167	516,476	-19,691
Subtotal	\$9,367,770	\$10,752,328	\$10,906,386	\$154,058
<i>Local Assistance</i>				
General Fund	24,302,623	37,939,936	40,219,577	2,279,641
Instructional Materials Fund	-11,540,105	11,540,105	—	-11,540,105
Federal funds	99,010,975	114,854,456	126,052,541	11,198,085
Subtotal	\$111,773,493	\$164,334,497	\$166,272,118	\$1,937,621

* Local education agencies.

INSTRUCTIONAL SUPPORT—Continued

A. Direct Instructional Services

Direct Instructional Services include (1) school approvals, (2) intergroup relations, (3) conflict and violence resolution, (4) textbook management, (5) surplus property, (6) educational technology and (7) continuous learning programs (year-round schools). Expenditures and funding for this element are shown in Table 34.

Table 34
Expenditures and Funding for Direct
Instructional Services

<i>Expenditures</i>	<i>Actual 1973-74</i>	<i>Estimated 1974-75</i>	<i>Proposed 1975-76</i>	<i>Change</i>
State Operations				
School Approvals	\$778,630	\$1,075,266	\$1,074,283	\$-983
Intergroup Relations	459,275	583,021	616,273	33,252
Conflict and Violence resolution	36,244	—	—	—
Textbook Management....	12,908,345	37,122,284	26,942,526	-10,179,758
Surplus Property	4,858,178	5,147,520	5,350,563	203,043
Educational Technology..	684,611	1,018,241	1,039,725	21,484
Continuous Learning Programs (YRS)	467,604	277,006	196,857	-80,149
Total	\$20,192,887	\$45,223,338	\$35,220,227	\$-10,003,111
Funding				
State Operations				
General Fund	\$1,670,722	\$1,594,073	\$1,786,234	\$192,161
Surplus Property Revolv- ing Fund.....	4,343,710	5,085,594	5,287,850	202,256
Federal funds	90,446	1,120,327	1,068,203	-52,124
Reimbursements	892,736	443,303	445,663	2,360
Subtotal.....	\$6,997,614	\$8,243,297	\$8,587,950	\$344,653
Local Assistance				
General Fund	24,302,623	25,439,936	26,632,277	1,192,341
Federal funds	432,755	—	—	—
Reimbursements.....	—	—	—	—
Instructional Materials				
Fund	-11,540,105	11,540,105	—	-11,540,105
Subtotal.....	\$13,195,273	\$36,980,041	\$26,632,277	\$-10,347,764

1. Curriculum Frameworks and Instructional Materials Selection Unit

State adoption and acquisition of elementary school textbooks is required by Article IX, Section 7.5 of the State Constitution. The mechanics of the textbook selection and adoption process are provided by statute.

Instructional Materials Fund

Chapters 929 and 1233, Statutes of 1972, established the State Instructional Materials Fund with a fixed derivation formula to replace the annual budget appropriation item for textbooks. The derivation amount is computed annually by the State Controller on July 1, by multiplying \$7 by the preceding school year's public and private elementary school enrollment (ADA). The formula is adjusted annually for changes indicated by the Consumer Price Index. The amount derived by this formula was \$24.3 million in 1973-74, \$25.4 million in 1974-75 and is estimated at \$26.6 million in 1975-76. Table 35 shows the total support for textbook selection, production and acquisition in recent years.

Table 35
Textbook Budget Support

	<i>Actual 1973-74</i>	<i>Estimated 1974-75</i>	<i>Proposed 1974-75</i>	<i>Change</i>
Expenditures:				
State Operations:				
Curriculum commission	\$25,573	\$44,003	\$48,219	\$4,216
Textbook management	282,334	348,624	387,727	39,103
Textbook selection	174,582	201,619	167,522	-34,097
Total	\$482,489	\$594,246	\$603,468	\$9,222
Local Assistance:				
Instructional materials				
Old adoptions.....	—	—	—	—
Royalties on prior adoptions	3,000,000	—	—	—
Warehousing and shipping prior adoptions	750,000	450,000	100,000	-350,000
Nonpublic schools	1,491,338	1,760,420	2,006,100	245,680
Braille and large print	400,000	600,000	500,000	-100,000
Warehousing and shipping current adoptions	150,000	300,000	750,000	450,000
Reserve	—	200,000	200,000	—
School district credit	5,056,316	31,691,903	21,277,347	-10,414,556
School district cash allotment	1,592,240	1,557,326	1,543,150	-14,176
Carryover	9,498	12,392	10,680	-1,712
Total	\$12,449,392	\$36,572,041	\$26,387,277	\$-10,184,764
Funding:				
State Operations				
General Fund.....	436,810	544,246	580,982	36,736
Federal funds.....	45,679	50,000	—	-50,000
Reimbursements	—	—	—	—
Local Assistance				
General Fund.....	\$23,989,497	\$25,031,936	\$26,387,277	\$1,355,341
Instructional Materials fund	-11,540,105	11,540,105	—	-11,540,105
Total	\$12,931,881	\$37,166,287	\$26,968,259	\$-10,184,764

INSTRUCTIONAL SUPPORT—Continued**Selection and Distribution**

The curriculum frameworks and instructional materials selection unit and the textbook distribution unit are composed of the following elements: a) framework development, b) textbook selection, c) textbook adoption and d) textbook acquisition. Conduct of these activities is the responsibility of the Curriculum Development and Supplemental Materials Commission, an advisory body to the State Board of Education and the Department of Education. The Curriculum Commission is composed of 18 appointed members. Under the Education Code it is charged to (a) recommend curriculum frameworks to the state board, (b) develop criteria for evaluating instructional materials submitted for adoption, (c) study and evaluate all instructional materials submitted for adoption and (d) recommend to the state board instructional materials which it approves for adoption.

Adoptions

The textbook adoption process is comprised of seven sequential steps: (1) request for framework development by the State Board of Education; (2) preparation of textbook selection criteria based on the adopted framework; (3) issuance of a call for bids to all publishers by the Department of Education; (4) publisher submission of textbooks for review by the curriculum Development and Supplemental Materials Commission; (5) recommendation of textbook adoption to the State Board of Education by the Curriculum commission; (6) state board adoption of textbooks and department solicitation of district textbook orders; and (7) manufacture of textbooks by the Office of the State Printer for distribution by the department or the purchase of textbooks directly from the publishers for delivery to the districts. Instructional materials for the secondary level are adopted by each school district and secured directly from the publishers.

The textbook selection, adoption, acquisition and distribution system is on a two-year cycle. Textbooks adopted in the current year will be available to districts in two years.

