

EDUCATION

General Summary

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California's system of public education is composed of elementary, high school and unified school districts; the community colleges (formerly junior colleges); the California State Colleges; the University of California; the California Maritime Academy; and the state-operated schools for handicapped children. Support for education is derived from a variety of sources, including the State School Fund, local property taxes, State General Fund appropriations, and programs of federal aid.

SUMMARY OF STATE EXPENDITURES FOR EDUCATION

In 1971-72, as in recent years, state expenditures for education will continue to account for the largest share of the budget dollar. The budget summaries which follow indicate that in 1971-72 more than \$2.33 billion will be spent by the State of California for all facets of education. Budget summaries indicate that such expenditures represent 47 percent of the proposed General Fund expenditures during the budget year and 36.8 percent of all expenditures. These amounts include (1) continuing support for the University of California, the California State Colleges, the public school system and state special schools, (2) support for special programs such as the Miller-Unruh Basic Reading Act, compensatory education, vocational education, debt service on public school bonds and (3) capital outlay expense for the University, the state colleges and the state-operated schools for handicapped children. Table 1 shows total state operational expenditures from the General Fund for the past fiscal year, estimated expenditures for the current year and the amounts proposed for 1971-72 for state operations associated with education.

Table 2 shows capital outlay for the same three-year period.

The final element of State General Fund support for education consists of local assistance subventions shown in Table 3.

Summary information in Table 4 indicates that a total expenditure of \$2,335 million is estimated for the budget year, which is a decrease of 3.8 percent over the current year.

Table 1
General Fund Expenditures for State Educational Operations

	<i>Actual</i>	<i>Estimated</i>	<i>Proposed</i>	<i>Change from 1970-71</i>	
	<i>1969-70</i>	<i>1970-71</i>	<i>1971-72</i>	<i>Amount</i>	<i>Percent</i>
<i>State operations</i>					
Department of Education-----	\$9,707,034	\$8,655,508	\$8,089,693	\$-565,815	-6.5%
Special schools-----	7,517,649	8,512,281	8,723,145	+210,864	+2.5
University of California-----	329,334,145	337,090,295	337,090,295	--	--
California State Colleges-----	284,962,524	310,597,216	315,972,193	+5,374,977	+1.7
Hastings College of Law-----	958,065	1,256,243	1,298,737	+42,494	+3.4
Scholarship and Loan Commission-----	13,011,695	16,997,060	20,000,000	+3,002,940	+17.7
Board of Governors, California Community Colleges-----	674,140	871,582	979,574	+107,992	+12.4
Coordinating Council for Higher Education-----	509,548	432,220	458,000	+25,780	+6.0
Maritime Academy-----	808,125	803,631	791,000	-12,631	-1.6
Total state operations-----	\$647,472,925	\$685,216,036	\$693,402,637	\$+8,186,601	+1.0%

Summary of State Expenditures for Education—Continued

Table 2
Educational Capital Outlay Expenditures

<i>Capital Outlay</i>	<i>Actual 1969-70</i>	<i>Estimated 1970-71</i>	<i>Proposed 1971-72</i>	<i>Change from 1970-71 Amount</i>	<i>Percent</i>
University of California					
General Fund -----	--	--	--	--	--
Bond Fund -----	--	\$10,848,000	--	\$-10,848,000	-100
Tideland Oil Revenues ¹ -----	\$29,768,000	413,000	--	-413,000	-100
Education Fee Fund -----	--	9,957,000	\$23,900,000	+13,943,000	+140
State Colleges					
General Fund -----	--	--	--	--	--
Bond Fund -----	26,727,000	25,903,000	--	-25,903,000	-100
Tideland Oil Revenues ¹ -----	23,833,000	10,822,000	--	-10,822,000	-100
Community Colleges					
General Fund -----	26,915,000	--	--	--	--
Bond Fund -----	4,445,000	19,137,000	10,511,000	-8,626,000	-45
Special Schools					
General Fund -----	91,000	103,000	--	-103,000	-100
Bond Fund -----	--	85,000	--	-85,000	-100
Totals -----	\$111,779,000	\$77,268,000	\$34,411,000	\$-42,857,000	-55.5%
General Fund -----	27,006,000	103,000	0—	-103,000	-100%
Bond Fund -----	31,172,000	55,973,000	10,511,000	-45,462,000	-81
Tideland Oil Revenues ¹ -----	53,601,000	11,235,000	0—	-11,235,000	-100
Education Fee Fund -----	--	9,957,000	23,900,000	+13,943,000	+140

¹ All appropriations were made from the Capital Outlay Fund for Public Higher Education (Tidelands Oil). However, since this fund did not have sufficient revenue to cover appropriations, the General Fund provided a lump sum transfer to make it solvent. Therefore, all expenditures are shown as from the Capital Outlay Fund for Public Higher Education since the actual division by college system is difficult to calculate and would represent arbitrary allotments.

Table 3
State General Fund Subventions for Education

<i>Subventions</i>	<i>Actual 1969-70</i>	<i>Estimated 1970-71</i>	<i>Proposed 1971-72</i>	<i>Change from 1970-71</i>	
				<i>Amount</i>	<i>Percent</i>
Apportionments to Public Schools-----	\$1,422,168,242	\$1,453,241,072	\$1,459,400,000	\$+6,158,928	+0.4%
Loans to School Districts-----	548,037	—177,678	—197,679	+20,001	+11.3
Educational Improvement Act-----	5,000,000	--	--	--	--
Instructional Television-----	696,027	725,000	800,000	+75,000	+10.3
Compensatory Education-----	10,834,260	11,000,000	11,000,000	--	--
Special Elementary School Reading Program-----	22,407,901	18,000,000	18,360,000	+360,000	+2.0
Mathematics Improvement Program-----	924,199	925,000	--	—925,000	—100.0
Children's Centers-----	8,715,590	10,399,712	10,627,666	+227,954	+2.2
Children's Centers Construction-----	1,655,460	344,540	--	—344,540	—100.0
Grants to Teachers of Physically Handicapped Children-----	148,879	150,000	150,000	--	--
Loans to Teachers of Educationally Handicapped Children-----	50,000	--	--	--	--
State School Lunch Program-----	500,000	--	--	--	--
Free Textbooks-----	22,693,923	21,307,110	17,828,000	—3,479,110	—16.3
Assistance to Public Libraries-----	1,251,616	1,000,000	800,000	—200,000	—20.0
Vocational Education-----	720,241	1,330,271	800,000	—530,271	—39.9
Assistance to new Community Colleges-----	—9,441	--	--	--	--
Subtotals Local Assistance-----	\$1,498,245,015	\$1,518,245,027	\$1,519,567,987	\$1,322,960	+0.8%
Contributions to Teachers' Retirement Fund-----	79,000,000	91,000,000	26,000,000	—65,000,000	—71.4
Debt Service on Public School Building Bonds-----	47,375,681	51,513,820	57,906,808	+6,392,988	+12.4
Community Colleges Extended Opportunity Program-----	2,940,373	4,505,347	3,350,000	—1,155,347	—25.6
Totals-----	\$1,627,561,069	\$1,665,264,194	\$1,606,824,795	\$—58,439,399	—3.5%

Summary of State Expenditures for Education—Continued

Table 4
Total State Expenditures for Education

<i>Fiscal year</i>	<i>Actual 1969-70</i>	<i>Estimated 1970-71</i>	<i>Proposed 1971-72</i>	<i>Change from 1970-71</i>	
				<i>Amount</i>	<i>Percent</i>
State Operations -----	\$647,472,925	\$685,216,036	\$693,402,637	\$+8,186,601	+1.0%
Capital Outlay -----	111,779,000	77,268,000	34,411,000	—42,857,000	—55.5
Local Assistance -----	1,627,561,069	1,665,264,194	1,606,824,795	—58,439,399	—3.5
Grand Totals -----	\$2,386,812,994	\$2,427,748,230	\$2,334,638,432	—93,109,798	—3.8
General Fund -----	2,302,039,994	2,350,583,230	2,300,227,432	—50,355,798	—2.1
Bond Fund -----	31,172,000	55,973,000	10,511,000	—45,462,000	—81.0
Tideland Oil Revenue -----	53,601,000	11,235,000	--	—11,235,000	—100.0
Education Fee Fund -----	--	9,957,000	23,900,000	+13,943,000	+140.0

SUMMARY OF FEDERAL AID TO CALIFORNIA EDUCATION

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 5 identifies the major programs and subprograms of federal assistance and indicates the anticipated amounts California will receive under each. The table demonstrates that \$387.2 million is anticipated in the budget year from all programs.

Consolidated Application Form

In recent years we have recommended that the Legislature encourage the establishment of a broad-base working committee composed of appropriate state level control agencies and the Department of Education. This group would be responsible for developing a consolidated federal application form and for the development of improved procedures for the application for and disbursement of federal and state categorical aid funds.

This recommendation has been based on the fact that districts wishing to receive federal funds under any of the instructional improvement programs such as Title I of the Elementary and Secondary Education Act are required to submit applications for specific projects or programs to the department. These are subsequently reviewed by the State Board of Education before approval is granted. The application process, or "grantmanship" as it is called by some, is complicated and time consuming for both school districts and the Department of Education. The applications for each program must generally contain a description of the proposed project, a detailed budget, a description of the school district administration responsible for administering the program and assurance that the proposal meets the requirements of the particular law. The complexity of the application process is indicated by the fact that school district administrators are required to have a working familiarity with 450 pages of federal and state directions and guidelines and over 125 pages of application forms for the programs that are listed in Table 5. In the smaller school districts in the state the variety of applications procedures places a substantial burden on limited staff time while in larger districts the separate application procedure for each program does not encourage effective planning and coordination.

It was our understanding that the United States Office of Education was encouraging, on a limited scale, state departments of education to design consolidated program applications for federal funds. The objective of such consolidated applications was to encourage effective planning and coordination of all federal programs at both the school district and state department level, to streamline federal application procedures and to encourage a more effective evaluation of the impact of such programs on the quality of education.

This recommendation was formalized in ACR 127, Resolutions Chapter 385, Statutes of 1969, and Chapter 1273, Statutes 1970, which re-

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Table 5
Federal Support to California Public Schools

<i>Program</i>	<i>Actual 1969-70</i>	<i>Estimated 1970-71</i>	<i>Estimated 1971-72</i>
<i>Elementary and Secondary Education Act</i>			
<i>Title I: Compensatory Education</i>			
Disadvantaged -----	\$85,332,059	\$75,366,385	\$102,476,920
Migrant -----	6,462,989	6,399,150	8,501,500
Neglected and delinquent -----	1,476,195	1,468,077	1,672,015
Handicapped -----	1,153,713	1,078,948	1,349,565
State administration -----	770,508	1,136,347	1,136,500
Incentive grants -----	-	119,000	119,000
Special grants -----	-	1,300,000	1,300,000
Subtotal Title I -----	\$95,195,464	\$86,867,907	\$116,555,500
Title II: School Library Resources-----	\$3,835,244	\$7,009,224	\$7,298,432
<i>Title III: Supplementary</i>			
Educational Centers -----	8,553,465	9,642,282	9,522,267
<i>Title IV: Planning and Evaluation</i>			
Title V: Strengthening State	-	96,000	96,000
Departments -----	1,910,600	1,910,647	2,000,000
Title VI: Special Education -----	1,971,201	2,113,428	2,094,780
Title VII: Bilingual Education -----	9,759,116	10,000,000	10,000,000
Title VIII: Dropout Prevention ----	-	500,000	500,000
Subtotal ESEA -----	\$121,225,090	\$118,139,488	\$148,066,979
<i>Economic Opportunity Act</i>			
Followthrough programs -----	\$874,060	\$1,042,385	\$1,085,917
<i>National Defense Education Act</i>			
Title III: Critical Subjects -----	\$3,140,647	\$3,536,000	\$3,536,000
Title V-A: Guidance and Counseling	1,326,026	1,298,759	-
Subtotal NDEA -----	\$4,466,673	\$4,834,759	\$3,536,000
<i>Education Professions Development Act</i>			
Vocational-technical -----	-	\$607,532	\$608,000
Classroom personnel -----	\$1,066,649	996,363	1,030,200
Teacher corps -----	52,250	-	56,300
Subtotal EPDA -----	\$1,118,899	\$1,603,895	\$1,694,500
<i>Vocational Education Act</i>			
Program improvement -----	\$23,344,856	\$26,094,151	\$25,448,822
Education and research -----	-	1,389,473	1,389,473
Subtotal Vocational Education-----	\$23,344,856	\$27,483,624	\$26,838,295
<i>Adult Education Act</i>			
-----	\$2,099,633	\$2,222,376	\$1,687,904
<i>Manpower Development and Training Act</i>			
Occupational training -----	\$12,308,200	\$12,100,000	\$12,370,000
<i>Economic Opportunity Act</i>			
Headstart -----	\$23,814,824	\$24,000,000	\$24,000,000
<i>Aid to Federally Impacted Areas</i>			
PL 874 -----	\$88,000,000	\$95,000,000	\$102,000,000
<i>Construction Assistance</i>			
PL 815 -----	\$10,109,913	\$2,000,000	\$2,000,000
Child Nutrition Program -----	22,856,137	37,353,025	63,955,800
Total Federal Aid -----	\$310,218,285	\$325,779,552	\$387,235,395

requested the Superintendent of Public Instruction to establish the proposed working committee and develop a consolidated application form with the cooperation of the Department of Finance, Office of the Auditor General, Office of the Legislative Analyst and representatives of the Senate and Assembly Committees on Education.

In the current year the recommended advisory committee was convened and drafts were prepared for a "Manual for the Application for Funds Under Categorical Aid Programs Administered by the California State Department of Education" and a "Consolidated Application Form for Federal Categorical Aid Funds." The State Board of Education has approved the procedures manual and application form and authorized its use in selected pilot districts. If the results in the pilot districts are promising, the program can then be implemented statewide.

Title I—Elementary and Secondary Education Act

Title I of the Elementary and Secondary Education Act of 1965, Public Law 89-10 is a special program of federal financial assistance to local educational agencies serving areas with high concentrations of low-income or agricultural migrant families to expand and improve the quality of their educational programs. This program commonly identified as compensatory education provides funding for school district programs, children of migrant agricultural workers, state operated schools and hospitals for the handicapped and California Youth Authority institutions for delinquent youth. Table 6 reviews California's total allocation of Title I funds in 1969-70.

Table 6
Compensatory Education Programs 1969-70

<i>Programs</i>	<i>Amount</i>	<i>Percentage</i>
School Districts -----	\$87,531,244	90.4
Children of Migrant Agricultural Workers -----	6,709,604	6.9
Handicapped Children -----	1,153,713	1.2
Delinquent Youth in State Institutions -----	1,476,195	1.5
Total -----	\$96,870,756	100.0

The system of congressional appropriations presented significant problems to Title I, as well as other federally supported programs in California. At the beginning of the 1969-70 fiscal year advance allocation authorized the expenditure of \$72.8 million while final appropriations increased this amount by \$24.1 million to \$96.9 million although authorization was granted by Congress to carry over unexpected funds the uncertainty of support severely hampered local and state planning efforts.

In its report to the State Board of Education entitled "Evaluation of ESEA Title I Projects of California—Annual Report 1969-70", the Office of Compensatory Education reported that substantive changes have been made in the guidelines under which school districts develop and operate their programs. Specific requirements provide that district programs shall:

(1) Guarantee an expenditure of at least \$300 per pupil from all funding sources.

Summary of Federal Aid to California Education—Continued

(2) Be composed of the following six components: language development, mathematics, staff development, auxiliary services, intergroup relations and parent involvement.

(3) Concentrate on services to kindergarten through grade 6.

(4) Develop performance objectives.

The requirements further stipulate that programs should be provided only to the most educationally disadvantaged students.

In 1969-70 a total of 223,723 students received special assistance through Title I school district programs. This is an 11 percent decrease over the 251,311 reported in the previous year. Of this total 96.4 percent were enrolled in public schools and 3.6 percent were enrolled in nonpublic schools.

The report summarizes achievement of participants in the program for both language development and mathematics as measured by standardized tests. The categories of evaluations are as follows:

(1) Substantial Improvement—Growth equal to or greater than 1.5 years for a school year or 1.5 months per month of instruction.

(2) Moderate Improvement—Growth equal to or greater than one year for the school year or one month per month of instruction.

(3) Little or No Improvement—Growth was less than one year during the school year or one month per month of instruction.

(4) Irregular Data—The evaluation report submitted was inadequate for any determinations on the projects effectiveness.

It is important to note that the norm for educationally disadvantaged without the benefits of compensatory education is 0.7 of a year's progress per year of instruction and that the Division of Compensatory Education does not accept less than one year of progress for one year of instruction as an acceptable level of improvement. Table 7 reviews reported achievements in both reading and mathematics components.

Table 7
Reading and Mathematics Achievement of Students
In Title I Projects

Rating	Percent of students in project			
	Reading achievement		Mathematics achievement ¹	
	1967-68	1968-69	1969-70	1969-70
(1) Substantial improvement ---	9.6%	14.1%	8.6%	5.0%
(2) Moderate improvement ---	35.8	50.1	52.4	61.5
(3) Little or no improvement ---	42.8	26.5	30.1	24.6
(4) Irregular -----	11.8	9.3	8.9	8.9

¹ 1969-70 was the first year in which mathematics was a required component. There are no comparable data from previous years.

It will be noted the percentage of projects reporting moderate or substantial progress decreased from 64.2 percent in 1968-69 to 61.0 percent in 1969-70 while the percentage of projects reporting little or no improvement increased from 26.5 percent to 30.1 percent for the same period. Reduction in the percentage of effective projects can partially be attributed to the redefined guidelines of the Department of

Education which concentrate on the student identified as the most disadvantaged. However, we believe that this should be a matter of legislative concern if this trend is not reversed in the current year.

In a more detailed analysis of the 11 big city school districts which receive more than \$1 million each per year more promising results were reported. Standardized test results for the language component indicated that median gains for the elementary schools approached 1½ months of growth for each month of instruction and similar gains in the mathematics component.

We recommend that legislation limit the number of standardized test instruments which are used to evaluate the language and mathematics components of Title I of the Elementary and Secondary Education Act. The ESEA Title I evaluation report of the Department of Education points out that local school districts decide which standardized test to use in the evaluation of their language and mathematics components. This resulted in a total of 29 different kinds of standardized reading or reading readiness achievement tests in 1969-70. The report further states that the "use of many different tests to evaluate reading components at each grade level severely reduces the ability of evaluators to determine the effectiveness of alternative methods of organizing reading instruction."

We believe that the wide variety of evaluation instruments also seriously affects the overall reliability of performance reports on the quality of the program. We believe that legislation should be enacted to amend existing state law on compensatory education (the McAteer Act) to require the State Board of Education to adopt either one specific standardized test or a limited number of standardized tests to evaluate the reading and mathematics components. If the latter option is chosen it should be accompanied with a plan for assuring the comparability of data on the different tests.

Title III—Elementary and Secondary Education Act

Title III of the Elementary and Secondary Education Act of 1965 (Public Law 89-10) is designed to develop imaginative solutions to educational problems, to utilize more effectively research findings and to create, design and make use of supplementary centers and services. The primary objective of this program is to translate the latest knowledge on teaching and learning into widespread educational practice and to create an awareness of new programs and services of high quality which can be incorporated into school programs.

Several important changes were made to the Title III program in 1967. First, the administration of Title III projects would become the responsibility of the state after a state plan was prepared for Title III projects and the plan was approved by the United States Office of Education for funding. Second, the state educational agency was made responsible for the dissemination of information concerning project results. Finally the program, which was originally established as the National Defense Education Act Title V-A, for guidance counseling and testing in grades 1 through 14, was consolidated with Title III. Table 8 reviews the level of funding for Title III in recent years along with the amounts for NDEA V-A.

Summary of Federal Aid to California Education—Continued

Table 8

Title III ESEA and NDEA V-A

	1968-69 <i>Actual</i>	1969-70 <i>Actual</i>	1970-71 <i>Estimated</i>
Title III ESEA -----	\$14,169,583	\$9,006,455	\$10,493,072
Title V-A NDEA -----	1,559,065	1,326,026	1,298,759
Total -----	\$15,728,648	\$10,332,471	\$11,791,831

The allocation of Title III funds is governed and controlled by a wide variety of state legislative requirements. The basic component of these provisions is Chapter 1442, Statutes of 1968, which established an Educational Innovation Advisory Commission. It is the duty of this group to review all Title III projects for recommendation to the State Board of Education. Subsequent legislative programs such as Chapter 1493, Statutes of 1969 (The Innovative Schools Programs) have confused the authority and responsibility for this program. We believe that the role and responsibility of advisory boards, commissions and committees must be comprehensively reevaluated by the Department of Education and will be considered in that section of this analysis.

Title V—Elementary and Secondary Education Act

Title V of the Elementary and Secondary Education Act authorizes a system of grants from the federal government to strengthen the leadership resources of state and local educational agencies. The federal law, as amended by Public Law 91-230 enacted in April of 1970, authorizes a four-part program as follows:

Part A—Grants to Strengthen State Departments

Part B—Grants to Strengthen Local Agencies

Part C—Grants to Comprehensive Educational Planning and Evaluation

Part D—Councils on Quality in Education

Part A is the original component of Title V and the only one funded by the federal government. The remaining segments (Parts B, C and D) were added by the April 1970 amendments and are yet to be funded. The federal legislation places few restrictions on the utilization of Part A funds but indicates that appropriate expenditures might include educational planning, data collection, dissemination of information, research and demonstration, publication, teacher training and consultative services. Projects which are 100 percent federally funded are initiated, reviewed and approved by the State Board of Education on the advice of the Department of Education. Table 9 reviews the State Department of Education's projects and expenditures from 1965-66 through 1969-70.

A review of the projects listed in Table 9 demonstrates that (1) there has been no particular emphasis or central direction to the use of these funds in the past, (2) once established, projects are not often terminated and (3) the funds are fragmented into a large number of small projects.

Table 9
Title V ESEA Funding
Expenditures, fiscal years 1965-66 through 1969-70

<i>Abbreviated title of project (Funded since program inception)</i>	<i>1965-66 Expenditures</i>	<i>1966-67 Expenditures</i>	<i>1967-68 Expenditures</i>	<i>1968-69 Expenditures</i>	<i>1969-70 Expenditures</i>
A. D. Little Survey -----	\$202,770	\$5,749	---	---	---
Committee of Seven -----	4,571	---	---	---	---
Program Planning Unit -----	83,919	153,817	\$178,323	---	---
Advanced Placement -----	12,285	61,750	78,282	\$31,273	\$28,450
English Framework -----	4,030	34,207	60,650	99,742	71,091
Social Sciences Framework -----	31,772	79,947	79,917	29,195	24,215
Science Framework -----	9,704	27,147	35,803	28,586	30,675
Bill of Rights -----	48,481	64,614	42,325	---	---
State Comm. Pub. Education -----	44,763	188,190	92,850	---	---
School Admin. Workshops -----	2,639	24,407	13,625	24,263	28,583
Transportation Supervision -----	855	---	2,433	7,223	---
School Planning -----	15,430	36,245	37,153	92,436	97,930
Test Kitchen -----	7,000	17,067	---	---	---
J. C. Advisory Panel -----	19,403	63,756	56,334	---	---
Data Processing Educational Info Systems -----	70,835	110,821	174,264	151,383	196,916
Innovation Exchange -----	1,651	4,645	1,645	1,770	4,798
Mexican-American Children -----	15,061	74,986	72,694	85,851	98,362
Teacher Supply-Demand -----	53,040	473	---	---	---
Instructional TV -----	4,376	28,177	31,894	37,065	38,104
Arts and Humanities -----	3,458	26,047	54,927	66,566	85,690
Staff Inservice Training -----	1,074	30,084	37,574	72,168	73,779
Intergroup Relations -----	2,674	---	---	---	18,360
Study of Desegregation -----	1,162	5,481	27,321	25,168	---
Junior High Schools -----	12,607	29,781	---	---	---
Review Education Code -----	44,822	---	---	---	---
Economics Education -----	16,407	25,071	32,974	13,980	897
Editor Services Project Talent -----	10,472	---	---	---	---
Adult Spanish Surnames -----	9,390	20,828	27,850	19,575	18,241
Conservation Educator -----	3,117	1,593	22,309	33,086	33,476
Teacher Records -----	148,033	28,025	---	---	---
Strengthening Admin. Services -----	---	34,065	56,773	75,720	129,008
Health Instruction Guidelines -----	---	32,000	41,000	---	15,003
Reading Grades 1 & 2 -----	---	27,000	---	---	---
1st Grade Reading Test Analysis -----	---	8,100	---	---	---
Textbook Evaluation Study -----	---	25,408	---	---	23,178

General Summary

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Summary of Federal Aid to California Education—Continued		Table 9—Continued Title V ESEA Funding Expenditures, fiscal years 1965-66 through 1969-70				
Abbreviated title of project (Funded since program inception)	1965-66 Expenditures	1966-67 Expenditures	1967-68 Expenditures	1968-69 Expenditures	1969-70 Expenditures	
Progress, Physically Underdeveloped -----	--	18,000	5,000	--	--	
Special Education Data Collection -----	--	40,000	--	--	--	
State Board Clerical Assistance -----	--	--	6,394	20,115	21,412	
NDEA III Strengthening Crit. Subjects -----	--	--	195,891	178,535	178,460	
NDEA X Imp. Stat. Services -----	--	--	27,338	32,669	49,626	
Departmental Reorganization -----	--	--	10,963	38,164	30,489	
Accreditation Workshop -----	--	--	2,452	3,030	--	
Curriculum Mentally Gifted -----	--	--	79,702	--	--	
Adult Education Adv. Committee -----	--	--	15,989	45,586	51,840	
Continuation Education Workshops -----	--	--	10,000	21,059	32,985	
Curriculum Abstracts -----	--	--	2,644	13,592	4,567	
Education Prof. Development Act Admin. -----	--	--	10,481	12,384	--	
P. E. Framework -----	--	--	1,544	13,297	24,607	
Model Inservice Programs -----	--	--	--	--	15,000	
Drug Abuse Education Program -----	--	--	3,500	--	--	
Reading Workshops -----	--	--	54,016	--	--	
Foreign Language Framework -----	--	--	21,820	--	13,596	
Civic Education -----	--	--	33,000	--	--	
Distribution to LEA's -----	--	--	--	198,080	199,914	
Coord. State Fed. Preschool Program -----	--	--	--	24,629	62,353	
Selection of Test Instruments -----	--	--	--	66,058	25,557	
Bulletin Laws Except Child -----	--	--	--	5,000	--	
Departmental Administration -----	--	--	--	--	36,691	
Blind/Multihandicapped -----	--	--	--	20	--	
Common Data Base -----	--	--	--	51,546	--	
Think-In on Gifted -----	--	--	--	3,520	--	
Role Ethnic Minorities -----	--	--	--	10,000	--	
Student Councils -----	--	--	--	10	6,264	
Tests for Certification -----	--	--	--	29,655	--	
Test Bilingualism -----	--	--	--	24,000	--	
Analysis State Test Results -----	--	--	--	14,000	--	
Educational Objectives -----	--	--	--	--	19,373	
Flexible Scheduling on PE -----	--	--	--	--	25,909	
Totals -----	\$885,810	\$1,327,419	\$1,739,654	\$1,699,999	\$1,815,399	

Education

General Summary

Table 10 shows existing projects by departmental division and demonstrates that the diffused use of Title V funds established in the past has continued in the budget year.

As we reported in the *Analysis of the Budget Bill 1970-71* the quality and results of Title V projects vary greatly, and while some have contributed to strengthening the Department of Education, many others are of extremely questionable value. An examination of the following excerpts of the most recent evaluation report entitled *Strengthening the State Department of Education* will demonstrate this point regarding projects in 1969-70.

State Board Clerical Assistance (\$25,000). These funds were expended for clerical assistance to the special assistant to the State Board of Education most of which was utilized to answer public correspondence to the board. Activities listed include the development of moral guidelines, seating of a high school student on the state board, revoking of California Administrative Code, Title V sections on racial balance, the adoption of a science framework and the appointment of committees who serve the board.

Innovation Exchange (\$5,000). The report states that these funds were "used in 1969-70 to finance the travel of the special assistant to the State Board of Education on the 'Journey for Relevance' in which 80 California educators and lay leaders visited five schools in five states." The report also indicates that these funds were used to support boards members' travel to the National Association of State Boards of Education and support consultant travel and per diem related to (1) Guidelines for the Education of Responsible Citizens in the Public Schools of California, (2) rewriting Administrative Code sections dealing with ethnic balance and (3) study of physical attacks on teachers.

Strengthening Administrative Services (\$30,372). The project is designed to "provide continuing control of financial transactions to implement basic operations of accounting, budgeting, duplicating, shipping and mailing and business services, to provide consultative and administrative assistance to project directors and to departmental managers on organization."

Strengthening Departmental Inservice Training (\$79,200). These activities include employee orientation, workshops and training, specialized training and professional technical training, supervision, management training communications training (20-hour reading improvement course), defensive driving, departmental training, advisory committee and planning counseling.

It will be noted from the above examples that many of these projects consist of expenditures for items which, either because of a lack of justification or a shortage of State General Fund support, cannot be included in the Department of Education's General Fund budget. Many projects funded through Title V deal with significant problem areas in public education in which the Department of Education could exercise substantial leadership. However, individual projects are of limited scope, usually involving the employment of departmental consultants and clerical assistance.

Education

General Summary

Summary of Federal Aid to California Education—Continued

Table 10

ESEA Title V Estimated Expenditures 1970-71

Departmental Activities by Divisions

As of December 31, 1970

OFFICE OF SUPERINTENDENT		<i>Man- years</i>	<i>Salaries</i>	<i>Contracted services</i>	<i>Equip- ment</i>	<i>Other</i>	<i>Total</i>
Departmental manage- ment legal services		1.60	\$15,534	--	\$1,825	\$3,863	\$21,222
Subtotal		1.60	\$15,534	--	\$1,825	\$3,863	\$21,222
DEPUTY SUPERINTENDENT FOR ADMINISTRATION							
<i>Division of Departmental Administration</i>							
Departmental manage- ment information system		5.00	\$59,496	\$30,000	--	\$136,304	\$225,800
California education information system		9.60	118,159	2,000	\$4,800	56,088	181,047
Departmental manage- ment services		16.80	181,486	2,000	31,006	32,043	196,535
Departmental staff development		4.00	45,560	17,800	1,450	14,190	79,000
Subtotal		35.40	\$354,701	\$51,800	\$37,256	\$238,625	\$682,382
<i>Division of School Admin- istration and Finance</i>							
Administrative statis- tical services		5.00	\$53,790	\$3,800	--	\$20,010	\$77,600
Administration services (LEA)		4.10	52,834	2,497	\$200	22,769	78,300
Subtotal		9.10	\$106,624	\$6,297	\$200	\$42,779	\$155,900
DEPUTY SUPERINTENDENT FOR PROGRAMS							
<i>Deputy's Office</i>							
Departmental program management services		11.70	\$160,049	\$15,860	\$5,110	\$44,985	\$226,004
Title V ESEA administration		2.00	29,896	3,707	625	11,590	45,818
Program planning and evaluation		5.10	45,768	20,220	2,426	16,947	85,361
Bilingual education project		4.80	62,446	3,000	--	21,760	87,206
Subtotal		23.60	\$298,159	\$42,787	\$8,161	\$95,282	\$444,389
<i>Division of Instruction</i>							
Services for improving instruction		21.80	\$269,835	\$146,301	\$3,150	\$117,698	\$536,984
Subtotal		21.80	\$269,835	\$146,301	\$3,150	\$117,698	\$536,984
<i>Division of Special Education</i>							
Supplemental services for special education		2.90	\$38,325	\$1,500	\$2,900	\$26,061	\$68,786
Subtotal		2.90	\$38,325	\$1,500	\$2,900	\$26,061	\$68,786
TOTAL		94.40	\$1,083,178	\$248,685	\$53,492	\$524,308	\$1,909,663

The weaknesses of the Title V program should not be considered within the context of the program alone, but rather as a shortcoming of the department's program planning and evaluation function. Recognizing the shortcoming, we recommended in the *Analysis of the Budget Bill 1970-71* that "legislation be enacted to provide guidelines for the Department of Education in the allocation of Title V funds." We further suggested that these guidelines include (1) state priorities for the allocation of funds, (2) a formalized system of project approval and (3) annual reporting to the Legislature on project funds and results achieved.

Legislation was passed by both houses of the Legislature (AB 2493) which required the Educational Innovation Advisory Commission to review the programs proposed to the State Board of Education. Although the bill was vetoed on technical grounds, Executive Order R-24-70 provided that the commission should perform this function.

The Governor's Budget further demonstrates the past dissatisfaction with the programs conducted under Title V and states:

"It is essential that the State Superintendent of Public Instruction have the management personnel so that the organizational patterns he establishes can be properly managed and maintained. When the leadership responsibility, the organizational climate, and the management personnel have been assigned in the priority areas identified by the Superintendent of Public Instruction, only then can an accountability system be built and operated. It is important that the State Superintendent of Public Instruction be held accountable for his programs, not for the programs of the past."

To implement this attitude, the budget document states that . . . "all projects funded by the federal Elementary and Secondary Education Act Title V have been terminated." The funds available under the program for the budget year of approximately \$2 million will be available to the superintendent to develop and implement good management of elementary and secondary education at the state level.

1. *We recommend that final action on any element of the Department of Education's budget be withheld until a comprehensive plan is developed for the 1971-72 utilization of funds available under Title V of the Elementary and Secondary Education Act.*

2. *We recommend that the Legislature request the Department of Education to give highest priority in the utilization of Title V ESEA funds in 1971-72 toward establishing an effective educational evaluation system.* We believe that the action taken in the Governor's Budget strongly demonstrates the administration's desire that the Department of Education use Title V funds more effectively. This action is justified in light of the department's poor record in the use of these funds. However, while we agree that the budget action successfully focuses on the problem it does not contribute to a solution.

As a consequence of the absence of a program of expenditure, the Legislature is presented with no budget at all for ESEA Title V. We, therefore, believe that final approval of all portions of the Department of Education's budget be delayed until such time as the appropriate

Summary of Federal Aid to California Education—Continued

subcommittees of the Senate Finance Committee and the Assembly Ways and Means Committee are presented with a complete expenditure program.

In addition, we would point out that one of the most serious weaknesses of the Department of Education is its inability to effectively evaluate educational programs. There are existing statewide testing programs. However, the results of these programs have not been utilized in the past for educational policy making. We believe that a comprehensive evaluation system should be developed for California and that the Department of Education should give this subject highest priority in planning for the use of Title V ESEA funds in 1971-72.

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 11. 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. Table 11 reviews this relationship since 1930-31.

These figures indicate that only seven times in the 39-year period did the state contribute 50 percent or more and the most recent occurrence was in 1947-48. This relationship, however, is an inaccurate picture of the state's effort regarding public education because it does not reflect other educational expenditures appropriated through budget action. Table 12 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.

This table points up the fact that a substantial amount of state support financed outside of the State School Fund is not reflected in the more narrow relationship. For example, in 1969-70 approximately \$202 million for categorical aid programs such as compensatory education, contributions to teachers' retirement and free textbooks was spent in addition to State School Fund apportionments. The addition of these other amounts to the state's share of the total state and local expenditures would increase the state's percentage in 1969-70 from 35.2 percent to 40.2 percent.

Table 11
General Fund Revenues of School Districts From
State School Fund and Local Sources
1930-31 to 1969-70 (est.)

<i>Fiscal year</i>	<i>Total General Fund Revenues of school districts (State & local) 1, 2</i>	<i>State School Fund 3</i>	<i>Percent State School Fund to total</i>
1930-31-----	\$151,657,836	\$27,037,158	17.8%
1931-32-----	159,025,563	28,339,273	17.8
1932-33-----	149,550,938	28,339,273	18.9
1933-34-----	125,778,387	69,947,572	55.6
1934-35-----	124,117,780	69,947,572	56.4
1935-36-----	127,568,111	71,619,718	56.1
1936-37-----	133,374,081	71,619,718	53.7
1937-38-----	152,191,508	72,332,130	47.5
1938-39-----	162,386,349	72,332,130	44.5
1939-40-----	174,177,972	77,189,539	44.3
1940-41-----	178,075,151	77,189,539	43.3
1941-42-----	177,539,061	79,821,311	45.0
1942-43-----	185,969,184	79,821,311	42.9
1943-44-----	178,730,077	97,813,910	54.7
1944-45-----	192,726,916	97,813,910	50.8
1945-46-----	213,408,592	96,157,108	45.1
1946-47-----	238,627,746	101,436,961	42.5
1947-48-----	294,729,778	173,521,609	58.9
1948-49-----	385,647,879	185,787,370	48.2
1949-50-----	470,420,684	199,418,284	42.4
1950-51-----	531,116,387	215,255,637	40.5
1951-52-----	656,308,835	223,961,450	34.1
1952-53-----	759,625,678	270,638,000	35.6
1953-54-----	738,493,801	367,132,301	49.7
1954-55-----	804,345,803	395,622,803	49.2
1955-56-----	882,853,804	428,482,804	48.5
1956-57-----	1,017,748,160	461,232,160	45.3
1957-58-----	1,150,157,621	498,630,621	43.4
1958-59-----	1,304,831,800	575,224,800	44.0
1959-60-----	1,447,958,245	638,401,245	44.0
1960-61-----	1,590,411,682	680,831,682	42.8
1961-62-----	1,741,834,480	717,427,480	41.2
1962-63-----	1,886,167,364	762,964,364	40.5
1963-64-----	2,193,337,453	830,340,587	38.3
1964-65-----	2,433,975,602	937,400,245	38.5
1965-66-----	2,663,827,775	997,283,275	37.4
1966-67-----	2,973,706,781	1,049,793,833	35.3
1967-68-----	3,403,000,431	1,272,491,000	37.4
1968-69-----	3,699,560,000	1,312,218,867	35.5
1969-70-----	4,067,690,000	1,432,997,000	35.2

¹Based on expenditures for period 1930-31 through 1952-53 and based on revenues from 1953-54 to present.