Revision of Textbook Adoption Process

We recommend that the Legislature direct the State Board of Education to continue its evaluation of the textbook adoption process begun in September 1974.

We recommend that the board submit a report to the Joint Legislative Budget Committee by December 1, 1975 that includes a maximum textbook evaluation cycle of 15 months as calculated from the date of publisher submission to district receipt of materials. This investigation should include a total review of the textbook ordering, manufacturing and distribution process.

In the summer of 1974 the Superintendent of Public Instruction announced to the State Board of Education that he would propose some

major changes to the textbook adoption process. The Superintendent submitted his report in September and the board formed a subcommittee to further investigate the subject. The board and department staff held four hearings and received a large volume of mail from interested persons. The public hearings were for the purpose of understanding statewide concerns but were specifically limited in scope to the preliminary report submitted by the Superintendent.

The final report was reviewed and adopted by the State Board of Education in January, 1975. Changes in the textbook adoption process include (1) establishment of a legal review committee separate from the curriculum commission with an appeals procedure for publishers who receive adverse committee decisions, (2) reduction in the number of titles adopted per subject per grade to give districts a "manageable list" for selection, (3) establishment of subject matter subcommittees of the commission to review textbooks for factual accuracy and (4) more stringent conflict of interest requirements for commission members.

While some objectives of the new system are desirable, i.e., legal compliance review, standards for selection of evaluators, and conflict of interest restrictions, the net result is a longer adoption cycle. The longer adoption cycle is in conflict with the most recent legislative changes in textbook adoption procedures. The Education Code requires the State Board to adopt textbooks every two years. The new system will take 28 months from framework development to district receipt of new materials. (It is important to distinguish between the length of time books are in adoption—which is two years—and the length of the evaluation cycle—which can be any length because one or more evaluations could be occurring at the same time.)

We believe the evaluation cycle should be a maximum of 15 months. California presently has the longest adoption cycle in the United States.

More Assistance to Districts Needed

Because the State Board of Education has a constitutional responsibility to adopt textbooks for grades K-8 it must be satisfied that the materials adopted meet legal requirements. Existing law specifies that because of the "common needs and interests" of the citizens of this state there is a need to establish "broad minimum standards and general educational guidelines" for the selection of instructional materials. However, the same code section continues "because of economic, geographic, physical, political, educational, and social diversity, specific choices about instructional materials need to be made at the local level".

Accountability in the textbook adoption process requires maximum flexibility of choice at the local level and availability of the most recently published materials. While this appears to be the intent of the law, the State Board of Education is moving in the opposite direction with a longer selection cycle and a stated intent to reduce selections to a more "manageable list" of materials. A preliminary cost estimate by the Department of Education indicates that approximately \$100,000 in additional funds will be needed to move into this proposed adoption mode.

Districts receive little assistance from the state in the selection of text-

INSTRUCTIONAL SUPPORT—Continued

books beyond the actual reduction in the number of materials available for selection. For example, Orange County established a book display and assisted districts without any state support. Los Angeles Unified School District developed its own video presentations of materials to assist in the selection process, again without the assistance of the state. The Department of Education staff did prepare a guide to be used in the selection of reading materials but it was published by San Diego County Schools, not the state. With the exception of a "Buyers Guide" which was sent out several months after the textbook order forms, districts received no state assistance.

Total Review Needed

Before the state becomes more heavily involved in textbook adoptions there should be a critical evaluation of the role of the State Board of Education and the Department of Education in the entire process. We believe the primary role of the state in textbook selection and adoption should be limited to (1) developing framework and criteria as guides for districts and publishers and (2) determining legal compliance. If a textbook or instructional material complies with the law (Education Code Sections 9240-9244; 9002) we see little reason for the state to be involved in the textbook selection process beyond that point. Districts are better able to determine if the textbook meets the "economic, geographic, physical, political, educational and social diversity" of their pupils than any state commission or agency.

The primary role of the State Board of Education should be in establishing curriculum frameworks as "broad minimum standards and general educational guidelines". From these frameworks would come specific criteria which publishers would be required to meet. This approach would require that frameworks be prospective documents whose criteria would apply to materials submitted three to four years after criteria approval by the board. Presently, frameworks and criteria are adopted within a few months of publisher submission deadlines. Therefore, materials that are submitted under this procedure meet the criteria only coincidentally, not by design.

Delays of Delivery

An additional factor that should be considered by the board in its evaluation of the adoption process is the delay caused by state manufacture of textbooks. State manufacture of textbooks adds almost a year to the textbook adoption process. The savings achieved by state manufacture may no longer warrant this delay. We believe the state should attempt to achieve a significantly shorter adoption process.

Comprehensive Study Needed

Because of the knowledge explosion and rapid changes occurring in society we believe the most recent materials should be available for district selection. This objective can only be achieved if the textbook evaluation cycle is substantially reduced. The recent State Board of Education revisions in the current textbook adoption procedures will only add to

textbook delays. We recommend that the Legislature require the board to give further study to this matter.

2. Educational Technology

We recommend that the two Educational Technology consultant positions authorized by the Legislature in fiscal year 1973-74 be deleted for a General Fund savings of \$75,000 (Item 322).

In the 1973-74 Analysis we reported that the Department of Education was converting the Bureau of Audio Visual and School Library Education into two units: 1.) Educational Technology and 2.) School Library Resources.

The purpose of the Educational Technology Unit was to "... (1) encourage the use of the systems approach to problem solving in education; (2) improve the utilization of instructional media (printed and nonprinted) by local educational agencies; and (3) administer the state's instructional television program under the provisions of the Farr-Quimby Act of 1963" To accomplish these tasks, the Department of Education stated that it "must provide leadership in the assessment, planning, development, implementation and evaluation of instructional experiences necessary in today's education and integrate the concept of educational technology into its total program".

Misuse of Positions

The Legislature approved that organizational change and also authorized two additional consultant positions in Educational Technology. However, one of the two authorized positions was vacant during 1973-74 except for the months of December and January and was not filled again until the early part of the current fiscal year. The person filling one of the positions is currently working on ESEA Title II programs and not in the educational technology unit. It appears that both times the position was filled it was for the purpose of preventing its deletion (required for unfilled positions under Section 20 of the Budget Act) and not to achieve the unit's program objectives. These position vacancies occurred even though the Department of Education stated in its budget request that Educational Technology was a "high priority" program and the positions were needed to carry out its program objectives. The Governor's Budget again lists educational technology as an "area of concern".

Deletion Necessary

While the department states educational technology is an area of concern, we have yet to see any positive results as a consequence of this favored status. On the contrary what we have discovered is a juggling act of department personnel and misuse of legislative authorized positions with little or no progress in achieving the stated program objectives. Because the department has failed to use the positions to fulfill the stated program objectives we recommend that they be deleted.