²From Controller's reports: Financial Transactions concerning School Districts of California, and state budget documents, 1930 to present.

³Excludes many items funded outside State School Fund (i.e., free textbooks, child care centers, state school building aid, etc.).

BASIC REFORM IN PUBLIC SCHOOL FINANCE

The existing system of public school finance does not promote the efficient use of available tax resources. This results because local school districts are completely dependent upon the property tax to produce local revenue. Not only do school districts rely on the property tax, all elements of local government rely on this tax as the most important source of revenue. Table 13 compares school district property tax revenues to the other major segments of local government.

Table 12
Revenues for Public School Support
From State and Local Sources
(in thousands)

<i>State Subventions for Public Schools</i>	<i>1966-67</i>	<i>1967-68</i>	<i>1968-69</i>	<i>1969-70</i>
State School Fund Apportionment				
Regular Apportionments -----	\$1,049,793	\$1,271,933	\$1,315,158	\$1,420,023
Miller-Unruh Reading Program				
School Fund Apportionment -----	--	--	--	7,974
Educational Improvement Act				
State School Fund Apportionment -----	--	--	--	5,000
Subtotal State School Fund Apportionments -----	\$1,049,793	\$1,271,933	\$1,315,158	\$1,432,997
Total Other Local Assistance -----	170,627	169,579	189,810	201,851
Total State Subventions -----	1,220,420	1,441,512	1,504,968	1,634,848
Total General Fund Revenue of School Districts from				
Local Sources ¹ -----	1,753,286	1,961,488	2,194,592	2,432,842
Total School Districts' Revenue (State Subventions plus				
Local Sources) -----	2,973,706	3,403,000	3,699,560	4,067,690
Percent of Total State Subventions to Total School Districts'				
Revenue (State Subvention plus Local Sources) -----	41.04%	42.36%	40.69%	40.19%

¹ Includes income from local and county sources (Controller's Report).

General Summary

Education

Table 13
Property Tax Revenues for Local Government
1969-70

<i>Purpose</i>	<i>Revenue (in millions)</i>	<i>Percent of Total</i>
School districts -----	\$2,672.4	54.1
Counties -----	1,424.2	28.9
Cities -----	534.6	10.8
Special districts -----	304.3	6.2
Total -----	\$4,935.5	100.0

School districts collect more revenues from this source than all other segments combined. Further, total property tax rates have increased in the past largely as a result of increases in school district levies as shown in Table 14.

Table 14
Changes in Property Tax Levies
1959-60 through 1969-70

<i>Purpose</i>	<i>1959-60</i>		<i>1969-70¹</i>		<i>Change</i>	
	<i>Revenue (in millions)</i>	<i>Percent of Total</i>	<i>Revenue (in millions)</i>	<i>Percent of Total</i>	<i>Revenue (in millions)</i>	<i>Percent of Increase</i>
School districts	\$954.9	48.0%	\$2,672.4	54.1%	\$1,717.5	179.9%
Counties	653.5	32.8	1,424.2	28.9	770.7	117.9
Cities	271.1	13.6	534.6	10.8	263.5	97.2
Special districts	111.0	5.6	304.3	6.2	193.3	174.1
Total	\$1,990.5	100.0%	\$4,935.5	100.0%	\$2,945.0	147.9%

¹ Exclusive of homeowners exemption and inventory exemption.

Table 14 demonstrates that from 1959-60 to 1969-70 school districts accounted for \$1,717.5 million or 58.3 percent of the total \$2,945 million increase in property tax collections of local governing bodies. We believe that there is a substantial lack of efficiency in the utilization of tax resources throughout the public school system. A review of the major weaknesses of the public school support system follows.

Weaknesses of the Public School Finance System

1. There is an excessive number of individual elementary and secondary school districts.

In 1969-70 there were 1,144 separate elementary, secondary and community college school districts in California. Only four other states have a larger number of operating units. Table 15 shows the number of school districts by organizational structure and average daily attendance.

Table 15
Number of School Districts—1969-70

<i>ADA</i>	<i>Elementary</i>	<i>High school</i>	<i>Unified</i>	<i>Community college</i>	<i>Total</i>
0 -----	3	--	--	--	3
1-100 -----	187	--	--	--	187
101-500 -----	228	19	21	--	268
501-1,000 -----	80	23	18	5	121
1,001-5,000 -----	156	46	85	29	287
5,001-10,000 -----	49	16	45	18	110
Over 10,000 -----	23	16	67	10	106
Total -----	726	120	236	62	1,144

Basic Reform in Public School Finance—Continued

The Legislature has long recognized the need to eliminate duplication of effort and promote economies of scale through the unification of single level districts.

Despite the fact that the number of operating units has been reduced from 3,047 in 1935-36 to 1,138 in 1970-71, there are still numerous small districts which because of limited size and wealth are relatively inefficient. The number of districts has not been reduced substantially in recent years and we conclude that stronger steps will be required for further unification. This is due principally to the fact that many small districts represent islands of high assessed value which support high cost programs at relatively low tax rates. In addition, small districts below certain levels of ADA receive special health care, pupil personnel, and supervision of instruction services free of charge from the county superintendents of schools.

2. The level of property tax support to the educational programs is not sufficiently equalized to permit comparable educational programs.

There exists among the large number of school districts shown in Table 15, wide variations in district ability to support educational programs as measured by assessed value per unit of average daily attendance. Table 16 shows these differences in tax base among the school districts.

Table 16
Assessed Valuation Per Average Daily Attendance
1969-70

	Elementary	High school	Community college
Low -----	\$103	\$11,959	\$45,285
Median -----	19,800	41,300	133,600
High -----	952,156	349,093	371,432

As a result of the variations in tax base a significant variation exists in the tax rate which property owners are required to bear. Table 17 reviews this range of tax rates.

Table 17
Range of Total Tax Rates for Public School Districts 1969-70

District level	Low	Median	High
Elementary -----	\$0.15	\$2.25	\$5.50
High school -----	0.89	2.08	3.54
Unified -----	1.00	4.33	6.97
Community college -----	0.41	0.65	0.99

The various levels of taxable wealth and district tax rates working independently produce a wide range in per pupil expenditure as shown in Table 18.

Table 18
Range of School District Current Expenditures per Pupil
1969-70

District level	Low	Median	High
Elementary -----	\$407	\$672	\$2,586
High school -----	722	898	1,767
Unified -----	612	766	2,414
Community college -----	639	836	1,667

In some cases districts with low expenditure levels have correspondingly low tax rates. In many more cases, however, quite the opposite is true; districts with unusually low expenditures have unusually high tax rates owing to their limited tax base. Table 19 demonstrates this situation in several counties.

Table 19
Comparison of Selected Tax Rates and Expenditure Levels
In Selected Counties

County	1968-69 ADA	Assessed value per ADA	Tax rate	Expenditure per ADA
Alameda				
Emery Unified	586	\$100,187	\$2.57	\$2,223
Newark Unified	8,638	6,048	5.65	616
Fresno				
Coalinga Unified	2,640	\$33,244	\$2.17	\$963
Clovis Unified	8,144	6,480	4.28	565
Kern				
Rio Bravo Elementary	121	\$136,271	\$1.05	\$1,545
Lamont Elementary	1,847	5,971	3.06	533
Los Angeles				
Beverly Hills Unified	5,542	\$50,885	\$2.38	\$1,232
Baldwin Park Unified	13,108	3,706	5.48	577

Certain features of the state school support system attempt to adjust these disparities such as (1) the computational tax component of the foundation program, which modifies state support, to some degree, in relation to the district tax base, and (2) the areawide tax program which results in some shift of revenue from the wealthier to the less wealthy districts. These programs, however, have been insufficient to equalize the ability of school districts to finance educational programs, as the examples in Table 19 demonstrate.

3. The foundation program of guaranteed state and local support is not responsive to the cost of educational programs.

The present definition of the foundation program, "a minimum acceptable level of school support" for public school pupils financed from state and local sources, is so vague that it is meaningless. This loose definition expressed in terms of dollars per ADA means that any foundation program figure once established is subject to criticism inasmuch as it is neither related to the actual average current expense of education per pupil, the estimated program requirements, nor to any category of expenditures per pupil. The use of a foundation program figure which is not related to actual requirements results in a rather inflexible apportionment system. These deficiencies in the current foundation program have made it difficult for the Legislature to evaluate the adequacy of any given level of state support for the foundation program or to evaluate demands for additional state aid. The periodic legislative increases in state support for the schools, excluding categorical aid programs, have been based generally on revenue considerations instead of being based upon the adequacy of the current foundation program.

4. The growth in the property tax base, i.e., assessed valuation, results in a reduction of state support and an increase in local property tax support.

Basic Reform in Public School Finance—Continued

State foundation program support to the public schools is composed of three components: basic aid, district aid and equalization aid. Under this system state support is based on a guaranteed amount adjusted by the amount that the computational tax produces on the local tax base. As a consequence, the annual growth in assessed valuation results in a corresponding reduction in state equalization aid when no legislative adjustment is made.

This reduction in state support per pupil is commonly referred to as "slippage" and is estimated to account for as much as \$50 million statewide in replacement of state funds with local funds unless compensated for by legislative adjustments.

5. The system of tax rate controls defined by the Education Code does not regulate school district expenditures.

The Education Code contains a number of specific requirements regarding school district property tax rates. The basic element of these provisions is the maximum tax rate which is expressed in terms of a level which cannot be exceeded to provide general revenue without approval of a majority of the district electorate.

Since the system of maximum tax rates was first enacted in 1931 there have been very few modifications to the amounts authorized. The principal exceptions were Chapter 2, Statutes of 1959, which increased the amounts for unified districts by \$0.05 for the elementary and secondary grades and by \$0.15 where a community college is included. Subsequent actions authorized higher tax rates in districts with low expenditure levels.

A review of the maximum tax rates as compared to the actual levies of school districts demonstrates that the existing rates are unrealistic and do not limit local tax rates since all but a few districts are above the maximum through authorization of the electorate. Table 20 compares the number of districts at each level which tax below and above the maximum.

Table 20
Comparison of Districts Exceeding the Statutory
Maximum Tax Rate
1968-69

<i>General purpose tax rate</i>	<i>Elementary</i>	<i>High school</i>	<i>Unified</i>	<i>Community college</i>
At or below statutory maximum-----	8	2	1	45
Above statutory maximum -----	730	119	234	17

While there has been little legislative modification of the authorized maximum school district tax rates and most districts have exceeded the levels prescribed, numerous special increases or "permissive override taxes" have been established by the Legislature. The gradual but extensive growth of these taxes for educational as well as noneducational purposes has resulted in the present authority for the levying of 43 separate taxes by school boards. These authorizations cover a broad range of school district programs and responsibilities including special education, retirement system, children's centers, youth conservation and training programs.

The original intent of the maximum tax rate system was to provide control of the revenues and expenditure levels of school districts. However, as demonstrated above, through local option and permissive override taxes these restrictions are no longer effective. We believe that the subject of property tax rate control must be approached in the context of reform in public school finance. The state has accepted a substantial portion of the responsibility for assuring a level of quality in education at a reasonable cost. This can be accomplished only under a system which permits local school boards to tax at a sufficiently high rate to support the basic elements of an adequate educational program but, at the same time, assures adequate controls on expenditures to taxpayers throughout the state.

6. The system of state support does not adjust automatically to reflect the impact of inflation on school costs or allow school districts to share in the increased productivity of society.

The existing systems of state and local support to the public schools do not have sufficient flexibility to adapt to changes in the economy. These fluctuations are basically of two types (a) the cost changes which can be attributed to inflation and (b) increases in the productivity of society which are reflected in wage and income changes.

(a) Effects of Inflation. A significant portion of the increases in the cost of education can be attributed to inflation which has escalated dramatically since 1966. Table 21 shows that the California Consumer Price Index (CPI) increased by 5.68 percent during 1969-70 which was more than double the rate of increase during the early 1960's. This CPI index measures only the growth in prices paid by the general public for the goods or services it purchases, and is not a direct reflection of the increased cost of education. Most of the cost for schools consists of services (i.e., teacher salaries) which typically grow faster than general consumer prices. One of the reasons for the more rapid growth rate is that salaries as they are adjusted to competition in the private sector reflect not only changes in inflation, but also increases in productivity (i.e., the increases in real purchasing power).

Chapter 784, Statutes of 1969, authorizes the Superintendent of Public Instruction to "increase the various foundation programs in accordance with the specifications in the Budget Act in order to apportion amounts specifically appropriated in the Budget Act for cost increases due to inflation." This, however, is only an authorization to act if funds are appropriated and not a guarantee of an adjustment. In addition, there is no existing authority for school district governing boards to increase local property tax revenues to reflect the impact of inflation on locally supported school costs.

As a result of these structural rigidities at both the state and local level, the existing school formulas are unrealistic because they do not compensate for outside cost pressures over which the school system has no control.

(b) Increase in Productivity. During the 1960's real purchasing power in this country increased at an average annual rate which, compounded, would be approximately 2.75 percent. Employees in both the private and governmental sectors attempt to share in this increase

Basic Reform in Public School Finance—Continued

through wage negotiations. The salary structure for California teachers partially recognizes the growth in productivity by granting annual merit salary adjustments. However, neither the state (except when the Legislature increase state aid) nor the local school financial structure has a mechanism for recognizing what is obviously a built-in cost factor. These adjustments can be financed in part out of the growth in assessed valuations which partially results from inflation.

We believe the school finance system should incorporate salary policies which include both the inflationary experience and changes due to productivity. In this way the state would share part of the financing of these two basic costs which are independent of changes in enrollment and program. It should then be possible to isolate these changes in local school budgets which reflect increased level of services versus those which adjust for inflation and related salary costs.

This approach would also establish a logical method for determining teacher salaries. By granting an inflationary adjustment, teachers are protected from an erosion in their real purchasing power. By adding a productivity factor which corresponds to the long-term growth in the national economy, teachers will participate proportionately in the growth in real purchasing power.

Table 21
Comparison of Increases in School District General Fund Current Expense
to Increases in the California Consumer Price Index
and National Productivity

Year	(1) Annual change in current expense of education	(2) Annual change in consumer price index	(3) ¹ Annual change in productivity	(4) Program improvement 1 — (2 + 3)
1964-65	6.34%	2.20%	3.36%	0.78%
1965-66	7.51	1.61	3.24	2.66
1966-67	8.62	2.91	2.52	3.19
1967-68	7.43	3.17	2.20	2.06
1968-69	11.85	3.90	1.61	6.34
1969-70 (est.)	8.58	5.68	0.93	1.97

¹ 1970 Economic Report of the President, page 216, and the December 1970 issue of the Monthly Labor Review, by the U. S. Department of Labor, page 96. This index refers to private nonfarm employees and the increases are annual changes.

Recommendations for a Basic Reform of Public School Finance

Based on the foregoing analysis of the weaknesses of the current system of public school finance, we recommend the following legislative program which is designed to correct many of the inherent inefficiencies.

1. *We recommend that legislation be enacted to lapse and consolidate all elementary districts of 100 ADA or less and all high school districts of 500 ADA or less.* Despite the fact that the number of operating units has been reduced from 3,047 in 1935-36 to 1,138 in 1970-71, we believe that inequities still exist. For example, of the 712 elementary districts, 190 (or 26.6 percent) have 100 ADA or less and of the 120 high school districts, 19 (or 15.9 percent) have 500 ADA or less.

The number of districts has not been reduced substantially in recent years and we believe that greater financial incentives or more positive steps will be required for further unification. This is basically due to the fact that many small districts represent islands of high assessed value which support high cost programs at relatively low tax rates. Therefore, as the first step in a program to lapse small uneconomical districts, we propose that districts at the elementary level of 100 ADA or less and districts at the high school level of 500 ADA or less be consolidated with larger units on an orderly basis.

2. *We recommend that a statewide property tax be established for public school support to promote equalization of property tax support among school districts.* Certain features of the state school support system presently attempt to adjust inequality of local tax bases such as (1) the computational tax component of the foundation program which adjusts state support, to some degree, in relation to district tax base and (2) the areawide tax program which results in some shift of revenue from the wealthier to the less wealthy districts.

These programs, however, have been insufficient in equalizing the ability of school districts to finance educational programs. We believe that a statewide tax should be instituted to equalize property tax support to public schools. It would at first appear that this proposal is a substantial departure from existing state policy since the property tax is not presently a source of state revenue. It should be noted, however, that there is precedent for a state mandated property tax for schools within the existing school support system. It should also be emphasized that this is not a new tax but simply a state property tax in lieu of a local property tax. As outlined in the section of this report on "The Foundation Program" the Education Code mandates a computational tax to produce district aid for equalization purposes in all districts which are of sufficiently low wealth to receive equalization aid. The districts which are of sufficient wealth to produce more from the combination of basic aid and district aid than they would receive from the foundation program guarantees contribute nothing to statewide equalization. This results in the loss of approximately \$70 million in property tax revenues which are identified by the foundation program for statewide equalization purposes.

The statewide collection of district aid would have distinct advantages over the current system. Principally, it would result in the elimination of basic aid. Since district aid is collected at the state level it could be allocated back to districts as simple lump-sum apportionments because adjustments presently required for district wealth would be accommodated in the collection of the tax. The present system guarantees that for each pupil in average daily attendance the district will receive \$125 regardless of the amount which the computational tax can produce. The proposed statewide tax system would guarantee to each pupil in average daily attendance a full foundation program while taking full advantage of statewide tax resources. This approach would also eliminate slippage, or the reduction of state support from the increases in local assessed valuation.

Basic Reform in Public School Finance—Continued

3. *We recommend that the foundation program be defined to reflect "basic instructional support" costs.* We believe state support should be based on a category of educational expenditures deemed critical to the basic education of every child such as teacher salaries and related expense, the adequacy of which could be periodically evaluated to determine the desired level of state support.

To date, the Legislature has had only average current expense figures to use in the development of school support proposals. These figures have serious shortcomings since they represent only the mathematical average of experienced costs, reflecting districts which spent widely varying amounts. They do not reflect the cost of educational programs defined as adequate. During the current year the Department of Education has attempted to develop a basic program model of support for each program level. This is divided into (1) instructional support, (2) general support and (3) pupil services support.

When the program models are finalized for the elementary, secondary and community college levels, we believe that the levels identified should be reviewed and utilized as legislative guidelines. Further, we believe that the foundation program of support should be geared to the costs of instruction while other district costs should be the responsibility of the districts. The acceptance of this approach would result in the utilization of, for foundation program purposes, the "Basic Instructional Support" which includes teacher salaries and the support of essential operations related to classroom instruction. Under this concept a foundation program could then represent the cost of classroom instruction under normal conditions. However, where special situations such as high concentrations of educationally disadvantaged children from low income families result in greater cost, the components of this cost, such as the addition of a teacher's aide, or specialized equipment, could be identified as required adjuncts to the base level program.

4. *We recommend that a system of school district revenue and expenditure limitations be established which will permit local governing boards to impose property taxes at their own discretion to support "basic general support" and "basic pupil services support" at the levels established by the Legislature and permit the local electorate by vote to exceed the amounts prescribed for basic instructional support, basic general support and basic pupil services support.* The Education Code establishes the system of maximum tax rates for public school districts. These limitations have proven inadequate in controlling tax rates since most districts have, through authorization of the electorate and permissive override taxes, exceeded the amounts prescribed.

We believe that a more effective system of revenue and expenditure control can be built on a foundation program which utilizes a program model to regulate the amounts which can be raised locally without special authorization from the voters. We would propose that all local school boards be authorized to tax at their discretion to support basic general support and basic pupil services support. The actual amounts to be raised and expended for these functions would be established by the local school board but could not exceed the amounts established in

the program model adopted by the Legislature. Any expenditure beyond the amount provided by the state for basic instructional support or permitted for general support and basic pupil services support, plus bond interest and redemption, would require the approval of the electorate. When such tax increases are proposed we believe that the district should be required to state the proposition in terms of the cost increases related to the anticipated educational benefits which will result.

5. *We recommend that legislation be adopted which will authorize an annual adjustment in the total funds designated for program support, composed of instructional, general and pupil services support, which will reflect the impact of inflation on school costs including a national index factor which represents increased productivity.* The existing system of school support is inflexible and unresponsive to changes in the economy. The two principal economic trends which should be accounted for in the system are (a) cost changes which are attributed to inflation and (b) increases in economic productivity.

(a) Inflation Factor. We believe that both the basic instructional support program and the total program of support should be adjusted annually by the Consumer Price Index reported from the period of March to March of the preceding fiscal year. These figures are presently reported by the Department of Finance and the use of previous year data will permit the use of actual figures.

(b) Productivity Factor. In developing a factor the formula should take into account the wide variations which occur in this index from year to year. We propose that the average annual increase for the prior 10 years be utilized and reviewed and adjusted by the Legislature every three to four years to assure its accuracy. This annual factor for the 10-year period from 1960 to 1969 was 2.75 percent compounded.

Therefore, based on the two components above, the factor to be applied to state support defined in basic instructional program and also to local discretionary revenue and expenditures composed of basic general support and basic pupil services support for 1971-72 would be:

Consumer Price Index		Productivity		
(March 1970 to March 1971)	+	Factor	=	Adjustment Factor
		(2.75%)		

EXCESS COST TO SCHOOL DISTRICTS RESULTING FROM LOW INCOME TARGET AREAS

Chapter 1466, Statutes of 1970, (AB 969) directs the Office of the Legislative Analyst to:

"... undertake a comprehensive study of the excess costs of target school districts . . . to identify individual educational programs and expenditures which result in excess cost to target school districts, including an estimate of the total cost of all such school districts."

A target school district is defined in the legislation as any district having one or more target schools where the achievement scores in reading are substantially below the district and state averages, or with substantial problems of higher than average unemployment, higher than average rates of welfare dependency, and similar factors. The legisla-

Excess Cost to School Districts—Continued

tion defined excess costs of such districts to be those costs which exceed the statewide average costs of nontarget school programs conducted among California schools.

Although a system of providing general aid to school districts does not recognize urbanization as a factor in the apportionment of funds, there are a variety of special federal and state categorical aid programs which are designed to offset, in part, the high costs which occur in certain areas. Programs specifically designed for such special purposes include the following:

1. Title I of the Elementary and Secondary Education Act of 1965: Compensatory Education (federal).
2. State Preschool Program (state and federal).
3. Special Teacher Employment Program (state).
4. Demonstration Projects in Reading and Mathematics (state).
5. Research and Teacher Education (state).
6. Teacher Corps/New Careers in Education Act Program (state).
7. Professional Development Centers (state).

The foregoing is by no means a complete list of the funds available to defray the excess cost of education programs in low-income areas. There is a wide variety of other state and federal programs which can be used for these purposes. For example, Title III of the Elementary and Secondary Education Act authorizes projects designed to develop imaginative solutions to educational problems. Since the education of culturally disadvantaged youth is a significant educational problem, at least a portion of these funds could be considered for this purpose.

Despite the wide variety of state and federal categorical aids directed at this problem area, it has been contended that there is a significant portion of the excess cost of low-income target areas which is not met by any special program. It is further argued that these programs are too narrow in scope and that they do not recognize the indirect cost of providing programs in the target area or effectively differentiate among program requirements of individual districts.

Generally the costs which are experienced are of two types.

1. *The Excess Costs of Urban Areas.* There are costs experienced by urban school districts which result from special municipal requirements or a higher than average cost of living. For example, a school district situated in a metropolitan area would probably be precluded by city or county ordinance from burning its trash, while a suburban or rural district might be permitted to do so. The urban district would therefore be required to pay for hauling trash to reduce air pollution. Similarly, there are higher costs of labor in urban areas which affects the costs of maintenance and repair of school facilities.

2. *The Excess Costs for Educational Programs for the Children of Low-Income Parents.* Substantial problems are created for urban school districts as a result of being situated in areas of high social tension and having high concentrations from low-income families who are less well prepared for participation in an educational program than students from more affluent backgrounds. The State Department

of Education's Office of Compensatory Education reports that an investment of at least \$300 per pupil is required beyond ordinary district expenditures to insure a pupil performance rate equal to or better than the established norms.

In the absence of statewide comparative data, a sampling technique was utilized to identify the elements of excess cost for a limited number of target school districts which could then be used as a basis for the projection of excess cost statewide. The districts selected represented a wide geographic distribution, but all operate target area programs. Table 22 contains the estimates for each of the identified cost elements identified in the study by "local" cost (local support costs) and "total" cost (federal, state and local expenditures).

Table 22
Estimate of Statewide Excess Cost of Target School Districts

	Local	Total
Insurance Cost -----	\$0.64	\$0.64
Property Damage -----	16.10	16.22
Pupil Transiency -----	2.00	2.79
Instructional Program -----	13.95	70.62
Supplementary Personnel -----	23.64	51.68
Community Services -----	0.83	3.08
Total -----	\$57.16	\$145.03

The Department of Education's Office of Compensatory Education estimates that there is a total of 650,000 target area school age pupils statewide. Therefore, based on the cost factor identified above, less the amount for preschool programs, a total of approximately \$36.5 million in excess cost for target area pupils was expended from local funds and \$81.6 million was expended from all revenue sources. When these figures are modified by the factors for preschool and child care based on the estimated statewide preschool target area population of 150,000, there is a total local estimated expense of \$36.7 million and a total target area excess expense of \$84.5 million.

Recommendations on Low Income Target Areas

1. *We recommend that the Legislature direct the Department of Education to define comprehensively for educational planning purposes the low income educationally disadvantaged target areas throughout the state.* For the purposes of the required study low income target areas defined for Title I of the Elementary and Secondary Education Act prior to April of 1969 were used to obtain a rough measure of target area excess cost. We do not believe, however, that this sufficiently identifies low income educationally disadvantaged target areas for state planning purposes.

This conclusion is based on the fact that ESEA Title I uses the concentration of children whose families receive aid to families with dependent children as the prime consideration in the distribution support. Beyond this common element of AFDC, districts may use a number of factors in the identification of the target area such as housing statistics, health statistics, test scores, infant mortality rates, mobility and attendance records and the number of children receiving free lunches.

Excess Cost to School Districts—Continued

This results in a system for the identification of target areas which is largely locally determined and may vary from district to district. In addition, the system for the identification of target areas was substantially modified with the introduction of the April 1969 requirement that services be concentrated to the level of \$300 per pupil. This de-emphasizes the identification of the total target area and identifies the most concentrated poverty areas.

We believe that the special problems of educationally disadvantaged children and the excess costs reported by local school districts justify high priority for state and federal support of target area educational programs. Since, however, identification of such areas has not been developed sufficiently for state planning purposes, we recommend that the Legislature direct the Department of Education to identify and map out on a statewide basis the highest priority educationally disadvantaged target areas. This should be based on such factors as family income, statewide test reports and data from the 1970 census. Once defined, the target areas should be regularly reviewed to update the information based on changes in the population.

2. *We recommend that once the target areas have been identified, (Recommendation No. 1) the Legislature authorize a limited number of grants to target school districts to permit cost accounting on an individual school basis.* The sample districts included in this report have, to a certain extent, been able to identify costs in their target areas which materially exceed costs in the nontarget area. This does not provide sufficient information for state planning purposes. This limitation results from the fact that school districts keep expenditure records on a centralized basis to achieve the economies of scale which centralized purchasing, warehousing and accounting provide.

As a consequence of this procedure target school districts cannot fully determine their excess costs and, equally important, cannot identify differences in expenditure. We believe that it is necessary for the Legislature to have comparative cost information on both the excess expenditures and differences in expenditure of target schools. This can be achieved through a limited number of grants to selected target school districts which would permit the establishment of school-by-school accounting. Participants in such a program should be required to use the accounting system developed by the Advisory Commission on School District Budgeting and Accounting to insure common definition and program format.

3. *We recommend that the financial and educational problems created by target schools be approached individually and categorically and not through the application of an "urban factor."* We have concluded as a result of this study that school districts do expend additional local funds to support programs in low-income target areas. The recognition of this situation is not new and has led to numerous proposals in the past which would establish an "urban factor." These usually provide an increase in the foundation program support formula for target area pupils to be distributed as general aid to the urban districts.

After reviewing the excess expenditures reported by the sample districts, we believe that a simple urban factor approach to the excess costs of target school districts would not be an appropriate course for the Legislature to follow in dealing with these problems. Since excess expenditures vary substantially from category to category and from district to district. Any single urban factor only represents an average of such expenditures statewide and would not be responsive to the widely varying needs of individual districts. Further, the allocation of funds on this basis would not provide the Legislature or the Department of Education sufficient control over the use of funds to monitor the productivity of individual district's educational programs.

We believe that each of the elements of excess target area expense should be approached individually in the manner presently practiced based on program priorities established by the Legislature. When such priorities are established all programs should be on an application basis and the effectiveness in individual excess cost areas closely reviewed by the Department of Education and reported to the Legislature.

4. *We recommend that any state support programs designed to assist in meeting the financial problems of local school districts created by low-income target areas not be based solely on the excess expenditures reported by school districts.* The excess expenditures of school districts which are included in this report and which would be further clarified by the adoption of Recommendation No. 2 can be helpful to the Legislature in the identification of high cost areas to school districts with low-income target schools. However, for policy decisions to be made on the funding of individual programs, a great deal more than excess cost information is required. Excess cost information should be supplemented with performance cost analysis to insure that the support level is an accurate reflection of the requirements of an effective program. In this way support will not only reflect actual expenditures but what the costs should be.

RECOMMENDED CHANGES IN THE OFFICE OF THE COUNTY SUPERINTENDENT OF SCHOOLS

Chapter 784, Statutes of 1969 (AB 606 Veysey) directed the Joint Legislative Budget Committee to conduct a study of the office of the county superintendent of schools for the purpose of developing recommendations regarding the "legitimate role of the intermediate unit in the California educational structure." The results of this study are printed in our report dated January 25, 1971, *The Intermediate Unit in California's Educational Structure, A Study of the Office of the County Superintendent of Schools*.

Interviews and field visitations were conducted to determine the functions now being performed by the county superintendents of schools for the Department of Education and the local school districts. Funding of the county superintendents of schools was studied and a comparison was made of California's intermediate unit with those of other states.

Based on our findings, we believe the role of the intermediate education unit in California is to serve as the administrative arm of the Department of Education and to provide educational services on a con-

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General Summary

Recommended Changes in Office of County Superintendent—Continued

tract basis at the option and determination of the local school districts which comprise the intermediate unit.

A major recommendation of our report is that the office of the county superintendent of schools and its corresponding governing county board of education be eliminated and replaced as the intermediate education unit in California by regional education districts which are not restricted in size to single county boundaries. Additional recommendations deal with the administrative structure, the functions, and the financing of the intermediate unit. Some of these recommendations call for immediate changes in the office of the county superintendent of schools while others deal with the proposed regional education districts. The fiscal effect of our proposed recommendations would be a savings of \$12.4 million for the State School Fund as follows.

	<i>County School Service Fund Total In Millions</i>	<i>Reduction In Millions</i>	<i>County School Service Fund Balance In Millions</i>
County School Service Fund			
Direct Services Apportionment—			
1969-70 -----	\$3.5		--
Recommended Reduction -----	--	\$-3.5	--
Subtotal -----	\$3.5	\$-3.5	None
Other Purposes Apportionment—			
1969-70 -----	15.3	--	--
Recommended Reductions			
Coordination -----	--	-6.5	--
Audio-visual and Library -----	--	-3.2	--
Courses of Study -----	--	-0.5	--
Teacher Institutes and			
In-service Training -----	--	-0.2	--
Subtotal -----	\$15.3	\$-10.4	\$4.9
Total -----	\$18.8	\$-13.9	\$4.9
Foundation Program for Small School Districts			
Recommended Increase (transferred from Direct Services above) --	--	\$1.5	--
Net Reduction -----	--	\$-12.4	--

PROPERTY INSURANCE OF SCHOOL DISTRICTS

Chapter 684, Statutes of 1970 (AB 1026) and Senate Resolution 332 requested the Joint Legislative Budget Committee to study school district financial problems associated with property insurance. The requested project was carried out through contract with a private risk management consulting firm. The results of the comprehensive study conducted are included in the final report entitled *Property Insurance for California*.

School Districts

In the course of this review questionnaires were distributed to all California school districts. It was found that public school districts' insurance increases were a combination of: (1) increases in direct insurance premium costs and (2) enforced self-assumption of loss through

large mandatory deductibles. District reports indicated that between 1965-66 and 1969-70, as reviewed in Table 23, district total premiums for property insurance have almost doubled.

Table 23

Total School District Property Insurance Premium Costs	
Year	Total Premium
1965-66 -----	\$5,711,000
1966-67 -----	6,327,000
1967-68 -----	6,807,000
1968-69 -----	8,768,000
1969-70 -----	10,833,000

Based on the costs identified through district questionnaires supplemented with interviews with appropriate officials and contacts with other states providing special insurance to school districts the report recommends a central state fund for treating all risks of loss to school district property. The advantages of this approach are:

1. Cost savings of \$3 to \$4 million per year in the aggregate, plus additional future income from investment of reserves.
2. Provision of a stable source of funding to replace the currently volatile and unstable insurance markets.
3. Improved administration of loss prevention, claims handling, and other administrative matters which relate to property losses.
4. Possibility of providing an orderly method of funding earthquake and other currently uninsured risks.
5. Development of a self-insurance pool which could ultimately be integrated with other state self-insurance pools to achieve even greater spread of risk and improved benefits for all self-insuring entities.
6. Provision of a medium by which the state may provide financial assistance to local school districts by participating in underwriting the costs of the central fund. Such state participation can be in any degree desired, from zero to 100 percent.

To implement the proposed plan the report states that legislation should be enacted to accomplish the following:

- a. Establish a School District Property Loss Fund from which all losses to school district property will be paid.
- b. Appropriate \$1 million to cover reserve for losses and start-up costs of administration. This amount can be repaid by the fund within a year if desired.
- c. Designate the administrative body in the state. The State Insurance Office is preferred.
- d. Establish a trust fund reserved solely for payment of physical losses to school district property as determined by adjusters of the administrative body.
- e. Authorize all local school districts to participate in the fund by payment of one year's current property insurance premiums. Most of these funds can be made available by cancellation of existing policies. (If all risks not covered, assess 80 percent of premium.)
- f. Authorize the administrator of the fund to contract for such claims adjusting, loss prevention, actuarial and other services as are

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Property Insurance of School Districts—Continued

necessary for operation of the fund with such costs not to exceed 10 percent of the premium income of the fund.

g. Authorize the administrator to purchase such excess insurance as may be necessary for adequate protection of the fund until it is of sufficient size to insure stability.

h. Legislation should be enacted requiring all districts to protect (either by the fund or private insurance) against all risks of major loss; i.e., those exceeding 1/10 of 1 percent of annual budget.

Department of Education**STATE OPERATIONS**

Items 262, 263, 265, 266 and 268 from the

General Fund

Vol. IV p. 2 Budget p. 252

Requested 1971-72	\$15,811,445
Estimated 1970-71	15,884,987
Actual 1969-70	16,103,527
Requested decrease \$73,542 (0.5 percent)	
Total recommended reduction	\$234,576

Department of Education**LOCAL ASSISTANCE**

Items 269 through 278 from the General

Fund

Vol. IV p. 2 Budget p. 252

Requested 1971-72	\$1,519,567,987
Estimated 1970-71	1,518,245,027
Actual 1969-70	1,498,254,456
Requested increase \$1,322,960 (0.1 percent)	
Total recommended augmentation	\$675,000

DEPARTMENT OF EDUCATION

Item 267 from the Surplus Property

Revolving Fund

Vol. IV p. 52 Budget p. 259

Requested 1971-72	\$3,992,000
Estimated 1970-71	3,606,526
Actual 1969-70	3,391,142
Requested increase \$385,474 (10.7 percent)	
Total recommended reduction	None

DEPARTMENT OF EDUCATION

Item 264 from the State School Building
Aid Fund

Vol. IV p. 46 Budget p. 258

Requested 1971-72 -----	\$221,100
Estimated 1970-71 -----	227,495
Actual 1969-70 -----	181,633
Requested decrease \$6,395 (2.8 percent)	
Total recommended reduction -----	None

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

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Distribution of Aid

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GENERAL PROGRAM STATEMENT

The budget of the State Department of Education provides funds for state level administration of the public school system, The State Library, The Special Schools, National Defense Education and The Educational Commission of the States. Table 1 reviews these state operations by Budget Act General Fund appropriation.

Table 1
State Operations—Department of Education

<i>Budget Act Item No.</i>	<i>Purpose</i>	<i>1969-70 Actual</i>	<i>1970-71 Estimated</i>	<i>1971-72 Proposed</i>
262	Educational Commission of the States -----	\$22,684	\$24,100	\$24,100
263	General Activities -----	6,403,624	5,241,667	5,000,000
265	National Defense Education--	345,150	161,968	167,200
266	Special Schools -----	7,517,649	8,512,461	8,723,145
268	State Library -----	1,814,527	1,944,791	1,897,000
TOTAL -----		\$16,103,527	\$15,884,987	\$15,811,445

The Department of Education is also responsible for the administration of over \$1.5 billion in state subventions which are allocated to local school districts to support educational cost for pupils enrolled in regular class as well as a wide variety of special programs. Table 2 shows total local assistance appropriated from the General Fund.

The balance of state appropriations to functions under the Department of Education is represented in an appropriation of \$3,992,000 (Item 267) from the Surplus Property Revolving Fund to support distribution of federal surplus property and \$221,100 (Item 264) from the State School Building Aid Fund, to support school construction plan review.

The department's budget is summarized in program terms beginning on page 252 of the Governor's Budget document and detailed beginning on page 2 of Budget Supplement Volume 4. Table 3 outlines the program budget format of the 1971-72 submission and amounts from all funding sources, corrected for minor interprogram transfers.

ANALYSIS AND RECOMMENDATIONS

The relationships between amounts proposed for appropriation in the Budget Act of 1971 and program totals in the budget document (generally referred to as crossover) are not complete in the Governor's Budget. We will, however, attempt to relate programs to funding source throughout the analysis. Table 4 summarizes budget act support appropriation items and relates them to the eight-program format for the budget year.