INSTRUCTIONAL SUPPORT—Continued

B. Pupil Services

Pupil Services include (1) food and nutrition and (2) pupil guidance and counseling. Table 36 shows expenditures and funding for this element.

Table 36
Pupil Services

	<i>Actual 1973-74</i>	<i>Estimated 1974-75</i>	<i>Proposed 1975-76</i>	<i>Change</i>
Program Elements				
Food and nutrition	\$98,770,943	\$127,053,863	\$138,907,582	\$11,853,719
Guidance and counseling	931,206	1,442,938	1,683,720	240,782
Total	\$99,702,149	\$128,496,801	\$140,591,302	\$+12,094,501
State Operations				
General Fund	571,436	547,242	688,146	140,904
Federal funds	540,391	573,503	263,315	-310,188
Reimbursements	12,102	21,600	-	-21,600
Subtotal	\$1,123,929	\$1,142,345	\$951,461	\$-190,884
Local Assistance				
General Fund	-	12,500,000	13,587,300	1,087,300
Federal funds	98,578,220	114,854,456	126,052,541	11,198,085
Reimbursements	-	-	-	-
Subtotal	\$98,578,220	\$127,354,456	\$139,639,841	\$12,285,385

1. Food Services

The Department of Education's food services office is responsible for administering several programs of food supplementation for pupils while they are attending school. Included are the state program authorized by Chapter 1487, Statutes of 1974, (SB 2020) and several federal programs under the National School Lunch Act and Child Nutrition Act. Table 37 summarizes expenditures and funding of these programs.

Table 37
Food Services Programs
Expenditures and Funding

	<i>Actual 1973-74</i>	<i>Estimated 1974-75</i>	<i>Proposed 1975-76</i>	<i>Change</i>
State program	-	\$12,500,000 ^a	\$13,595,400 ^b	\$1,095,400
Federal programs:				
School lunch:				
General assistance	\$24,196,641	26,103,000	29,027,460	2,924,460
Special assistance to needy children	58,912,050	63,755,237	70,308,218	6,552,981
School breakfast	7,810,140	9,922,668	9,983,700	61,032
Special milk	4,217,197	9,600,000	10,582,000	982,000
Special food services	1,179,855	1,731,855	1,965,040	233,185
Nonfood assistance (equipment)	1,858,223	2,800,000	2,800,000	-
Subtotal	\$98,174,106	\$113,912,760	\$124,666,418	\$10,753,658
Grand total	\$98,174,106	\$126,412,760	\$138,261,818	\$11,849,058

^a SB 2020. No administrative costs authorized.

^b Includes \$67,600 administrative costs. An additional \$645,764 administrative costs is provided in the department's support item.

Federal Program

The purpose of the federal school lunch program is to provide a nourishing lunch to a maximum number of pupils of high school grade or under. In conjunction with this general program, the Special Assistance to Needy Children Program provides free or reduced price lunches to needy pupils of high school grade or under. This subsidy is in addition to that provided under the general program.

There are also federal subsidies for school breakfasts, a special milk program and a nonfood assistance program to assist local agencies in acquiring equipment for food services.

Table 38 summarizes the per meal amounts of federal subsidies since July 1, 1973.

Table 38
Federal Subsidies Per Meal for School Lunch and Breakfast Programs

Program	July- December 1973	January- June 1974	July- December 1974	January- June 1975
School Lunch:				
General Assistance.....	10¢	10½¢	11¢	11½¢
Free.....	45	47¼	49½	52½
Reduced Price	35	37¼	39½	42½
School Breakfast:				
General Assistance.....	8	8½	8¾	9¼
Free.....	20	21	22	23¼
Reduced Price	15	15¾	16½	17½
Especially Needy:				
Free.....	45	45	45	45
Reduced Price	40	40	40	40

State Program

The state program authorized by SB 2020 (Chapter 1487, Statutes of 1974) provides in 1974-75 a five cent state subsidy for each lunch and breakfast served in California public schools. The Governor's Budget proposes \$13,527,800 to continue the state subsidy in 1975-76 plus \$67,600 for Department of Education administrative costs. This includes an inflation increase to 5.36 cents in the state subsidy in 1975-76 as specified by the enabling legislation. It also provides for projected program expansion in 1975-76.

Inadequate Participation Data

We recommend that the Department of Education be required to submit an annual report by November 1 on participation in the various federal and state school food subsidy programs summarizing the type and extent of local agency participation in each program.

We have attempted to obtain information from the Department of Education concerning the types of local agency participation in the school food subsidy program and in particular the types and extent of participation by private schools. The estimates we have received from the department on private school participation vary from one percent to ten percent of the total program. We find the department's statistical record keeping inaccurate and inadequate to meet its management responsibilities. The

INSTRUCTIONAL SUPPORT—Continued

department should rectify this situation and submit to the Legislature an annual comprehensive report of program participation.

C. Administrative Services to Local Educational Agencies

Administrative Services to Local Educational Agencies include (1) school facilities planning, (2) field management services and (3) school district management assistance team. Expenditures and funding for these elements are shown in Table 39.

Table 39
Administrative Services to Local Educational Agencies

	<i>Actual 1973-74</i>	<i>Estimated 1974-75</i>	<i>Proposed 1975-76</i>	<i>Change</i>
Elements				
School facilities planning.....	\$539,124	\$564,428	\$538,666	\$ -25,762
Field management services	393,220	455,180	481,231	26,051
School district management assistance teams	313,883	347,078	347,078	—
Total	\$1,246,227	\$1,366,686	\$1,366,975	\$289
Funding				
<i>State Operations</i>				
General Fund.....	544,256	623,228	657,451	34,223
School Building Aid Fund.....	296,400	325,116	291,633	-33,483
Federal funds.....	305,803	347,078	347,078	—
Reimbursements	99,768	71,264	70,813	-451
Total	\$1,246,227	\$1,366,686	\$1,366,975	\$289

PROGRAM III
SCHOOL FINANCE AND STATE AID TO SCHOOL DISTRICTS

As shown in Table 40 this program includes administration and apportionment of state aid under the elements: (1) state operations and (2) local assistance.

Table 40 shows that \$2.0 billion will be expended from the General Fund for apportionments in the budget year for grades K-12 inclusive. Community college apportionments were separated into a special fund by Chapter 940, Statutes of 1973, and are discussed under Item 349 of this Analysis.