Department of Education—Continued

Table 2
Local Assistance—Department of Education

<i>Budget Act Item No.</i>		<i>1969-70 Actual</i>	<i>1970-71 Estimated</i>	<i>1971-72 Proposed</i>
269-270	Apportionments for public schools -----	\$1,422,168,242	\$1,453,241,072	\$1,459,400,000
--	Loans to school districts -----	548,037	(177,678)	(197,679)
--	Educational improvement act -----	4,941,081	--	--
271	Instructional television -----	696,027	725,000	800,000
272	Compensatory education -----	10,834,260	11,000,000	11,000,000
--	Assistance to new junior colleges -----	—9,441	--	--
273	Special elementary reading program -----	22,407,901	18,000,000	18,360,000
--	Mathematics improvement program -----	924,199	925,000	--
274	Children's centers -----	8,715,590	10,399,712	10,627,666
--	Children's centers construction -----	1,655,460	344,540	--
275	Grants to teachers -----	148,879	150,000	150,000
--	Loan to EH teachers -----	50,000	--	--
--	State lunch -----	500,000	--	--
276	Free textbooks -----	22,692,923	21,307,110	17,828,000
277	Assistance to public libraries -----	1,251,616	1,000,000	800,000
278	Vocational education -----	720,241	1,330,271	800,000
		<u>\$1,498,245,015</u>	<u>\$1,518,245,027</u>	<u>\$1,519,567,987</u>

Table 3
Summary of Programs—Department of Education

<i>Program</i>	<i>Actual 1969-70</i>	<i>Estimated 1970-71</i>	<i>Proposed 1971-72</i>
I. Regular Instruction for Students -----	\$54,695,427	\$40,417,919	\$47,419,064
II. Instruction for Educationally Disadvantaged Students ----	178,071,840	176,560,125	209,424,805
III. Instruction for Special Education Students -----	16,642,501	21,636,764	21,770,770
IV. Instructional Support -----	21,537,666	24,947,232	27,886,299
V. School Administration and Finance -----	1,348,726	1,219,974	1,167,800
VI. Distribution of Aid -----	1,478,516,892	1,591,421,542	1,586,689,821
VII. Library Services -----	5,227,684	9,684,115	9,637,096
VIII. Departmental Administration. --	3,161,056	4,716,095	4,722,958
TOTALS, PROGRAMS -----	\$1,759,171,792	\$1,870,604,366	\$1,908,718,618
Reimbursements -----	—36,792,198	—51,763,415	—50,026,861
NET TOTALS, PROGRAMS -----	\$1,722,379,594	\$1,818,840,951	\$1,858,691,752

Funding Source

General Fund -----	1,514,330,681	1,534,625,623	1,535,563,332
State School Fund -----	2,721,948	2,700,000	2,650,000
California Water Fund -----	133,061	276,408	350,000
Motor Vehicle Transportation -----	--	18,000,000	20,000,000
State Construction Program Fund. --	--	47,242,202	16,000,000
Driver Training Penalty Assessment Fund -----	--	5,367,511	1,600,000
Surplus Property Revolving Fund. --	3,391,142	3,606,526	3,992,000
School Building Aid Fund -----	181,633	227,495	221,100
Credential fees (General Fund) --	3,287,121	2,756,084	2,738,593
Environmental Protection Program Fund -----	--	87,000	176,000
Federal funds -----	198,334,008	204,002,102	275,400,727

NET TOTALS, FUNDING SOURCE \$1,722,379,594 \$1,818,840,951 \$1,858,691,752

In past years the Legislature has reviewed the budget of the department based on line item detail of expenditures supplemented with performance information supplied by the program budget. The 1971-72 submission is only in the program form and therefore we have used this format for our analysis. In the course of this review, we will attempt to correlate Budget Act appropriations with individual programs.

Departmental Program Budgeting

We recommend that the Legislature direct the Department of Finance to continue to provide special assistance to the Department of Education for the development and implementation of an effective program budgeting system with the express objective of quantifying all objectives and outputs in the 1972-73 budget document. This year's program budget format is the third major change in approach in the three years that the system has been utilized for departmental submissions. It will be recalled that we were very critical of the program budget presentation of the Department of Education in the *Analysis of the Budget Bill 1970-71*. At that time we stated our belief that the

Department of Education—Continued

Table 4
Crossover Between Budget Document and Budget Act

Budget Act Item No.	Regular instruction for students I	Instruction for educationally dis- advantaged students II	Instruction for special education students III	Instructional support IV	School adminis- tration and finance V	Distribution of aid VI	Library services VII	Departmental administration VIII	Total
262 Educational Commission of the States ----								\$24,100	\$24,100
263 General Activities ----	\$754,300	\$299,600	\$743,586	\$478,284	\$650,700	\$733,700		1,339,830	5,000,000
265 National Defense Education ----				167,200					167,200
266 Special Schools -----			8,723,145						8,723,145
268 State Library--							\$1,897,000		1,897,000
269 Apportionments & to 270 Public Schools--						1,459,400,000			1,459,400,000
Repayment of Loans to School Districts -----						-197,679			-197,679

271	Instructional Television -----				800,000					800,000
272	Compensatory Education -----	11,000,000								11,000,000
273	Special Ele- mentary School Reading Instruction Program -----	18,360,000								18,360,000
274	Children's Centers -----	6,127,666	4,500,000							10,627,666 ¹
275	Grants to Teachers of Physically Handicapped Children -----		150,000							150,000
276	Free Textbooks					17,828,000				17,828,000
277	Assistance to Public Libraries -----						800,000			800,000
278	Vocational Education (MDTA) -----	800,000								800,000
Total -----		\$19,114,300	\$18,227,266	\$14,116,731	\$1,445,484	\$650,700	\$1,477,764,021	\$2,697,000	\$1,363,930	\$1,535,379,432

¹ Plus \$9,122,334 transferred to Department of Social Welfare as state matching requirements for federal funds for preschool programs.

Department of Education—Continued

department's apparent inability to develop a program budget which the Legislature could utilize in decision making demonstrated a serious deficiency in administration. The Legislature concurred in that finding and directed the Department of Finance to assist the Department of Education in the development of a program budgeting system for that department and to report to the Joint Legislative Budget Committee on its progress by November 1, 1970.

The report of the Director of Finance indicates progress was made with regard to three goals set by the Department of Education for its program budget. These goals are as follows:

- (1) To develop an administrative system for implementing the program budgeting which would shift primary responsibility from the department's fiscal office to the administrators responsible for program administration.

- (2) To develop a program structure to which the department could relate its program administration responsibilities.

- (3) To find a means of relating its program administrative responsibilities to the education programs of the state.

The report states that "In summary, it is believed that the Department of Education has made, and will continue to make, significant progress in developing their program budget. The department's 1971-72 program budget will reflect that improvement and future Program Budgets will continue to correct the deficiencies noted in previous presentations."

In reviewing the program budget, however, we believe that many of the programs fail to fully meet the criteria for program components identified in the *State Administrative Manual* which are summarized as follows:

- (1) *Need*—why is the program, element or component needed?
- (2) *Objective*—what is to be accomplished? How do the program objectives relate to the need for the service?
- (3) *Output*—what product is delivered? How may the effectiveness of the program be measured?
- (4) *Authority*—by what or how is the program authorized?
- (5) *General Description*—how will activities and tasks be used to accomplish the objectives?
- (6) *Input*—what will the program cost?
- (7) *Workload Information*—what changes are being made in order to accomplish objectives? Are positions being deleted or added, changes being made in program mix, and operational needs changing?

In Table 5 we have compared each of these criteria to the programs of the Department of Education presented in 1971-72 budget document.

A review of the foregoing information will demonstrate that the weakness exists in the definition of objectives and the quantification of outputs. We believe that this is a serious shortcoming in the department's budget and an obstacle to legislative decisionmaking.

Table 5
Comparison of Department of Education Program Budget to State
Administrative Manual Criteria

	Need	Objective	Output	Author- ity	General Descrip- tion	Workload Input	Informa- tion
I. Regular Instruction for Students -----	3	2	2	1	1	1	1
II. Instruction for Educationally Disadvantaged Students -----	1	1	1	1	1	1	1
III. Instruction for Special Education Students -----	1	1	1	1	1	1	1
IV. Instructional Support -----	1	2	2	1	1	1	1
V. School Administration and Finance -----	1	2	2	1	1	1	1
VI. Distribution of Aid -----	1	2	2	1	1	1	1
VII. Library Services -----	1	1	1	1	1	1	1
VIII. Departmental Administration -	1	2	2	3	1	3	1

¹ Compares favorably with State Administrative Manual guidelines.

² Partly complies with guidelines.

³ Does not comply with guidelines.

Consequently, we believe the Department of Finance should be instructed to continue to assist the Department of Education in developing and implementing program budgeting procedures in 1971-72. This directive should be carried out with the express objective of quantifying in the 1972-73 budget document all of the Department of Education's objectives, outputs and inputs.

Organization of the Department of Education

We recommend that the Department of Education be instructed by the Legislature to prepare a comprehensive budgetary resubmission for the 1971-72 fiscal year which has been reviewed and approved by the Department of Finance to assure compliance with all provisions relating to the budget process. The budget for the Department of Education represents a significant departure from established budgetary procedures, which seriously impairs legislative review. The introductory statement of the budget supplement summarizes the situation.

"In order to reaffirm statewide educational leadership in the Department of Education and to reutilize its thrust for quality education in California, the newly elected Superintendent of Public Instruction needs opportunity to redirect the resources of the department. He should have flexibility in educational programs as well as in structuring the organization for program effect.

"Consistent with these conclusions, the 1971-72 Governor's Budget proposes a blanket authorization of 394 newly unspecified positions (\$9,000,000) and the corresponding elimination of 394 presently authorized consultant positions. It is anticipated that a program proposal will be presented during the 1971 session of the Legislature spelling out the intention and details of the superintendent's recommendations.

"When the leadership responsibility, the organizational climate and the management personnel have been assigned in the priority areas identified by the Superintendent of Public Instruction, only then can an accountability system be built and operated. It is important that the State Superintendent of Public Instruction be held accountable for his programs, not for the programs of the past."

Department of Education—Continued

This will give the Superintendent of Public Instruction broad latitude to reorganize the elements of departmental positions. Table 6 shows this "blanket authorization" by departmental program.

Table 6
Review of Department of Education Blanket Authorization

Program	Number of positions
I. Regular instruction for students.....	115.3
II. Instruction for educationally disadvantaged students.....	75.0
III. Instruction for special education students.....	35.0
IV. Instructional support	67.8
V. School administration and finance.....	31.0
VI. Distribution of aid.....	12.5
VII. Library services	—
VIII. Departmental administration	57.5
Total.....	394.1

This procedure is identified throughout the budget as *reductions for departmental redirection* for the deletion of old positions and the *restoration for departmental redirection* for the blanket authorizations. This demonstrates effectively the administration's desire that there be a thorough reevaluation and redirection of the use of departmental resources in the budget year.

The need for reorganization of the Department of Education is not new. For a number of years criticism has been advanced concerning the need to redirect and revitalize this department. Most past criticism has centered around the fact that the activities of the department have become so involved in daily administrative matters that the leadership qualities required to supervise the activities of 1,070 elementary, secondary and unified school districts in the state have been neglected.

Groups proposing specific plans in the past have included the Arthur D. Little Company (private consultants), the Governor's Survey on Efficiency and Cost Control, and the State Board of Education's proposal. These plans were reviewed by the Legislature at its 1969 session and specific approval was granted to reorganize top-level management.

The Governor's Budget now proposes this blanket authorization to the Superintendent of Public Instruction to reorganize the professional levels of the department. While we would agree that further reorganization and redirection is desirable, we question the procedure selected in light of the constitutional responsibilities of the executive to submit a budget to the Legislature which contains... "itemized statements of recommended state expenditures and estimated state revenues."

We do not believe that a state agency budget containing 394 undefined positions constitutes an itemized statement of recommended state expenditures. This is accentuated by the fact that the budget merely indicates that "it is anticipated that a program proposal will be presented to the Legislature . . . spelling out the intention and details of the Superintendent's recommendations."

We would point out, it is the responsibility of the Department of Finance to monitor and review expenditure proposals as the state's central budget agency. This review is designed to assure that all requests are in accordance with the requirements of the law and administration policy. If the Department of Education is allowed to submit its proposals independently it could constitute a step towards the decentralization of the budget process.

Therefore, while we recognize the need for reorganization of the Department of Education we disagree with the approach to this end used in the budgetary submission. Consequently, we recommend that the Department of Education be instructed to prepare a comprehensive budgetary submission for legislative review which details expenditures in the 1971-72 fiscal year and which has been reviewed and approved by the Department of Finance.

Department of Education: Annual Report

In authorizing partial reorganization of the Department of Education, the Legislature at the 1969 session stipulated that the department should "make an annual report to the Legislature to indicate costs, benefits, strengths and weaknesses in public education." This provision was expanded in the Supplementary Report of the Committee on Conference Relating to the Budget Bill 1970-71 which provided that the Department of Education include in its annual report a statement of priority areas in public education. The 1969-70 report dated December 1970 indicates the following priority areas for the budget year:

1. Basic Skills (reading, mathematics, spelling, grammar)

Existing evaluation practices and instruments of the Department of Education including statewide testing programs will be analyzed to determine the best procedures for evaluating pupil achievement in reading, mathematics, spelling, and grammar. Guidelines for helping districts correct pupil deficiencies in basic skills will be developed.

2. General Academic Subjects

The priorities described above for basic skills will also apply to pupil knowledge in general academic subjects.

3. Occupational Preparation

Increased emphasis will be placed upon vocational education at the secondary school level and the adult level with the intent to prepare individuals for new occupations or for greater proficiency in their present jobs.

4. Health and Safety Education

Expansion of the comprehensive statewide drug education program will continue with the goal of minimizing drug abuse among pupils. Comprehensive instructional and counseling programs for pupils will be developed and the training program for teachers will continue as rapidly as possible.

5. Civic Responsibility

Programs will be developed which stress the need for a high degree of student understanding of the democratic way of life, constitutional

Department of Education—Continued

rights and responsibilities, cultural enrichment, the world of work, and the responsibilities of holding down a job.

The report reviews the status of these and other areas in public education and provides information which is of general assistance. We believe, however, that this report could be improved if departmental priorities were spelled out in terms of (1) measurable objectives, (2) financial requirements and (3) legislation required.

Support of the Department of Education General Activities

The difficulties experienced in analyzing the Department of Education's budget which have resulted from (1) the termination of all projects funded by Title V of the Elementary and Secondary Education Act and (2) the blanket authorization for redirection of 394 departmental positions, seriously limit the value of the Governor's Budget and Budget Supplement as a tool for legislative review. This situation is compounded by the absence of line item detail.

As a consequence analysis can only serve to review for the Legislature the budget for the department and the concrete budget changes made by the administration as distinct from those designed for policy redirection. However, a review of the redirected expenditure programs will be made when the Superintendent of Public Instruction's modified budget is received. Table 7 reviews the total proposed expenditure program for the Department of Education by funding source.

Table 7
Support for the General Activities of the Department of Education

	<i>Actual</i> 1969-70	<i>Estimated</i> 1970-71	<i>Proposed</i> 1971-72
<i>General Fund</i>			
Budget Act appropriation -----	\$6,376,624	\$5,241,667	\$5,000,000
Continuing appropriation of credential fees --	3,206,240	2,756,084	2,738,593
Other General Fund -----	90,120	495,789	183,900
Subtotal -----	\$9,672,984	\$8,493,540	\$7,922,493
<i>Other Funds</i>			
Environmental Protection Program Fund ----	--	\$37,000	\$176,000
School Building Aid Fund -----	\$181,633	\$227,495	\$221,100
Federal funds -----	\$8,570,507	\$11,721,072	\$13,892,469
Total All Funds -----	\$18,425,124	\$20,479,107	\$21,712,062

These figures demonstrate that the total operating budget of the Department of Education is proposed to be increased by \$1,232,955. This is composed of reductions of \$571,047 and \$6,395 respectively in the General Fund and State School Building Aid Fund offset by anticipated increases of \$139,000 from the Environmental Protection Program Fund and \$1,671,397 from various federal funds.

Departmental Salary Savings

We recommend that the Department of Education be directed to report the level of salary savings on a quarterly basis throughout 1971-72 to the Joint Legislative Budget Committee. In the Analysis of the Bud-

get Bill 1970-71 we reported on the problems which were associated with budgeted amounts for salary savings in the Department of Education. We pointed out that salary savings is a factor which is calculated to adjust the budget for staff turnover and other circumstances where authorized positions are not filled. However, the inordinately high level of salary savings in the department's budget resulted in positions being held open for extended periods. To alleviate this factor the anticipated budget level was reduced by \$87,500 in the current year and specific position reductions were made. In the budget year it is proposed that salary savings be increased from the computational amount of \$695,949 by \$75,700 to \$771,649. This is based on a 5-percent increase to all programs except Departmental Administration where the factor is 8 percent. This is justified by the Department of Finance on the grounds that (1) redirection of 394 departmental positions will cause an abnormal turnover rate and (2) experience through January 1971 indicates that the current level is too low. This rational depends on a substantial change in departmental personnel rather than reallocation of existing staff and a similarity of factors in the budget year which determined salary savings in the current year. We believe that both of the foregoing justification factors are subject to question. We therefore propose that quarterly reports be required from the Department of Education to the Joint Legislative Budget Committee in 1971-72. This would permit the close monitoring of the factor to insure that it does not create an artificial element in departmental staffing.

Advisory Groups

We recommend a reduction of \$239,000, the approximate level of the 1971-72 General Fund budget applicable to the man-days expended on departmental advisory committees, commissions, associations and boards. (We recommend that this \$239,000 be applied to the unfunded Mathematics Improvement Program (see page 759).)

We recommend that legislation be enacted restructuring and refunding the commissions which are presently mandated by the Education Code.

We recommend that the Department of Education be directed to develop a plan for restructuring all advisory groups for presentation to the Legislature at the 1972 session.

In the Analysis of the Budget Act 1970-71 we pointed out that recent information indicated there was an excessive number of separate advisory boards which made demands on the staff time of the Department of Education. Based on this situation the Legislature directed the department to prepare a comprehensive report on the status of such groups.

The study was able to identify 164 such groups by function based on a variety of authorities including state and federal law, requirements of the State Board of Education and the Superintendent of Public Instruction or departmental policy. Table 8 reviews the identified groups.

Department of Education—Continued

Table 8
Department of Education Advisory Groups

	State	State and Federal	Federal	Total
Committee -----	52	3	30	85
Commission -----	6	1	5	12
Association -----	38	3	22	63
Board -----	1	-	-	1
Program -----	3	-	-	3
Total -----				164
Interdepartment -----				23.5
Intradepartment -----				9
Professional -----				118.5
Para-professional -----				13
Total -----				164

The department estimates that a total of 2,288 professional man-days were associated with this activity at a cost of \$430,585 (\$239,633 General Fund) in 1970-71 as shown in Table 9.

Table 9
Cost of Advisory Groups

	1969-70	1970-71
State -----	\$178,814	\$239,633
Federal -----	171,211	167,512
Federal and state -----	24,180	23,440
Total -----	\$374,205	\$430,585
Estimated Professional Man-days -----	2,241	2,288

We believe that the report of the Department of Education demonstrates a significant need for redirection of existing Department of Education resources which are currently devoted to advisory groups. This must be done, however, on the basis of a comprehensive plan which will assure appropriate assistance to the department from both the professional and lay public.

We propose, first, a reduction of \$239,000, the General Fund portion expended for this activity. This amount could be applied to the unfunded Mathematics Improvement Program (see page 759). Secondly, since many of the commissions are mandated by statute it will be necessary to restructure and refund them at this legislative session. Thirdly, we further propose that the Department of Education develop a plan for the use of professional and lay groups for submission to the Legislature at the next regular session.

Program No. 1

REGULAR INSTRUCTION FOR STUDENTS

Vol. IV p. 4 Budget p. 253

Requested	1971-72	\$47,419,064
Estimated	1970-71	40,417,919
Actual	1969-70	54,695,427
Requested Increase \$7,001,145 (17.3 Percent)		

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. Statewide Testing Program. Recommend the Department of Education collect information for each subtest of the Cooperative Primary Reading Test. 757

2. Statewide Testing Program. Recommend enactment of legislation to standardize test score ranking. 758

3. *Mathematics Improvement Program. Augment \$925,000.* 759
Recommend restoration to continue current level of support to program.

The Regular Instruction for Students program is composed of activities of the Department of Education which are directed toward public school educational programs authorized by law. The target population to be serviced represents approximately 4,300,000 enrolled in the school district educational programs across the state. The program is composed of five elements which are reviewed along with program costs in Table 10 below.

Table 10
Regular Instruction for Students

	Actual 1969-70	Estimated 1970-71	Proposed 1971-72
A. Basic Skills	\$25,977,430	\$21,246,774	\$20,907,777
B. Health and Safety	355,671	743,107	908,837
C. Civic Responsibility	54,939	66,681	68,654
D. Academic Education	584,742	530,812	461,004
E. Occupational Preparation	27,722,645	17,830,545	25,072,792
Total	\$54,695,427	\$40,417,919	\$47,419,064

Table 11 provides expenditures in terms of state operations and local assistance and indicated funding sources.

Table 12 compares the regular instruction for students program to its sources of General Fund appropriation.

A. Basic Skills

The Governor's Budget defines basic skills as "the tools needed to acquire information, work with quantitative data and communicate ideas and information." It is further indicated that lack of success in reading, mathematics and English prevents pupils from progressing

Regular Instruction for Students—Continued

Table 11

Funding by Source Regular Instruction for Students Program

	<i>Actual 1969-70</i>	<i>Estimated 1970-71</i>	<i>Proposed 1971-72</i>
State Operations			
General Fund	\$1,572,547	\$862,044	\$754,300
Environmental Protection Fund	—	37,000	176,000
Federal funds	4,059,576	5,033,019	5,224,437
Reimbursements	222,120	216,752	285,900
Other funds	—	—	183,900
Subtotal	\$5,854,243	\$6,148,815	\$6,624,537
Local Assistance			
General Fund	\$23,562,371	\$19,155,271	\$18,360,000
Federal funds	25,278,813	15,113,833	22,434,527
Subtotal	\$48,841,184	\$34,269,104	\$40,794,527
Total	\$54,695,427	\$40,417,919	\$47,419,064
General Fund	25,134,918	20,017,315	19,114,300
Environmental Protection Fund	—	37,000	176,000
Federal funds	29,338,389	20,146,852	27,658,964
Reimbursements	222,120	216,752	285,900
Other funds	—	—	183,900

Table 12

Regular Instruction for Students by 1971 Budget Act Item

<i>Item number</i>	<i>Title</i>	<i>Amount</i>
State Operations		
263	Department of Education General Activities	\$754,300
Local Assistance		
273	Special Elementary School Reading Instruction Program	\$18,360,000
Total		\$19,144,300

satisfactorily in school as well as in society. Objectives for the budget year are summarized as follows:

Reading. A means will be designed by which the program in each school district, kindergarten and grades 1 through 12, can be evaluated, in addition to the statewide testing program.

Mathematics. The department will enter into a contract with the University of California for the recruitment, designation, training and supervision of mathematics specialists.

English. An evaluation report of the English Teacher Specialist Program will be completed and distributed.

Funding for the basic skills element is summarized in Table 13.

Table 13

Basic Skills

	<i>Actual 1969-70</i>	<i>Estimated 1970-71</i>	<i>Proposed 1971-72</i>
Support			
General Fund	\$244,609	\$230,398	\$354,197
Federal funds	296,645	404,084	465,215
Reimbursements	4,443	—	40,416
Local Assistance			
General Fund	23,332,100	18,925,000	18,360,000
Federal funds	2,099,633	1,687,292	1,687,904
Total	\$25,977,430	\$21,246,774	\$20,907,777

The principal source of evaluative information on pupil performance in the basic skill areas is provided through a series of legislative requirements commonly referred to as the Statewide Testing Program. This program provides for the administration of standardized tests in grades 1 through 3 under the provisions of the Miller-Unruh Basic Reading Act while a battery of tests are administered in grades 6 and 12 including scholastic aptitude language, spelling, arithmetic and reading.

It is important to note that reading test instruments differed in the first grade from those used in the second and third grades. This results from the State Board of Education program to phase out the use of the Stanford Primary Reading Test and replace it with the Cooperative Primary Reading Test over a three-year period. The Legislature at its 1970 session recognized the possibility that this change of test might result in a lack of comparable data, and required the Department of Education to develop a system for calculating the comparable test scores to provide the necessary comparisons. Table 14 provides a comparison of the test scores for grades 1 through 3 over the life of the program adjusted to assure comparability among tests.

Table 14
Reading: Grades 1, 2 and 3—California Schools
Median Achievement Test Raw Scores

Grade and year	California median score	Publishers national median score
Grade One		
1966 -----	30.6	47
1967 -----	32.5	47
1968 -----	32.7	47
1969 -----	34.5	47
1970 -----	35.4 ¹	47
Grade Two		
1966 -----	37.6	50
1967 -----	39.3	50
1968 -----	39.7	50
1969 -----	41.7	50
1970 -----	42.6	50
Grade Three		
1966 -----	--	--
1967 -----	61.9	72
1968 -----	62.2	72
1969 -----	63.1	72
1970 -----	63.4	72

¹ Cooperative Primary Reading Test scores converted to Stanford Reading Test score equivalents.

These figures demonstrate that very little measurable progress has been made in reading performance in the past year. Increases range from a high of 0.9 of a median raw score point to a low of 0.3 of a median raw score point. Substantial improvement would be required to equal or surpass the publishers national norms.

We recommend that the Department of Education be directed to collect information from the Statewide Testing Program for each of the subtests of the Cooperative Primary Reading Test. Test scores are reported under the Statewide Testing Program as median raw

Regular Instruction for Students—Continued

score points for an individual school or district and provide very little substantive information which state or local policy makers can utilize in the identification of weak points in the educational program. For example, although the statewide test scores would appear to indicate that there is a general weakness statewide in pupil performance in reading when compared to the publishers national norm, it reveals nothing of a diagnostic nature regarding the causes of this weakness.

With the introduction of the Cooperative Primary Reading Test a series of subtest breakdowns are available that provide valuable information on the nature of reading problems. Table 15 shows an example of the item classifications that can be analyzed.

Table 15
Examples of Item Classifications for the Cooperative Primary Reading Tests
(Classification of 50 Separate Questions)

	Word		Sentence	Paragraph			Number of items
	Concrete	Abstract		Exposition directions	Narrative	Poetry	
I. Comprehension (a)	1, 2, 4, 5, 6, 7, 12	3	16, 17, 18, 21			26, 28	14
(b)	10, 15	8, 9, 11, 13, 14	24				8
II. Extraction				41, 42	31, 33, 36, 46		6
III. Interpretation			19, 20, 22	43, 44, 45	27, 29, 30, 39, 40		22
Evaluation			23, 25		32, 34, 33, 37, 38, 47, 48, 49, 50		
Inference							
Number of Questions	15		10		25		50

This structure demonstrates the relationship of 50 test questions to reading skills required by students to: (1) comprehend, (2) extract, and (3) interpret a series of words, sentences and paragraphs. We believe that the breakdown of statewide test reports would be of great assistance to the Legislature, State Department of Education and local school districts in assessing the educational needs of the state. We, therefore, propose that the Department of Education be directed to collect subtest scores for the Cooperative Primary Reading Test.

We recommend that legislation be enacted that will require the Department of Education, when reporting statewide test scores compared to operational factors, to use a standardized rank order approach which will readily permit comparison of factors. Chapter 1522, Statutes of 1969, requires the Department of Education to prepare an annual report comparing statewide testing program scores to a variety of operational factors such as teacher salaries, average class size and assessed valuation per pupil.

The first report prepared under this provision by the department entitled *California State Testing Program 1968-69*, however, is not submitted in a form which is useful for legislative decision making. We believe that the objective of this report should be to provide an index for comparison between pupil performance and the factors which affect the performance. This report does not permit such comparisons. For example, one district was ranked 437 out of 804 on the index for poverty, 164 out of 422 on the index for minority enrollment and 265 out of 1,072 on the index for expenditures for instruction per ADA. We suggest that legislation be adopted to require the Department of Education to submit its annual reports in the future in such a manner that category comparisons are readily apparent.

We recommend that the budget be augmented by \$925,000 from the General Fund to continue state support to the Mathematics Improvement Program.

The Mathematics Improvement Program, as established by Chapter 1639, Statutes of 1967, provides for the development of a new testing instrument and authorizes several experimental pilot projects to improve the quality of instruction of mathematics in the public schools. The programs which were originally to be conducted in grades 2, 3, 5, 6, and 8 through 12 are summarized below.

1. *Specialized Teacher Program.* The purpose of this project is to permit teachers who have a special interest in mathematics to instruct in the subject. At least half of these specialized teachers are required to participate in summer in-service training programs to be conducted in regional training centers. Participants then provide instruction in mathematics to their own and one other grade level through trade off arrangements. Pupils instructed by participating teachers are to be tested to evaluate the effectiveness of the program. The state will pay the costs of all regional in-service training programs including stipends for the participants plus living and travel expenses.

2. *Mathematics Specialist Program.* This program is designed to improve the quality of mathematics instruction through the employment of the finest mathematical talent available. The specialist need not hold a teaching credential, but is required to have a college minor in mathematics or its equivalent. Districts participating in this program, which are to have relative low wealth and large numbers of underachieving pupils, receive allowances for the salaries of their mathematics specialists on an equalization formula.

3. *Accelerated Instruction Program.* This program is designed to encourage school districts to establish accelerated programs of instruction in mathematics in cooperation with institutions of higher learning. These programs are to include grades 8 through 12 and incorporate the basic principles of mathematics and the operations of calculus. The state reimburses participating school districts for the costs of contractual agreements with colleges and universities which cooperate in these projects.

Regular Instruction for Students—Continued
Termination of Program

The Governor's Budget, page A-35, states that "the statutory authorization for the Mathematics Improvement Program expires at the end of the 1970-71 fiscal year" and the Budget eliminates support for the program. As originally established the Specialized Teacher Program and the Mathematics Specialist Program were to be terminated at the end of the current year while the accelerated instruction program extended through 1972-73. The Legislature at its 1970 session enacted Chapter 1192 (AB 2022) which extended the Specialized Teacher Program and Mathematics Specialist Program through 1973-74. In addition, this legislation further extended the Specialized Teacher Program to all grades 1 through 12 and stipulated that the Department of Education shall enter into a contract with the University of California for \$50,000 to recruit, designate, train and supervise math specialists.

Despite the fact that (1) the Legislature specifically continued the program until 1973-74, (2) recent evaluation reports regarding both the specialized teacher program and the math specialists program indicate positive results, (3) one of the principal objectives in the basic skills element of the Budget Supplement would be contracting for math specialists and (4) evaluation aspects of the accelerated instruction program is not scheduled until the final phases of the five-year project, all state support is proposed to terminate in the current year to achieve General Fund savings.

We believe that this program has demonstrated substantial merit in the development of improved techniques of mathematics instruction. We, therefore, propose that state support to the program be continued in the budget year at the current level of support for a total General Fund cost of \$925,000.

B. Health and Safety

The budget indicates that health and safety education is "one facet of a multifaceted attack on the problems facing youth. These problems include drug abuse, smoking and drinking, venereal disease, emotional problems, environmental health hazards, hazards created by disaster and the greatest killer of them all—traffic accidents." No documentation, however, is provided to indicate the magnitude of these problems. Table 16 reviews support to this element.

Table 16
Health and Safety

	<i>Actual</i> 1969-70	<i>Estimated</i> 1970-71	<i>Proposed</i> 1971-72
Support			
General Fund -----	\$67,969	\$235,078	\$247,621
Federal funds -----	205,912	358,777	323,817
California Environmental Protection Program Fund -----	--	37,000	176,000
Reimbursements -----	81,790	112,252	161,399
Total -----	\$355,671	\$743,107	\$908,837

Workload plans indicate that an antipollution program will be implemented in the budget year under this element.

C. Civic Responsibility

The need statement for the civic responsibility states that these courses constitute the major vehicle for promotion of civic responsibility and goes on to point out "Yet, young people and their elders too often fail to demonstrate that they have really learned the meaning of civic responsibility. Alienation and confrontation, group pitted against group, crime, drugs, arson and vandalism all attest to the need for increasing efforts to teach that personal liberty can exist only if it goes hand in hand with personal responsibility. Education cannot be blamed as the sole cause of the apparent breakdown in civic responsibility, but the conditions do point up the need to strengthen education in the social sciences."

In this element also, no information is submitted in the budget to indicate the magnitude of these problems. Table 17 shows support to civic responsibility for past, current and budget years.

Table 17
Civic Responsibility

Support	<i>Actual</i> 1969-70	<i>Estimated</i> 1970-71	<i>Proposed</i> 1971-72
General Fund	\$30,288	\$51,966	\$56,798
Federal funds	24,551	14,715	11,856
Total	\$54,939	\$66,681	\$68,654

Specific attention will be paid to "developing a program of instruction in the elements of basic law" in the budget year.

D. Academic Education

This program is designed to meet the public need for understanding in several fields and to prepare pupils for college. Table 18 indicates support to the program.

Table 18

Support	<i>Actual</i> 1969-70	<i>Estimated</i> 1970-71	<i>Proposed</i> 1971-72
General Fund	\$255,794	\$344,602	\$279,584
Federal funds	328,948	186,210	181,420
Total	\$584,742	\$530,812	\$461,004

Although the budget supplement indicates that the "aviation education" portion of this element will provide increased attention to "monitoring programs for legality", we are advised by the Department of Finance that one consultant position and one clerical position at a total General Fund cost of \$29,800 are deleted in the 1971-72 budget.

E. Occupational Preparation (Vocational Education)

The objective of the occupational preparation program in California as stated in the budget is to serve the needs of "those who are preparing for initial employment; those who are already employed but who have need of higher skill levels; and those who are unemployed." In California, vocational education is supported by federal, state, and local funds. Federal funds are authorized by the Vocational Education Act of 1968 and the Manpower Development and Training Act and are

Regular Instruction for Students—Continued

administered by the Division of Instruction's Vocational Education Section.

Table 19 indicates the support for the occupational training element of this program.

Table 19
Support for Occupational Preparation

Support	Actual 1969-70	Estimated 1970-71	Proposed 1971-72
General Fund -----	\$973,787	—	—
Federal funds -----	3,203,520	\$4,069,233	\$4,242,129
Reimbursements -----	135,886	104,500	84,040
Local Assistance			
General Fund -----	230,271	230,271	—
Federal funds -----	23,179,180	13,426,541	20,746,623
Total -----	\$27,722,645	\$17,830,545	\$25,072,792

The proposed budget eliminates a General Fund local assistance appropriation of \$230,271 which was distributed in the current and prior budget years for supervision and teacher training to districts maintaining secondary schools. In essence, the funds reduced from the General Fund will be offset by federal funds since the federal law provides that "the commissioner (of education) shall pay, from the amount available to the state an amount equal to 50 percentum of the state and local expenditures in carrying out its state plan..." Since California is substantially overmatched through state apportionments, categorical aids and district vocational aid expenditures, and since it is anticipated that vocational education support from the federal government will increase slightly in the budget year, the proposed reduction in state support will be offset by federal funds.

Program No. II

INSTRUCTION FOR EDUCATIONALLY DISADVANTAGED STUDENTS

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Requested 1971-72 -----	\$209,424,805
Estimated 1970-71 -----	176,560,125
Actual 1969-70 -----	178,071,840
Requested Increase \$32,864,680 (18.6 Percent)	

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

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1. *Manpower Development and Training Act. Reduce \$250,000* 767
Recommend reduction based on decrease in need for state matching. (Apply reduction to unfunded Mathematics Improvement Program).
2. *Preschool Programs. Recommend Department of Social* 771
Welfare coordinate eligibility certification processes used in the State Preschool Program and the Children's Centers Program.

Analysis
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3. Children's Centers. Recommend legislation to fund deficit 771 in program.

"The Instruction for Educationally Disadvantaged Students" program is composed of Department of Education activities designed to provide special educational assistance to approximately 1.8 million children, youth and adults living at the poverty level. The basic goal of this program is to break the cycle of poverty by raising the achievement levels of such pupils. Table 20 summarizes the total support to the elements of this program.

Table 20
Instruction for Educationally Disadvantaged Students Program

	Actual 1969-70	Estimated 1970-71	Proposed 1971-72
A. Socioeconomically disadvantaged --	\$138,949,981	\$116,970,371	\$164,536,046
B. Migrant Education -----	7,370,629	8,269,416	10,767,234
C. Preschool Education -----	31,751,230	51,320,338	34,121,525
Total -----	\$178,071,840	\$176,560,125	\$209,424,805

The elements of this program are generally administered by the Department's Office of Compensatory Education and are composed of state administrative expense and grants to local districts. Table 21 compares state operations to local assistance by funding source.

Table 21
Funding by Source for Instruction for Educationally
Disadvantaged Students Program

	Actual 1969-70	Estimated 1970-71	Proposed 1971-72
State Operations			
General Fund -----	\$287,529	\$393,559	\$299,600
School Building Aid Fund -----	11,327	19,065	19,100
Federal funds -----	1,489,575	2,200,372	3,620,284
Reimbursements -----	522,585	887,976	983,800
Subtotal -----	\$2,311,016	\$3,490,972	\$4,922,784
Local Assistance			
General Fund -----	\$20,513,009	\$23,543,277	\$17,927,666
Federal funds -----	121,424,089	103,269,607	142,274,300
Reimbursements -----	33,823,726	46,256,269	44,299,555
Subtotal -----	\$175,760,824	\$173,069,153	\$204,502,021
Total -----	\$178,071,840	\$176,560,125	\$209,424,805
General Fund -----	20,800,269	23,936,836	18,227,266
School Building Aid Fund -----	11,327	19,065	19,100
Federal funds -----	122,913,664	105,469,979	145,895,084
Reimbursements -----	34,346,311	47,134,245	45,283,355

Table 22 summarizes General Fund support by Budget Act item.