Apportionment of State Aid

The system of public school apportionments is controlled by constitutional and statutory provisions. These provisions guarantee each of the 1,067 school districts a minimum amount of state support per ADA (average daily attendance) of \$125. This is referred to as "basic aid". An additional amount of state aid is granted to nearly 85 percent of the state ADA in the form of "equalization aid". To receive equalization aid a district must display an inability to raise sufficient local revenue from property taxes to meet the foundation program level of expenditure determined annually by the state.

Table 40
School Finance and State Aid to School Districts Program
Funding and Expenditures

	<i>Actual</i> 1973-74	<i>Estimated</i> 1974-75	<i>Proposed</i> 1975-76	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
Administration and apportionments of state aid					
1. State operations	\$713,076	\$889,582	\$937,312	\$47,730	5.4%
2. Local assistance	2,121,996,953 ^a	1,922,163,060	2,001,123,144 ^b	78,960,084	4.1
Totals	\$2,122,710,029	\$1,923,052,642	\$2,002,060,456	\$79,007,814	4.1%
Funding					
General Fund	\$2,119,970,783	\$1,920,024,032	\$1,999,108,902 ^b	\$79,084,870	4.1%
General Fund (loan recoveries)	-343,150	-271,396	-148,446	-122,450	45.3
State School Fund	2,781,876	3,000,000	3,000,000	—	—
California Water Fund	28,713	—	—	—	—
Motor Vehicle Transportation Fund	271,807	300,000	—	-300,000	—
State Transportation Fund	—	—	100,000	100,000	—

^a Includes \$282,002,616 for Community College apportionments which are no longer shown in this program pursuant to Chapter 940, Statutes of 1973.

^b Includes \$215 million Federal Revenue Sharing funds (Item 82).

SCHOOL FINANCE—Continued**Foundation Program**

The foundation program is a level of support per ADA designed to guarantee to public school pupils a minimum level of support. The foundation program amounts in 1975-76 will be \$888 per elementary (grades K-8) ADA and \$1,073 per high school (grades 9-12) ADA. The 1975-76 foundation program levels are a increase of \$63 over the 1974-75 amounts. This increase is in accordance with statutory provisions which require such an adjustment if the change in the statewide ratio of assessed valuation per ADA from the preceding year to the second preceding year, is seven percent or more. The Governor's Budget assumes that the increase from 1974-75 to 1975-76 will be 8½ percent.

School District Revenue Control

In addition to the above features, the state's system of providing aid to local districts includes a local revenue control mechanism designed to limit the future growth in school expenditures and related property tax rates based upon revenues received in the 1972-73 fiscal year. The theory of the control mechanism is that after an annual inflation factor is determined, poor districts are allowed to increase their revenue limits by a larger amount than are more wealthy districts so that within a period of years the expenditure per ADA in all districts will be nearly equal. The ceilings may be exceeded with local funds if specifically authorized in a district election.

Department of Education *Serrano v. Priest* Proposal

We recommend that the legislative fiscal committees critically evaluate the Department of Education's request for an additional \$523 million for general school finance in 1975-76 and its interrelationship with requested increases in categorical aid programs prior to granting any augmentations.

The State Board of Education has recently adopted a proposal to meet the fiscal neutrality mandate of the *Serrano v. Priest* decision. Briefly the proposal involves (a) a statewide property tax to guarantee a "quality level of support" of \$1,231 per ADA at the elementary level and \$1,409 per ADA at the high school level, (b) a power equalization mechanism for local districts to add on programs above the "quality level" up to an additional 50 percent and (c) an override provision for additional funding above the 50 percent add-on range. This program would be phased in over five years at a total General Fund cost of approximately \$1.4 billion in constant dollars. The request for the initial phase in year, 1975-76, is \$523 million.

In addition, the department has requested \$303.2 million in categorical aids in 1975-76 over 1974-75, producing a total requested General Fund increase of \$826.2 million in 1975-76. We believe that this request is unrealistic (a) in light of the state's fiscal condition and (b) the apparent duplication of funding between the requested \$523 million "quality level of support" and general categorical aid programs such as Early Childhood Education.

Apportionment Data

State School Fund apportionment data are shown in Table 41.

Table 41
K-12 Apportionment Estimates
1973-74 Through 1975-76

	<i>Actual</i> 1973-74	<i>Estimated</i> 1974-75	<i>Estimated</i> 1975-76
Elementary:			
Basic Aid.....	\$389,388,425	\$383,191,900	\$378,306,300
Equalization aid	667,677,889	706,890,400	744,280,800
Totals.....	\$1,057,066,314	\$1,090,082,300	\$1,122,587,100
High School:			
9-12 basic aid	\$182,116,250	\$185,125,000	\$187,280,000
9-12 equalization	273,016,499	283,973,400	305,107,100
Adults, basic aid	7,461,250	7,375,000	7,250,000
Adults, equalization aid	3,326,411	3,982,500	4,524,000
Totals.....	\$465,920,410	\$480,455,900	\$504,161,100
County School Service Fund:			
Elementary Foundation Program	\$8,976,599	\$8,662,500	\$9,062,500
High School Foundation Program.....	16,497,384	21,062,600	25,217,700
Totals.....	\$25,473,983	\$29,725,100	\$34,280,200
Totals, Foundation Program	\$1,548,460,707	\$1,600,263,300	\$1,661,028,400
County School Service Fund:			
Direct service	\$3,512,316	\$3,563,400	\$3,691,400
Other purpose.....	15,935,139	16,027,300	15,948,300
Totals.....	\$19,447,455	\$19,590,700	\$19,639,700
Special Education:			
Autistic Minors, Ch. 1527/74	—	—	\$7,395,000
Physically handicapped	\$72,386,266	\$78,666,182	80,139,949
Mentally retarded	27,009,876	29,338,485	29,696,589
Special transportation	13,121,770	15,301,405	16,869,168
Transition	3,191,718	—	—
Educationally handicapped	64,431,959	68,652,002	72,747,484
Mentally gifted	12,587,510	14,167,160	15,445,300
Totals.....	\$192,729,099	\$206,125,234	\$222,293,490
Regular Transportation.....	34,945,166	41,000,000	49,000,000
Adjustments.....	-14,581,867	-19,133,000	-19,500,000
Totals, per Education Code 17803.5	\$1,781,000,560	\$1,847,846,243	\$1,362,461,590
Special Apportionments and Programs:			
State Teachers' Retirement System Increase:			
Elementary	\$29,595,188	\$30,115,000	\$30,780,000
High school	13,018,182	14,818,000	16,815,000
Totals.....	\$42,613,370	\$44,933,000	\$47,595,000
Driver training	\$16,423,037	\$19,600,000	\$20,500,000
Project connected	28,713	—	—
Severance aid for highway land.....	271,807	300,000	100,000
San Diego and Lompoc-Hueneme P.L. 874 court adjustments per Education Code 17415	—	9,475,222	—
ROP/ROC Handicapped per Ch. 1505/74	—	280,000	615,000
K-12, GRAND TOTALS.....	\$1,840,337,487	\$1,922,434,456	\$2,001,271,590

Table 42 reflects the enrollment ADA used in the apportionment computations:

SCHOOL FINANCE—Continued

Table 42
K-12 Public School enrollments—ADA

<i>Level</i>	<i>1973-74</i>	<i>1974-75</i>	<i>1975-76</i>
Elementary	3,114,652	3,075,000	3,039,000
High school	1,470,991	1,488,500	1,501,000
Adult high school	61,485	61,000	60,000
Totals	4,647,128	4,624,500	4,600,000

PROGRAM IV
DEPARTMENTAL MANAGEMENT AND SPECIAL SERVICES

This program consists of two budgeted elements and two indirect cost units which are allocated to all programs. Table 43 summarizes expenditures and funding for these elements and units.