A. Socioeconomically Disadvantaged Students

The element is composed of federally funded programs under Titles I and VIII of the Elementary and Secondary Education Act of 1965, the Followthrough Program, Manpower Development and Training Act and adult basic education. An evaluation of compensatory education programs in California is contained in the general summary section of

Instruction for Educationally Disadvantaged Students—Continued

Table 22

Budget Act Appropriations for Educationally Disadvantaged

State Operations		
<i>Budget Act item</i>	<i>Purpose</i>	<i>Amount</i>
263	Department of Education General Activities	\$299,600
Local Assistance		
272	Compensatory Education	11,000,000
278	Manpower Development and Training	800,000
274	Children's Centers	6,127,666
Totals		\$18,227,266

Table 23

Socioeconomically Disadvantaged Students

	<i>Actual 1969-70</i>	<i>Estimated 1970-71</i>	<i>Estimated 1971-72</i>
State Operations			
General Fund	\$287,529	\$363,559	\$280,582
Federal funds	1,188,615	1,752,993	3,155,096
Reimbursements	244,152	251,043	279,513
Local Assistance			
General Fund	11,140,984	11,800,000	11,800,000
Federal funds	114,961,100	96,870,457	133,773,800
Reimbursements	11,127,601	5,932,319	15,247,555
Total	\$138,949,981	\$116,970,371	\$164,536,046

the analysis under Title I ESEA. Table 23 reviews support to this element.

State support to this element is appropriated in Item 272, Compensatory Education; Item 278, Manpower Development and Training; and Item 274, Children's Centers.

Compensatory Education (Item 272)

State subventions for the compensatory education element will total \$11 million in the current year. The four programs are funded as follows.

1. *Special Teacher Employment Program.* The Special Teacher Employment program provides funds to facilitate the reduction of class size (pupil-teacher ratio) in the most concentrated areas of poverty and social tension in the state. Table 24 demonstrates the distribution of the \$6.5 million supporting this component in the current year.

2. *Demonstration Projects in Reading and Mathematics.* The major objective of this program is to develop and implement experimental projects in reading and mathematics in grades 7-9 which will improve the achievement levels of pupils in these subjects. This program is funded at a \$3 million level for 1969-70. Table 25 lists the districts currently administering demonstration projects.

3. *State Projects in Research and Teacher Education.* The McAteer Act authorizes state support for research projects in compensatory education and for demonstration projects involving preservice and in-service training for teachers. The purpose of such projects is to improve the overall quality of compensatory education programs with particular emphasis on the quality of prospective teachers of disad-

vantaged children who are produced by the state's teacher training institutions. Table 26 summarizes these projects in 1970-71 funded to date.

4. *Professional Development Centers, Chapter 1414, Statutes of 1968 (AB 920)*. In 1968 the Legislature passed Chapter 1414 (AB 920) which contained policy guidelines for the establishment, maintenance and evaluation of both preservice and in-service programs of teacher training. This legislation authorized the establishment of a system of "Professional Development and Program Improvement Centers" to provide preservice and in-service training and specifies that such centers shall provide training for teachers serving in schools having a high percentage of underachieving pupils. Table 27 reviews current support to this program.

Table 24,
Special Teacher Employment Program—1970-71

County	District	Approved funds
Alameda	Berkeley Unified	\$27,070
	Oakland Unified	336,303
Contra Costa	Pittsburg Unified	52,796
	Richmond Unified	231,984
Fresno	Fresno City Unified	173,623
	Fresno Colony Elem.	36,515
	Madison Elem.	28,572
	Teague Elem.	21,419
	West Park Elem.	17,467
Kern	Bakersfield Elem.	205,377
	Greenfield Elem.	26,636
Los Angeles	Compton Unified	273,903
	El Monte Elem.	32,432
	El Rancho	13,990
	Garvey Elem.	82,633
	Long Beach Unified	187,989
	Los Angeles	3,269,771
	Monrovia Unified	12,685
	Montebello Unified	26,754
	Pasadena Unified	115,671
	Pomona Unified	18,534
	Santa Monica Unified	21,933
	Whittier	9,445
Riverside	Jurupa Unified	30,469
	Riverside Unified	12,764
Sacramento	Del Paso Heights	6,124
	North Sacramento	9,642
	Sacramento Unified	36,238
San Bernardino	Colton Joint Unified	20,234
	Ontario-Montclair	46,039
	San Bernardino Unified	177,441
San Diego	National Elem.	14,978
	San Diego Unified	188,388
	San Ysidro Elem.	37,148
San Francisco	San Francisco Unified	380,487
San Joaquin	Stockton Unified	236,954
Santa Barbara	Santa Barbara City	11,460
Santa Clara	San Jose Unified	53,132
TOTAL		\$6,500,000

Instruction for Educationally Disadvantaged Students—Continued

Table 25
Reading and Mathematics Demonstration Projects—1970-71

County	District	Approved funds
Alameda	Oakland Unified	\$191,410
Fresno	Fresno City Unified	204,630
Los Angeles	El Monte Elementary	75,739
	Long Beach Unified (Reading)	185,706
	Long Beach Unified (Math)	165,000
	Los Angeles Unified:	
	Belvedere	195,232
	Pacoima	205,192
	Edison	223,992
	Montebello Unified	103,404
	Pasadena Unified	128,845
Riverside	Riverside Unified	167,725
San Bernardino	Colton Joint Unified	63,700
San Diego	San Diego Unified	199,897
San Francisco	San Francisco Unified	133,419
San Joaquin	Stockton Unified	200,000
Santa Barbara	Santa Barbara City Schools	231,888
Santa Clara	San Jose Unified	280,314
Total		\$2,956,093

Table 26
Research and Teacher Education Projects—1970-71

Agency	Amount
Oroville City Elementary	\$41,350
Los Nietos Elementary	101,936
Pasadena City Unified	108,352
San Diego State College	45,122
University of the Pacific, Stockton	93,931
Cambrian Elementary	44,970
University of California, Santa Cruz	73,300
Woodland Joint Unified	21,958
Total Approved to Date	\$530,919

Table 27
Professional Development Centers—1970-71

Agency	Amount
Oakland City Unified	\$171,200
Fresno City Unified	197,845
Compton Unified	149,530
Long Beach Unified	224,344
Total Approved to Date	\$742,919

The budget as proposed includes a reduction of \$25,000 for consultant services in the area of teacher staff development. We are advised by the Department of Education that this amount will not result in a decrease in its activities in the budget year. This action is reflected in the state operations for this element appropriated in Item 263 for the general activities of the Department of Education.

Occupational Preparation (Manpower Development and Training Act) (Item 278). Occupational education for educationally disadvantaged youth is provided by the Manpower Development and Training Act (MDTA).

We recommend a reduction of \$250,000 in the proposed \$800,000 General Fund local assistance appropriation for the Manpower Training and Development Program based on a decrease in the need for state matching funds. We recommend that this \$250,000 be applied to the unfunded Mathematics Improvement Program (see page 759). The Manpower Development and Training Program component of the aid to socioeconomically disadvantaged students program is designed to provide vocational education opportunities for socioeconomically disadvantaged youth. Table 28 presents the support for this element.

Table 28
Support for Manpower Development and Training

	Actual 1969-70	Estimated 1970-71	Estimated 1971-72
Local assistance General Fund -----	\$800,000	\$800,000	\$800,000

The proposed General Fund local assistance appropriation of \$800,000 is to meet the 10 percent matching requirement of the Manpower Training and Development Act. Under this act, the federal government pays for 90 percent of the program costs and the 10 percent balance must be matched with state and/or local funds.

Table 29 indicates the amount of General Fund local assistance which was actually spent for this program in fiscal years 1967-68, 1968-69 and 1969-70.

Table 29
General Fund Local Assistance Expenditures
for Manpower Development and Training

	1967-68	1968-69	1969-70
Appropriation -----	\$800,000	\$800,000	\$800,000
Expenditures -----	687,633	644,945	331,042
Balance -----	\$112,367	\$155,055	\$468,958

The table shows that the need for state matching expenditures for the Manpower Development and Training Act has decreased in the three-year period analyzed and that the full General Fund appropriation for this program has never been expended. In the three-year period indicated in the table, state matching expenditures for the Manpower Development and Training Act have averaged \$554,540, well below the appropriation levels. We believe the General Fund portion could be reduced by \$250,000 (from \$800,000 to \$550,000) without reducing the services provided by this program since the need for state matching has decreased.

Summer Vocational Education Programs. Chapter 1171, Statutes of 1968 (SB 840) directed the Department of Education to develop and implement in poverty areas an experimental summer vocational education program to include both exploratory occupational education and an opportunity for paid employment. The program was renewed by the Legislature in both 1969 and 1970. In last year's Analysis we recommended that the Department of Education be directed to conduct a followup study of the special summer work program to determine (1) the number of project graduates who substantially enrolled in technical vocational programs in the regular school year,

Instruction for Educationally Disadvantaged Students—Continued

(2) the impact of the project on the subsequent school attendance of the project graduates, (3) the impact of the project on the subsequent scholastic records of the project graduates and (4) the extent to which the participating schools have extended work experience programs. This recommendation was incorporated in the supplementary report of the Conference Committee on the Budget. Consistent with the directive of the conference committee, the department issued a report entitled *An Evaluation of 1970 Summer Work Study Programs*. The report fails to provide the statistical information requested necessary for an evaluation of the program. It merely evaluates the program in terms of opinions expressed by some program participants. The report makes no effort to correlate student participation in the program with subsequent enrollment in technical vocational programs in the regular school year or with subsequent changes in pupil attendance or scholastic achievement in the regular school year. For example, we requested that the report provide statistics on the number of students in the summer program who subsequently enrolled in technical vocational programs during the school year. In response to this request the department's report states: "In the most recent survey 78 percent of the students planned to take more vocational training. . . ." However, the report does not indicate whether or not these students did in fact enroll in vocational training programs in the school year. We also requested that the report indicate the extent to which participating districts extended their work experience programs in the regular school year subsequent to the summer program. The department's report does not provide this information but recommends that the program be made a part of the participating districts' ongoing education programs because "The program has been tried for three years and has been met with enthusiasm each year." We do not believe this report provides the Legislature with the information necessary to determine the effectiveness of the summer work study program.

B. Migrant Education

This component administered by the Office of Compensatory Education's Bureau of Community Services is designed to provide services to approximately 80,000 children of migrant agricultural workers in 200 school districts. Table 30 reviews expenditures for this component for both support and local assistance.

Table 30
Migrant Education

	Actual 1969-70	Estimated 1970-71	Proposed 1971-72
Support			
School Building Aid Fund-----	\$11,327	\$19,065	\$19,100
Federal funds -----	282,298	386,196	401,403
Reimbursements -----	60,548	144,055	159,231
Local Assistance			
Federal funds -----	6,462,989	6,399,150	8,501,500
Reimbursements -----	553,467	1,320,950	1,686,000
Total -----	\$7,370,629	\$8,269,416	\$10,767,234

The budget supplement states that the objective of this element in 1971-72 will be to provide educational programs for 40,000 migrant children which will insure at least one month's progress for the equivalent period of instruction.

C. Preschool Education

There exists in California a large variety of compensatory education programs which provide child care and instruction to educationally disadvantaged students. The major programs are discussed below.

1. *State Preschool Program.* In 1965 the Legislature instructed the State Department of Social Welfare to contract with the State Department of Education to provide welfare funding to a statewide system of preschool programs for three-to-five-year-old children from low-income families. This legislation provided that all programs must follow guidelines developed by the Department of Education which expressly identify (1) children to be serviced, (2) program standards, and (3) program emphasis and related requirements.

2. *Children's Centers.* The Children's Centers program is a long established system of day care for the children of working parents supported through a combination of budgetary appropriations and parental fees. In 1965 the Legislature added an educational component to the program in order to upgrade the program beyond the level of supervision and to emphasize the participation of families which might become dependent on welfare programs.

3. *Title I ESEA Preschool Program.* The Elementary and Secondary Education Act of 1965 (Title I) authorizes school districts to include in the application for federal compensatory education support specialized preschool programs.

4. *Migrant Day Care and Preschool Programs.* Under agreement similar to that which supports the state preschool program, a specialized preschool program is provided for the children of migrant farm workers who reside in public labor camps.

5. *Head Start.* The federal government authorizes this program as part of the Economic Opportunity Act. However, there is no direct state responsibility in the implementation of the program since the Office of Economic Opportunity works directly through community action agencies.

Table 31 summarizes participation in these programs in 1969-70.

Table 31
Program Participation 1969-70

	<i>Pupils</i>
1. State Preschool Program -----	14,694
2. Children's Centers -----	18,700
3. Title I ESEA Preschool Program -----	9,317
4. Migrant Day Care and Preschool -----	4,500
5. Head Start -----	20,737
Total -----	67,948

Education

Instruction for Educationally Disadvantaged Students—Continued

Table 32 reviews expenditures by source for each of these programs.

State Preschool and Children's Centers

Item 274 of the Budget Act appropriates \$19,750,000 for children's centers. Table 33 indicates the components of this appropriation.

Table 32
Expenditures by Source 1969-70 (estimated)

	<i>Federal</i>	<i>State</i>	<i>Local</i>	<i>Fees</i>	<i>Total</i>
1. State Preschool Program -----	\$11,826,135	\$3,942,045	-	-	\$15,768,180
2. Children's Centers -----	10,434,887	8,788,000	\$7,867,620	\$4,719,367	31,809,874
3. Title I ESEA Preschool Program -----	3,609,407	-	-	-	3,609,407
4. Migrant Day Care -----	765,430	209,146	-	-	974,576
5. Head Start -----	23,814,824	-	6,501,831	-	30,316,655
Totals -----	\$50,450,663	\$12,939,191	\$14,399,451	\$4,719,367	\$82,388,692

Table 33
Components of Children's Centers Appropriation (Item 274)

<i>Identification by Program Number</i>	<i>Purpose</i>	<i>Component</i>
Program III	Apportionment to districts for Development Centers --	\$4,500,000
Program II	Apportionment to districts for Children's Center Programs -----	\$6,127,666
Program II	Transfer to Department of Social Welfare for state matching requirement for federal support of Children's Center Program -----	\$5,000,000
Program II	Transfer to Department of Social Welfare for state matching requirement for federal support for State Preschool Program -----	\$4,122,334
Total -----		\$19,750,000

In 1967 Congress enacted a series of far-reaching amendments to the Social Security Act which had implications for the state preschool programs. The most significant aspect of the federal action was to make possible large scale day care as a social service under the welfare system. The expanded authorization resulted from the addition of "past and potential" welfare recipients to those eligible for social services under Aid to Families with Dependent Children. This resulted in federal support on a 75/25 federal-state matching basis for the provision of day care service to all residents of low-income neighborhoods.

To be eligible for such support, the state preschool programs are required to conform to the federal interagency day care requirements which set forth standards for programs. The state supported program which most closely conformed to these provisions was the Children's Centers Program and therefore it was anticipated that additional federal funds would be available for provision of this service. However, confusion resulted as to the extent to which the state would participate in this expanded authorization.

In order to clarify the state's desire to maximize the use of federal funds, the Legislature at its 1970 session, adopted Chapter 1619, Statutes of 1970 (AB 750) which was designed to improve coordination of

existing state preschool and children's centers programs and maximize the use of federal funds through the centralization of administration in the Department of Education.

We recommend that the State Department of Social Welfare be directed to use the same procedures to certify potential welfare recipients for participation in the State Preschool Program as are used in the Children's Centers Program. In order to participate as a potential welfare recipient in the social welfare programs provided under the Children's Centers Program and the State Preschool Program, children require a certification of eligibility from the county welfare department. Currently, however, the certification procedures used to identify potential welfare recipients for participation in the Children's Center Program differ from those of the State Preschool Program. Under the Children's Center Program potential welfare recipients are certified either on an individual basis or on the basis of residence in a target area, i.e., a low-income Human Resources Development, Model Cities, or ESEA Title I target area. Under the State Preschool Program, certification is made only on an individual case review. The individual certification process is more costly and time consuming than the target area approach. We believe that administrative savings would result if the State Department of Social Welfare were to use the target area approach, where applicable (i.e., in dense urban areas), for certifying potential welfare recipients for the State Preschool Program. We believe also that better coordination between all preschool programs would result, as was intended by the Legislature in Chapter 1619, Statutes of 1970 (AB 750).

Children's Centers

This component represents the Department of Education's functions regarding the State Preschool and Children's Centers Programs which operate in California. Support to these programs is summarized in Table 34.

Table 34
Preschool Education Support

	Actual 1969-70	Estimated 1970-71	Proposed 1971-72
State Operations			
General Fund -----		\$30,000	\$19,018
Federal funds -----	\$18,662	61,183	63,785
Reimbursements -----	217,885	482,878	545,056
Local Assistance			
General Fund -----	9,372,025	11,743,277	10,627,666
Reimbursements -----	22,142,658	39,003,000	27,366,000
Total -----	\$31,751,230	\$51,820,338	\$38,621,525

The proposed General Fund state operations expenditure of \$19,018 is for one school administration consultant's position which was transferred from the Division of School Administration and Finance to the Division of Compensatory Education under Chapter 1619, Statutes of 1970 (AB 750).

We recommend that legislation be enacted to fund any deficit which may occur in the Children's Center Program in fiscal year 1970-71 as a result of the \$4 million reduction which was made in the Children's

Instruction for Educationally Disadvantaged Students—Continued

Centers item in the Budget Act of 1970 when information on the level of that deficit is available. A potential funding problem exists relative to the Children's Centers Program. The budget for the current fiscal year contained an original appropriation of \$14,889,712 for the Children's Centers Program. However, it was anticipated that this level of state funding would not be necessary due to the availability of federal funds for this program under the Social Security Act of 1967 and the Legislature therefore reduced the General Fund appropriation for the Children's Centers Program by \$4 million. Subsequent to this action, Chapter 1620, Statutes of 1970 (AB 1651) was enacted which increased the level of state support for the Children's Centers Program from \$0.42 per child-hour to \$0.52 per child-hour without corresponding funding. Although original estimates indicated that the program could be fully funded at the lower level, the Department of Education indicates that the combined impact of the \$4 million budget reduction and the \$0.10 increase in program support from \$0.42 to \$0.52 per child-hour may cause a deficit of approximately \$900,000 in state support or approximately \$4 million in total program support. It is important to note that these estimates are only preliminary and that there is insufficient evidence available to determine whether, in fact, a deficit will occur. The Department of Education is taking administrative action to reduce the potential deficit. Further, it is important to note that special authorization exists in the statutes to deal with such occurrences in the children's centers budget. Education Code Section 16622 states: "If during any fiscal year there is apportioned to the 'children's center fund' . . . less than the amount to which the fund was entitled, the Superintendent of Public Instruction during the next or any succeeding fiscal year shall . . . add to the apportionment during such next or succeeding fiscal year the amount of such . . . deficiency." We believe that if a deficit does occur in the Children's Centers Program in 1970-71, a special appropriation should be made to cover this deficiency so that the program level proposed for the budget year can be maintained.

Program No. III**INSTRUCTION FOR SPECIAL EDUCATION STUDENTS**

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Requested 1971-72	-----	\$21,792,748
Estimated 1970-71	-----	21,636,764
Actual 1969-70	-----	16,612,501
Requested increase \$155,984 (0.7 percent)		

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONSAnalysis
page

1. Exceptional Children. Recommend all public agencies 775
which provide services to exceptional children submit plans for
systematic identification.