Table 43
Departmental Management and Special Services
Expenditures and Funding

	<i>Actual 1973-74</i>	<i>Estimated 1974-75</i>	<i>Proposed 1975-76</i>	<i>Change</i>
Element				
A. Department management	\$4,760,950	\$6,571,409	\$5,644,357	\$-927,052
B. Special services	394,861	685,558	687,953	2,395
Subtotal	\$5,155,811	\$7,256,967	\$6,332,310	-924,657
Units				
C. Indirect cost units	3,448,581	4,780,966	5,334,962	553,996
D. Service units	709,320	1,144,056	1,257,843	113,787
Subtotal	\$4,157,901	\$5,925,022	\$6,592,805	\$667,783
Total	\$9,313,712	\$13,181,989	\$12,925,115	-\$256,874
General Fund	2,721,213	3,525,461	3,510,017 ^a	-15,444
Federal funds	2,268,023	3,595,731	2,695,656 ^a	-900,075
Reimbursements	166,575	135,775	126,637	-9,138
Distributed costs	4,157,901	5,925,022	6,592,805	667,783

^a Governor's Budget overstates General Fund total and understates Federal Fund total by \$91,446.

A. Departmental Management

The departmental management element is subdivided into executive, program management and management services components as shown in Table 44.

Table 44
Departmental Management Expenditures and Funding

	<i>Actual 1973-74</i>	<i>Estimated 1974-75</i>	<i>Proposed 1975-76</i>	<i>Change</i>
Executive	\$3,803,419	\$5,451,541	\$4,829,472	\$-622,069
Program management	541,884	464,259	157,482	-306,777
Management services	415,647	655,609	657,403	1,794
Total	\$4,760,950	\$6,571,409	\$5,644,357	\$-927,052
General Fund	2,523,660	3,121,503	3,029,214	-92,289
Federal funds	2,089,869	3,314,131	2,488,506	-825,625
Reimbursements	147,421	135,775	126,637	-9,138

1. Executive

The executive component consists of the offices of the Superintendent of Public Instruction and his deputies and assistants and a centralized staff which includes legal counsel, governmental affairs, program planning and development, program evaluation and research, education information dissemination, and special projects.

Office of Governmental Affairs

This office was established in 1971 by the then newly elected Superintendent of Public Instruction to provide closer coordination of departmental bill analyses and legislative reports. Table 45 shows the level of support for this program.

Table 45
Support

	<i>Actual</i> 1973-74	<i>Estimated</i> 1974-75	<i>Proposed</i> 1975-76	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
Governmental Affairs	\$114,828	\$156,785	\$169,440	\$12,655	8.1%
Positions	5.8	6.8	6.8	—	—

Deputy Superintendent of Program

We recommend deletion of one professional position in the office of deputy superintendent for program for a 1975-76 General Fund savings of \$50,000. (Reduce Item 322).

The office of deputy superintendent for program is authorized eight positions in the current year which are concerned with the development and implementation of programs to improve the education of all students. Approximately \$280,000 is budgeted for this unit in 1975-76.

Under the education program matrix there is a chief deputy superintendent, a deputy superintendent, a deputy superintendent for program and a deputy for administration. Under the deputy for program there is another position with the title chief associate superintendent for program. Both the deputy and chief associate are budgeted at the same salary level in the current and budget years (\$34,536). This unusual one-on-one arrangement resulted from the hiring of a replacement (the chief associate) for the deputy who planned to retire in 1974. Since his retirement, the chief associate has been promoted to deputy and the department has received Department of Finance approval to downgrade the vacant chief associate position to an education project specialist II.

Because this downgrade represents a complete shift in position duties, we believe the position should be abolished and the proposed new position should be justified on its own merits.

2. Program Management

The program management component consists of (a) the matrix age span management staff including elementary, secondary, and adult and community education plus the general education, special education, compensatory education, vocational education and child development support activities, and (b) the chiefs of the Division of Financial Resources and Distribution of Aid and the Division of Administrative Services.

DEPARTMENTAL MANAGEMENT AND SPECIAL SERVICES—Continued**Failure of Matrix Organization**

We recommend that the Department of Education submit a written report to the Joint Legislative Budget Committee by April 15, 1975 concerning its management plan to improve or abandon the matrix organization form of management.

In March 1972 the Department of Education adopted an innovative and controversial matrix organization structure. The concept of the change was to achieve better coordinated management, service and planning by abolishing the traditional hierarchical organization structure composed of bureaus and replace it with an age span manager approach. Thus, three managers, elementary, secondary and adult, were created under a deputy superintendent (program manager) in order to manage all department programs such as EDY, ECE and special education which affected each age span.

In October 1974 after 31 months of operation, an outside consultant was hired by the department to evaluate the level of staff satisfaction with the new organization. The results of the study included findings that:

- (a) "Overall, there has not been a strong sense of cooperation throughout the organization".
- (b) "... there is agreement that more clients are "falling through the cracks" today than five or two years ago".
- (c) "Most respondents feel that the department was a better place to work five years ago than at any other time period".
- (d) "... power and control are, and have been, a "major preoccupation" of management".
- (e) "The new structure does not make the department a better place to work, and the impact of the new structure as a strong force in improved, articulated, educational experience for California youngsters in 1976 is doubtful".
- (f) "The Department of Education has not accomplished the level of communication and coordination required to maximize the flexibility and responsiveness which such a structure can provide".

In disseminating this evaluation, the deputy superintendent in charge of the matrix warned, "However, let us remember as we examine the report that our new organizational structure is just a year and a half old. It is still an infant that needs a lot of care and careful direction. Anyone who tries to judge its effectiveness now would be making a big mistake".

We disagree. As pointed out above, the matrix structure had been in effect 31 months before the consultant's examination. The report clearly points out that the matrix is in trouble. The plan should be improved or abandoned.

3. Management Services

The management services component consists of the operating activities of the Divisions of Financial Resources and Distribution of Aid and Administrative Services. The Division of Administrative Services includes administrative support services, personnel and training, management

analysis, and publications. The Division of Financial Resources and Distribution of Aid includes budgets, fiscal reports, accounting, business services, contract analysis and internal audit functions.

Program Crossover Needed

We recommend that the Department of Education produce a program budget crossover document for the fiscal committees which displays the actual utilization of budgeted positions in the department's organization structure.

We recommend that the crossover display be presented as an annual component of the Governor's Budget and that any position which is utilized for more than nine months in an organization function other than its budgeted function be transferred to the function of utilization.

As discussed previously in the Early Childhood Education administration section of this analysis, many positions used in that program are budgeted to perform other functions such as special education and disadvantaged youth. This violation of basic budgeting is not limited to ECE management. Other transfers are made in order for the department to organize regional service teams (RST), monitor and review services (MARS) and program review (PRI). These functions are an integral part of the operation of the Department of Education, but there is no budget identification of such utilization. Positions apparently justified for one purpose are actually utilized for another. The budget consequently is not a meaningful management plan and does not accurately reflect the activities of the department. We recommend that as a minimum the department should provide a crossover document to the fiscal review committees in order to fully identify these activities. In future budgets this crossover should become a part of the Governor's Budget and position transfers occur whenever positions are utilized for more than nine months in functions other than budgeted.

B. Special Services

The special services element supports the following: (a) State Board of Education, (b) Educational Commission of the States, (c) Advisory commissions and committees and (d) Advisory Council on Vocational Education.

Table 46 summarizes expenditures and funding for this element.

Table 46
Special Services Expenditures and Funding

	Actual 1973-74	Estimated 1974-75	Proposed 1975-76	Change
State Board of Education	\$99,436	\$134,254	\$145,368	\$11,114
Educational Commission of the States	22,108	24,000	35,000	11,000
Advisory commissions and committees	118,024	271,252	207,585	-63,667
Advisory Council on Vocational Education	136,139	256,052	300,000	43,948
Council for private postsecondary educational institutions	19,154	—	—	—
Totals	\$394,861	\$685,558	\$687,953	\$2,395
<i>General Fund</i>	<i>197,553</i>	<i>403,958</i>	<i>480,803</i>	<i>76,845</i>
<i>Federal funds</i>	<i>178,154</i>	<i>281,600</i>	<i>207,150</i>	<i>-74,450</i>
<i>Reimbursements</i>	<i>19,154</i>	<i>—</i>	<i>—</i>	<i>—</i>

DEPARTMENTAL MANAGEMENT AND SPECIAL SERVICES—Continued

C. Indirect Cost Units

The Department of Education utilizes an indirect cost allocation procedure for departmental administrative activities which support and are distributed to all programs on the basis of direct labor costs incurred by the programs. Table 47 summarizes allocation of costs of these units.

Table 47
Allocation of Indirect Cost Units

	<i>Actual</i> 1973-74	<i>Estimated</i> 1974-75	<i>Proposed</i> 1975-76	<i>Change</i>
Management—financial resources and distribution of aid	\$50,034	\$63,665	\$65,029	\$1,364
Fiscal management services	38,830	56,050	57,100	1,050
Budget office	210,200	278,002	298,296	20,294
Fiscal reports office	179,873	333,552	360,599	27,047
Accounting office	861,285	1,063,320	1,107,632	44,312
Business service office	246,706	282,366	295,265	12,899
Contract analysis office	60,115	83,036	88,782	5,746
Internal audit unit	35,901	59,267	61,560	2,293
Personnel and training office	223,181	269,521	278,022	8,501
Management analysis office	97,048	130,688	136,318	5,630
Education Program Matrix Management:				
Deputy superintendent for programs	—	39,474	40,598	1,124
Elementary education	—	—	131,637	131,637
Secondary education	—	118,953	224,439	105,486
Adult and community education	—	51,959	116,174	64,215
Management—administrative services	53,890	63,002	66,907	3,905
Management—vocational education	85,444	189,792	199,131	9,339
Management—special education	175,859	227,634	233,723	6,089
Management—compensatory education	98,802	139,364	145,895	6,531
Management—state library	204,394	330,358	360,936	30,578
Management—child development	2	86,451	91,673	5,222
Management—general education	201,886	245,435	255,246	9,811
Totals, Departmental	\$2,823,450	\$4,111,889	\$6,614,962	\$503,073
Statewide cost allocation ^a	625,131	669,077	720,000	50,923
Totals, Indirect costs	\$3,448,581	\$4,780,966	\$5,334,962	\$553,996
Less distribution to programs	<u>-3,448,581</u>	<u>-4,780,966</u>	<u>-5,334,962</u>	<u>—</u>
Net cost	—	—	—	—

^a Costs of other state agencies which are charged to the Department of Education.

Audit of Indirect Cost Distribution

We recommend that the Legislature direct the Department of Finance's Program Review and Audit Division to conduct an audit of the Department of Education's indirect cost distribution of departmental administrative costs in 1974-75 and proposed for 1975-76 and submit a report of its findings to the Joint Legislative Budget Committee by October 31, 1975.

We recommend that the Legislature direct the Department of Finance to amend the State Administrative Manual to specify that funds provided for indirect costs in the budgets of operating units of the Department of

Education in excess of actual indirect costs charged such units be restricted from expenditure for any other purpose.

The department has been unable to provide an accounting of the distribution of these costs and we believe the indirect cost provisions in the budgets of the operating units may be overstated. This would have the effect of providing additional operating funds for unspecified purposes such as travel and employment of temporary consultants. We believe an audit of the department's indirect cost allocations is necessary to determine whether this cost distribution procedure is being misused and should be revised.

D. Service Units

The service units are departmental activities which provide direct support to operating units of the department but which are centralized to avoid duplication and permit greater efficiency. The units charge for services at established billing rates which offset costs of operation. Table 48 summarizes expenditures of these units.

Table 48
Expenditures of Service Units

	<i>Actual 1973-74</i>	<i>Estimated 1974-75</i>	<i>Proposed 1975-76</i>	<i>Change</i>
Publications	\$324,642	\$460,397	\$477,151	\$16,754
Audio visual	20,906	45,785	47,164	1,379
EDP management	76,654	105,451	108,993	3,542
Duplicating services.....	253,043	331,964	359,439	27,475
Word processing center	18,578	72,454	115,396	42,942
Management information center	15,497	128,005	149,700	21,695
Totals, Service Unit Costs.....	\$709,320	\$1,144,056	\$1,257,843	\$113,787
Less user charges	-709,320	-1,144,056	-1,257,843	-113,787
Net cost	—	—	—	—

ESEA Title V Funding

Of significant aid to the department's management function is the federal ESEA Title V program which provides funding for the purpose of "strengthening state departments". The proposed use of these funds in 1975-76 is shown in Table 49.

PROGRAM V LIBRARY SERVICES

The Library Services Program (1) furnishes reference materials and services for state government officials and employees, (2) maintains a library specializing in California history, and (3) provides consultant and resource services to the 182 city and county public libraries in the state. The State Library also provides leadership to the state-funded cooperative public library system. More than two-thirds of the public libraries in the state have been consolidated into 21 cooperative systems. Expenditures and funding sources for the four elements of the Library Services Program and local assistance to the cooperative library system are summarized in Table 50.

DEPARTMENTAL MANAGEMENT AND SPECIAL SERVICES—Continued

Table 49
ESEA Title V Expenditures for State Operations

	<i>Actual</i> 1973-74	<i>Estimated</i> 1974-75	<i>Estimated</i> 1975-76	<i>Change</i>
Continuing Funding:				
Pgm. plan. & dev. (incl. RST)	\$450,493	\$477,613	\$477,613	—
Program evaluation	275,686	456,254	456,254	—
Organization redirection	105,597	—	—	—
Curriculum planning	45,679	50,000	—	\$-50,000
Management info. system	170,188	183,965	183,965	—
Special task forces ^a	166,203	224,444	174,405	--50,039
District mgmt. asst. teams	305,803	347,078	347,078	—
Student Liaison	19,925	29,606	29,606	—
Mexican-American advisory	49,005	57,949	57,949	—
Nonpublic school liaison	44,999	52,261	52,261	—
Statewide testing	295,500	122,750	295,500	172,750
Labor, industry, ed. liaison	5,000	5,500	5,500	—
ECE audio/visual	32,800	—	—	—
PCA modification	105,665	—	—	—
Policy analysis	—	179,985	179,985	—
Leadership projects ^b	115,421	274,827	146,725	128,102
Subtotal	\$2,187,964	\$2,462,232	\$2,406,841	\$-55,391
One Time Use of Impounded and Carryover Funds:				
Program plan. & development	—	\$139,251	—	—
Statewide testing	—	163,100	—	—
PCA modification	—	127,000	—	—
RISE	—	192,000	—	—
Jt. Comm. on goals	—	76,000	—	—
Sickle cell anemia ed.	—	(67,899) *	—	—
Conflict & violence resolution	—	(57,264) *	—	—
Subtotal	—	\$697,351	—	—
Total, ESEA Title V	\$2,187,964	\$3,159,583	\$2,406,841	

* Approved by Jt. Legislative Budget Committee as one time only project in 1974-75.

^a Career education and year-round schools.

^b Sections 411 and 505, for experimental projects and services.

Table 50 indicates a reduction of \$3.6 million or 50.2 percent in federal funds available for local assistance projects in 1975-76. This is not an ongoing reduction but results from the release of \$3.6 million of previously impounded Library Services and Construction Act (LSCA) funds for expenditure in 1974-75. This doubles the estimated expenditure in 1974-75 and, when compared with the proposed 1975-76 entitlements, results in the apparent reduction.

Table 50
Expenditures and Funding Sources of the Library Services Program

	<i>Actual</i> <i>1973-74</i>	<i>Estimated</i> <i>1974-75</i>	<i>Proposed</i> <i>1975-76</i>	<i>Change</i> <i>Amount</i>	<i>Percent</i>
Program Elements:					
A. Reference and research for the Legislature and state agencies	\$452,456	\$638,785	\$631,562	\$-7,223	-1.1%
B. Statewide library support and development	3,328,862	9,774,335	6,016,363	-3,757,972	-38.5
C. Special clientele services	708,342	932,773	917,562	-15,211	-1.6
D. State library support services	<u>1,229,537</u>	<u>1,321,420</u>	<u>1,517,945</u>	<u>196,525</u>	<u>14.9</u>
	\$5,719,197	\$12,667,313	\$9,083,432	\$-3,583,881	-28.3
Funding:					
State operations:					
General Fund	\$2,292,838	\$2,825,032	\$2,926,851	\$101,819	3.6%
Federal funds	899,144	993,651	953,491	-40,160	-4.0
Reimbursements.....	292,120	557,101	571,037	13,936	2.5
Local Assistance:					
General Fund	1,000,000	1,000,000	1,000,000	—	—
Federal funds	1,235,095	7,291,529	3,632,053	-3,659,476	-50.2

Assistance to Public Libraries

We recommend that consideration of an inflation adjustment to the \$1 million local assistance for libraries program be given after the completion of the study on the cooperative public library system.

In the 1973-74 Analysis we recommended that the State Librarian be directed to develop a new formula by November 1, 1973 for allocating state support to the cooperative public library systems. In response to that recommendation the State Librarian decided there was need for a more comprehensive study on all aspects of the cooperative system and requested an extension of the deadline for the development of a new allocation formula. This study is presently being conducted and should be completed by April 15, 1975. Our recommendation for the development of a new allocation formula was based on the belief that the existing allocation system prevents the most effective use of limited state funds. We believe that consideration of the local assistance appropriation for 1975-76 should be delayed until after April 15, 1975 when the results of the study should be available.

The Governor's Budget has included an eight percent inflation adjustment for instructional categorical programs in 1975-76. However, Table 50 indicates that the Governor's Budget proposes to continue funding local assistance to public libraries at \$1 million with no adjustment for inflation. We believe this is inconsistent and that when the new allocation formula for public libraries is discussed, the inflation factor should be considered.

CONTRIBUTIONS TO TEACHERS' RETIREMENT FUNDItem 328 from the General
Fund

Budget p. 873

Requested 1975-76	\$135,000,000
Estimated 1974-75.....	135,000,000
Actual 1973-74	135,000,000
Requested increase None	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

Contributions to the Teachers' Retirement Fund come from three different sources: teachers, school districts, and the state's General Fund.

Prior to Chapter 1305, Statutes of 1971, teachers' contributions were based on a schedule which varied with the members' sex and age at entry into the system, averaging 7.4 percent of salary. The school districts contributed a maximum (limited by a tax base schedule) of 3 percent of teachers' salaries plus \$6 semiannually per teacher. The State General Fund contributed the annual difference between benefits due and payable and the combination of (a) annual school district contributions and (b) teacher contributions plus interest. The system was not actuarially funded because the employer (district) contributions were inadequate to cover the employer obligation for benefit payments. As a result, the unfunded accrued liability of the system exceeded \$4 billion in 1971.

Chapter 1305, which became operative July 1, 1972, placed the system on a more nearly funded basis by (1) requiring, beginning in fiscal year 1972-73, an employer contribution rate of 3.2 percent of salary for certified employees, increasing by an additional 0.8 percent annually thereafter to a total of 8 percent in 1978-79 (it also increases the Basic Aid Program in the Department of Education in scheduled steps by \$8 per ADA in 1972-73 to \$20 in 1978-79 to assist low-wealth districts with their employer contribution), (2) establishing an employee contribution rate of 8 percent of salary, and (3) providing an annual General Fund appropriation of \$135 million for 30 years to finance the benefits of all members and beneficiaries on the retired roll as of July 1, 1972. After 30 years, direct General Fund support will no longer be required because the Retirement Fund should have sufficient assets to meet both current benefit payments and commitments to the then active members.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

This statutorily required \$135 million appropriation is at the same level as in the current year and is an essential part of the plan to establish actuarial stability in the Teachers' Retirement Fund as directed by Chapter 1305.

COMMISSION FOR TEACHER PREPARATION AND LICENSING

Item 329 from the Teacher Credentials Fund

Budget p. 879

Requested 1975-76	\$2,067,635
Estimated 1974-75	2,054,400
Actual 1973-74	1,807,926
Requested increase \$13,235 (0.6 percent)	
Total recommended augmentation	\$ 56,500

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS*Analysis
page*

1. *Teacher Standards Unit. Augment \$56,500.* Recommend four new positions to process workload on timely basis. 664
2. *Bilingual Progress Report.* Recommend task force consisting of Department of Education and Commission for Teacher Preparation and Licensing representatives to report on progress and problems. 664

ANALYSIS AND RECOMMENDATIONS

The Commission for Teacher Preparation and Licensing was established by Chapter 557, Statutes of 1970 (the Ryan Act). The functions of the commission are to (a) review and approve teacher preparation programs in institutions of higher education, (b) develop and administer subject matter examinations as a method of credentialing teachers, (c) issue teacher and service credentials, (d) enforce morale and medical standards prescribed in the Education Code, and (e) administer the orderly transition of powers, duties and regulations necessary to implement the state's teacher credentialing program as described in the Ryan Act.

Table 1 summarizes expenditures and funding sources for the functions of the commission.

Table 1
Expenditures and Funding of the Commission
for Teacher Preparation and Licensing

<i>Functions</i>	<i>Actual 1973-74</i>	<i>Estimated 1974-75</i>	<i>Proposed 1975-76</i>	<i>Change</i>
a. Approved Programs	\$156,522	\$312,927	\$331,864	\$18,937
b. Examination Development	311,895	233,815	256,118	22,303
c. Licensing	1,098,292	1,246,997	1,194,931	-52,066
d. Standards	255,843	271,335	284,722	13,387
e. Administration	(459,934)	(517,330)	(523,590)	6,260
f. Teacher Evaluation Study	568,485	1,214,436	1,326,404	111,968
Totals	\$2,391,037	\$3,279,510	\$3,394,039	\$114,529
<i>Teacher Credentials Fund</i>	1,807,926	2,054,400	2,067,635	13,235
<i>Federal funds</i>	568,485	1,214,436	1,326,404	111,968
<i>General Fund</i>	9,326	10,674	—	-10,674
<i>Reimbursements</i>	5,300	—	—	—

Funding for the commission's ongoing programs is derived through license fees paid by applicants. Consequently, it is of fundamental impor-

COMMISSION FOR TEACHER PREPARATION AND LICENSING—Continued

tance that the commission's services be provided in an efficient and timely manner. In order to aid the commission in meeting its goal of a thirty-day turn around on applications, four additional temporary help positions have been included in the licensing program for 1975-76 to be utilized during peak workload periods. This is a reduction in the licensing activity of \$52,066. 1974-75 was an unusually high year due to the rush of applicants prior to the Ryan Act's effective date of September 15, 1974.

Teacher Standards

We recommend that the teacher standards unit be augmented by \$56,500 from the Credentials Fund for four new positions needed to process workload on a timely basis.

One of the smaller but more important units within the commission's budget is the teacher standards unit. Its purpose is to (1) initiate proceedings to suspend and revoke certification documents for cause, (2) reinstate such certification when appropriate and (3) investigate allegations related to a credential holder's arrest record, unprofessional conduct, mental and/or physical health problems. The workload is primarily of a clerical nature. This unit currently has 3.5 clerical positions and \$284,722 budgeted for 1975-76.

During 1974 citizen complaints were raised about unreasonable delay in the investigation and resolution of these matters. In response, the commission contracted with the Department of General Services, Management Services Office to investigate the staffing and workload assigned to the teacher standards unit. An extensive report was issued by General Services in November 1974. The report contains many recommendations and a major conclusion that even with management improvements the processing control unit is understaffed and this is directly responsible for the current backlog of approximately 2,000 cases. We believe a budget augmentation of \$56,500 from the Credentials Fund is necessary to provide a supervisor and three additional clerical positions. This recommendation is in accordance with the commission's budget request.

Fragmented Bilingual Program

We recommend that the Legislature direct the creation of a bilingual task force consisting of Department of Education and Commission for Teacher Preparation and Licensing representatives to coordinate program development and report on progress and problems to the Joint Legislative Budget Committee and the fiscal committees by December 1, 1975.

The Bilingual-Crosscultural Teacher Preparation and Training Act (Chapter 1096, Statutes of 1973) assigns the responsibility for developing qualified bilingual teachers in California to the Commission for Teacher Preparation and Licensing. In meeting this responsibility, the commission has (1) adopted a statement of guidelines for the bilingual specialist credential, (2) approved eleven institutions of higher education for these programs and (3) developed a program to allow bilingual teacher aides to become fully credentialed teachers.

The most recent action in the Legislature's development of this pro-

gram area was the appropriation of \$4,800,000 by Chapter 1496, Statutes of 1974, to award financial aid scholarships to potential bilingual teachers. However, despite the commission's previous responsibility and efforts, Chapter 1496 made its appropriation to the State Department of Education with the requirement that it create and administer a Bilingual Teacher Corps Program. The program shall include stipends of \$1,500 per year.

This has resulted in a fragmentation of responsibility in this developing program area. We are concerned that an uncoordinated effort is occurring which may impair the success of this needed teacher credentialing program. While legislation may be needed to eventually rectify this matter, we believe that a task force should be created immediately consisting of representatives of the Department of Education and the Commission for Teacher Preparation and Licensing to coordinate this program area and to provide a progress report by December 1, 1975.