*Analysis
page*

2. Schools for Deaf. Recommend proposal on feasibility of 781 requiring deaf to attend programs in counties of residence if available.

3. Schools for Deaf. Recommend review of admissions procedure to insure compliance with above plan. 781

4. Diagnostic Schools for Neurologically Handicapped. 784 Recommend report on Project "Followup."

The Instruction for Special Education Students Program is composed of those activities of the Department of Education and local subventions which support programs for exceptional children. The target population includes all children who because of physical or mental handicaps or exceptional learning capacity require special assistance beyond the regular school program. Special programs are provided for the physically handicapped, educationally handicapped, mentally retarded, multihandicapped, and the mentally gifted. Table 35 summarizes support for this program by element.

The composition of program support is reviewed in Table 36 by funding source and purpose.

State General Fund support to Instruction for Special Education students is appropriated through the Budget Act items summarized in Table 37.

A. Handicapped Students

The State of California makes available to handicapped students a wide range of services and programs including special day classes,

Table 35
Instruction for Special Education Students

	<i>Actual 1969-70</i>	<i>Estimated 1970-71</i>	<i>Proposed 1971-72</i>
A. Handicapped students -----	\$7,966,852	\$11,826,799	\$11,876,944
B. Mentally gifted minors -----	55,816	73,779	71,789
C. Special schools -----	8,589,833	9,636,186	9,844,015
	<u>\$16,612,501</u>	<u>\$21,636,764</u>	<u>\$21,792,748</u>

Table 36
Funding by Source for Instruction for Special Education Students

	<i>Actual 1969-70</i>	<i>Estimated 1970-71</i>	<i>Proposed 1971-72</i>
State operations			
General Fund -----	\$8,219,613	\$9,224,857	\$9,466,731
Federal funds -----	658,556	1,265,349	1,092,023
Reimbursements -----	1,072,184	1,335,189	1,381,297
Subtotal -----	<u>\$9,950,353</u>	<u>\$11,825,395</u>	<u>\$11,940,051</u>
Local Assistance			
General Fund -----	3,339,979	4,500,000	4,650,000
Federal funds -----	3,322,169	5,291,369	5,202,697
Subtotal -----	<u>\$6,662,148</u>	<u>\$9,791,369</u>	<u>\$9,852,697</u>
TOTAL -----	\$16,612,501	\$21,636,764	\$21,792,748
General Fund -----	11,559,592	13,744,857	14,116,731
Federal funds -----	3,980,725	6,556,718	6,294,720
Reimbursements -----	1,072,184	1,335,189	1,381,297

Instruction for Special Education Students—Continued

Table 37
Budget Act Appropriations for Support of Education of Special Education Students

<i>Item</i>	<i>Purpose</i>	<i>Amount</i>
Support		
263	General activities Department of Education -----	\$743,586
266	Special schools -----	8,723,145
Local Assistance		
274	Development centers -----	4,500,000
275	Grants to teachers of physically handicapped children -----	150,000
Total	-----	\$14,116,731

Table 38**Enrollment in Programs for Handicapped Minors—1969-70 (estimated)**

Physically handicapped -----	211,104
Mentally retarded -----	87,101
Educationally handicapped -----	45,771
Development centers -----	1,370
Total -----	325,346

Table 39**Support for Handicapped Students**

	<i>Actual 1969-70</i>	<i>Estimated 1970-71</i>	<i>Estimated 1971-72</i>
State Operations			
General Fund -----	\$646,148	\$658,797	\$671,797
Federal funds -----	658,556	1,265,349	1,092,023
Reimbursements -----	-	211,284	260,427
Local Assistance			
General Fund -----	3,339,979	4,500,000	4,650,000
Federal funds -----	3,322,169	5,291,369	5,202,697
Total -----	\$7,966,852	\$11,926,799	\$11,876,944

supplemental services, remedial instruction, home and hospital instruction, development centers, learning disability grouping, and experimental programs.

General Activities. The Division of Special Education of the Department of Education is responsible for the state level administration of special education programs. Table 38 presents the total number of students enrolled in special education programs in 1969-70.

The proposed funding of the handicapped students element of the special education program is presented in Table 39. The budget proposes a General Fund support appropriation of \$671,797 for the administrative activities of the Division of Special Education. The budget proposes a reduction of 1 consultant position and 0.5 steno positions in the Division of Special Education.

Development Centers. The budget also contains a proposed local assistance appropriation of \$4,500,000 for development centers.

Chapter 1248, Statutes of 1965, established the development center program for handicapped minors to provide day care and treatment for children who are not able to attend public school programs due to severe mental retardation or physical impairment. This program is designed to provide competent services to these children to permit par-

ents to engage in work and reduce the demand for institutional placement. The financing of this program, as modified by Chapter 1538, Statutes of 1967, is based on \$1.75 per attendance hour plus transportation allowances of \$675 per unit of average daily attendance. Currently 52 development centers are operating programs.

Grants to Teachers of Physically Handicapped Children. Chapter 2107, Statutes of 1963, established a program of grants to encourage teachers of the mentally retarded and physically handicapped to further their professional education. The program authorizes county superintendents of schools and school districts to enter into an agreement with certificated teachers to take postgraduate courses leading to a special education credential. Grants are made on the basis of \$50 per unit of college credit for tuition, materials and other expenses for five years or until the course of study is completed. The Superintendent of Public Instruction is required to reimburse participating districts from funds appropriated to the Department of Education. In the summer of 1970 a total of 839 teachers submitted acceptable applications for this program.

Multihandicapped Survey

We recommend that the Department of Education and the other public agencies which provide services to exceptional children, including the Department of Mental Hygiene and the Department of Public Health, be directed to prepare and submit to the Joint Legislative Budget Committee by November 1, 1971, a plan for the systematic identification and reporting of exceptional children.

The Supplementary Report of the Conference Committee directed the Department of Education to submit to the Joint Legislative Budget Committee a study of the composition and distribution of the multihandicapped minor population in the state. Consistent with this directive, the Department of Education conducted through the county superintendents of schools a survey to determine the known and estimated number of multihandicapped minors, their major handicap, and their enrollment status. Table 40 identifies the number of known and estimated multihandicapped minors by major handicap and school enrollment status reported in the department's survey. The number of handicapped minors who are reported in the table as "known" was determined from actual records maintained by school districts and the county superintendents of schools. The number of handicapped minors who are reported as "estimated" was determined by the county superintendents from numerous public and private agencies, including the county welfare departments and the Easter Seal Society.

Table 41 compares the number of known and estimated multihandicapped minors enrolled in schools as reported in the department's survey.

Three major problems exist relative to the multihandicapped survey of the Department of Education. First, the Department of Education indicates that a number of reporting errors were made by the county superintendents of schools. Some counties, for example, reported in the survey their total special education population rather than just their

Instruction for Special Education Students—Continued

Table 40
 Number of Known and Estimated Multihandicapped Minors by Major Handicap
 and School Enrollment Status in California

	Known				Estimated			
	Total known	Known in—		Known not enrolled	Total estimated	Estimated in—		Estimated not enrolled
Multihandicapped		Known enrolled	appropriate enrollment			Estimated enrolled	appropriate enrollment	
Deaf -----	764	619	88	145	199	84	34	115
Blind -----	401	268	48	133	122	54	30	68
Deaf/blind -----	159	79	29	80	169	30	17	139
Educationally handicapped -----	2,096	1,814	115	282	2,492	1,932	647	560
Educable mentally retarded -----	2,389	2,118	119	271	1,124	722	205	402
Trainable mentally retarded -----	3,103	2,251	372	852	1,405	569	162	836
Severely hard of hearing -----	527	444	42	83	181	101	55	80
Moderately hard of hearing -----	238	165	52	73	395	262	60	133
Partially seeing -----	463	397	22	66	234	141	42	93
Orthopedic or other health impaired -----	2,716	2,003	361	713	646	310	100	336
Speech handicapped -----	531	394	141	137	2,164	1,571	220	593
Aphasic -----	593	450	134	143	394	91	63	203
Totals -----	13,980	11,002	1,523	2,978	9,425	5,867	1,635	3,558

Table 41

Comparison of Number of Known and Estimated Multihandicapped Minors
Enrolled in School in California

	<i>Enrolled in school</i>	<i>Not enrolled in school</i>	<i>Total</i>
Known -----	11,002	2,978	13,980
Estimated -----	5,867	3,558	9,425
Total -----	17,869	6,536	23,405

multihandicapped population. Second, there is no way to determine the accuracy of the estimated number of multihandicapped minors reported in this survey. A particular problem exists relative to the number of estimated multihandicapped minors who are reported in the survey to be enrolled in school. Under Education Code Section 885.9 the county superintendents of schools are responsible to ensure that every handicapped minor in the school district territory under their jurisdiction is afforded the opportunity to participate in an appropriate program. The county superintendents are further required to maintain a record both of every handicapped minor enrolled in a special program and every handicapped minor who applies for a program but is denied admission. Under Chapter 8.2 of the Education Code, financial assistance is provided with the approval of the county superintendents of schools to handicapped minors for whom no appropriate programs are operated by local school districts, county superintendents of schools or the State of California. If the county superintendents of schools are fulfilling their legal responsibilities regarding handicapped minors we do not believe it is possible for 5,867 multihandicapped minors to be enrolled in school but unknown to the county superintendents of schools as is reported in the multihandicapped survey.

The third problem we find with the survey is that it contains a number of tabulation errors. Because of these problems we do not believe that the multihandicapped survey of the Department of Education provides an accurate description of the multihandicapped population in California. We believe that the multihandicapped survey of the Department of Education indicates the need for a more accurate reporting system for exceptional children. We do not believe the current reporting system provides the necessary data for the Legislature to use in planning or evaluating programs for exceptional children.

Special Education Research. Chapter 1141, Statutes of 1970 (SB 1099, Burgener) requires the Superintendent of Public Instruction to withhold for research, program development and evaluation of special education an amount equal to 0.0016 of the preceding year's State School Fund apportionment for special education programs. Of the total, 75 percent is used to contract for research in special education with California universities operating a joint doctoral program in cooperation with a state college. The remaining 25 percent is used by the Division of Special Education to contract for program development and evaluation. A total of \$224,685 is available for this program in the current fiscal year. A Committee on Special Education has been established under the provisions of Chapter 1141 and is currently reviewing research proposals for possible funding.

Education

Instruction for Special Education Students—Continued

B. Gifted Minors

The State of California makes available certain services to mentally gifted children whose needs cannot be fully met in the regular classroom. The Division of Special Education is responsible for the state level administration of programs for the mentally gifted. Table 42 presents the proposed funding of the mentally gifted element of the special education program.

Table 42
Support for Mentally Gifted Minors

Support	<i>Actual</i> 1969-70	<i>Estimated</i> 1970-71	<i>Estimated</i> 1971-72
General Fund -----	\$55,816	\$73,779	\$71,789

C. Special Schools

The State of California operates five special schools to provide services to handicapped minors who because of either their residence in a sparsely populated area or the severity of their handicap do not have available adequate local special education services. These five schools are: (1) California School for the Deaf, Berkeley, (2) California School for the Deaf, Riverside, (3) Diagnostic School for Neurologically Handicapped Children, San Francisco, (4) Diagnostic School for Neurologically Handicapped Children, Los Angeles, and (5) California School for the Blind, Berkeley. All five residential schools are operated by the Division of Special Education, Department of Education. The proposed funding of the special schools element of the Special Education Program is presented in Table 43. The budget request for the special schools includes two new positions: a night watchman for the San Francisco Diagnostic School for Neurologically Handicapped (\$5,760), and a skilled laborer for the California School for the Deaf, Berkeley (\$7,812).

Table 43
Support for Special Schools

	<i>Actual</i> 1969-70	<i>Estimated</i> 1970-71	<i>Proposed</i> 1971-72
State Operations			
General Fund -----	\$7,517,649	\$8,512,281	\$8,723,145
Federal funds and reimbursements	1,072,184	1,123,905	1,120,870
Total -----	\$8,589,833	\$9,636,186	\$9,844,015

Table 44 compares for each school the proposed expenditures for fiscal year 1970-71 with the proposed expenditures for 1971-72.

California Schools for the Deaf, Berkeley and Riverside

The objective of the California Schools for the Deaf is to provide a program of elementary and secondary education with residential care to deaf and multihandicapped deaf children for whom no appropriate local services are available. It is estimated that in 1971-72 the enrollment at Berkeley will be 496 and that the enrollment at Riverside will be 600.

Table 44
Proposed Expenditures for California Special Schools

	<i>State</i>	<i>1970-71 (est.) Federal funds and reimbursements</i>	<i>Total</i>	<i>State</i>	<i>1971-72 (est.) Federal funds and reimbursements</i>	<i>Total</i>
Special Schools						
California School for the Deaf—Berkeley -----	\$2,560,148	\$390,885	\$2,951,033	\$2,641,805	\$392,641	\$3,034,266
California School for the Deaf—Riverside -----	3,227,673	331,460	3,559,133	3,289,738	337,244	3,626,982
California School for Neurologically Handi- capped Children—San Francisco -----	779,572	121,162	900,734	797,533	115,060	914,593
California School for Neurologically Handi- capped Children—Los Angeles -----	734,223	108,723	842,946	754,997	101,430	856,427
California School for the Blind—Berkeley ----	1,210,665	171,676	1,382,340	1,239,072	174,675	1,413,747
Totals -----	\$8,512,231	\$1,123,905	\$9,636,186	\$8,723,145	\$1,120,870	\$9,844,015

Education

Instruction for Special Education Students—Continued Structure of the Program

There are four major elements in the operation of the California Schools for the Deaf. These are (1) educational program, (2) diagnostic services, (3) special projects, and (4) residential program.

(1) *Educational Program.* Children between the ages 5½ and 20 whose hearing loss is of such a severity that they cannot get along in the regular programs of the public schools or in a program for hard-of-hearing children are eligible for enrollment. The education program at both schools is divided into five departments with a special unit for the multihandicapped deaf at the Riverside school.

a. The lower school, for children aged 5½ through 8, provides assistance in the development of communication skills through auditory training, lipreading, and speech training.

b. Elementary school, grades 1-4, continues emphasis on language development concepts. Manual fingerspelling is used to supplement speech, speech reading and amplification.

c. Junior high school, grades 5-8, uses the simultaneous method of instruction consisting of oral communication supplemented by manual fingerspelling.

d. High school, grades 9-12, uses the means of learning a communication taught previously to pursue regular academic studies. A college preparatory program is also offered.

e. Vocational department, grades 7-12, provides prevocational and vocational instruction in various trades.

f. A Multihandicapped Deaf Unit was established the last fiscal year at the Riverside School, providing a comprehensive diagnostic, educational, and residential program.

We recommended in last year's analysis that the multihandicapped deaf unit include in its enrollment a cross section of multihandicapped deaf and that the Department of Education submit to the Joint Legislative Budget Committee an evaluation of the first year's operation of the multihandicapped deaf unit. This recommendation was incorporated in the supplementary report of the Conference Committee, and the Department of Education submitted a report on the multihandicapped deaf unit as required.

The report indicates that in the first year of operation the multihandicapped unit served 16 boys and 14 girls, although the girls were not admitted to the program until May 11, 1970 because adequate residential facilities were not available prior to that date. Test scores and other data in the report indicate that the children enrolled in the program progressed academically as well as behaviorally. However, contrary to our recommendation, the children enrolled in the program did not represent a cross-section of the multihandicapped deaf but rather represented only those multihandicapped deaf children who are also either mentally retarded or emotionally disturbed. Current enrollment statistics in Table 45 indicate that the program will serve children with a broader range of handicaps in the present year than were served in the past year. Since state apportionments are available to local districts

to operate programs for the multihandicapped, we believe the multihandicapped residential unit should serve only those severe cases which cannot effectively be served in local programs.

Table 45

Current Enrollment Composition of Riverside Multihandicapped Unit

Deafness plus 1 handicap	31
Deafness plus 2 handicaps	24
Deafness plus 3 handicaps	4
Total	59

2. *Diagnostic Services.* Diagnostic Services is a program for testing students at the two schools to determine the degree and type of hearing loss. Social-adjustment services are also provided for emotionally disturbed deaf children so that they can adapt to their new setting. In addition, their parents receive counseling and guidance in order that they may be able to understand the problems that arise in the home environment.

3. *Special Projects.* There are three major project activities during the current year:

a. A preschool project for 40 preschool deaf children and their parents during the summer at the Berkeley school. This is an ongoing state supported program.

b. ESEA Title I projects consist of the following: (1) Visual Education Media Center (Berkeley and Riverside), furnishing educational film for deaf students; (2) six-week summer school (Riverside), emphasizing intensive educational and vocational training programs for approximately 100 high school students at each school; (3) Instructional Improvement Programs for Preschool Children (Berkeley and Riverside), instructing preschool children and their parents in the development of communication skills and techniques; and (4) Continuation Program to enable selected deaf students who have dropped out of school to continue their education at home.

c. Federal Vocational Education Act provides funds on a matching basis for various vocational projects at Berkeley and Riverside.

4. *Residential Program.* A comprehensive residential program is provided at both the Berkeley and Riverside facilities. It can accommodate 449 at Berkeley and 530 at Riverside. The majority of the students participating in the educational program are housed on campus.

We recommend that the Department of Education be instructed to submit to the Joint Legislative Budget Committee by November 1, 1971, a proposal on the feasibility of requiring all normal deaf students currently enrolled in the California Schools for the Deaf who reside in counties where programs for the deaf are operated by either local school districts or the county superintendents of schools to attend programs in their county of residence.

We further recommend that the Department of Education review the procedures for admission to the California Special Schools to insure that students admitted are in fact unable to receive adequate services in a local program because of either their place of residence or severity of handicap. Table 46 identifies the enrollment in the program for the

Education

Instruction for Special Education Students—Continued

Table 46

Enrollment in California School for the Deaf, Riverside, by County Residence

County of residence	Enrollment	Programs for deaf currently operated by:	
		County superintendent	Local districts
Imperial -----	6	Yes	No
Inyo -----	1	No	No
Los Angeles -----	200	Yes	Yes
Orange -----	49	No	Yes
Riverside -----	129	Yes	Yes
San Bernardino -----	65	Yes	Yes
San Diego -----	52	Yes	No
Santa Barbara -----	12	No	Yes
Ventura -----	8	Yes	No
Total	542		

normal deaf at the California School for the Deaf, Riverside, by county of residence and indicates whether programs for the deaf are currently being operated in those counties by either local districts or the county superintendents of schools.

The data in the table indicate that the majority of students enrolled at the California School for the Deaf, Riverside, reside in urban counties. Programs for the deaf are operated in eight of the nine counties listed. These statistics lead us to question whether the California School for the Deaf, Riverside is serving students in accordance with the program description on page 24 of the Governor's Budget which states that the special schools are to serve students who do not have available special services because of their residence in a sparsely populated area or the severity of their handicap. Table 46 indicates that only one student at the School for the Deaf, Riverside, resides in a county where a program for the deaf is not operated. We believe that admission to the special schools should be restricted to the severely handicapped who can benefit only from a residential program and that the normal deaf should be served in local programs where available.

Diagnostic Schools for Neurologically Handicapped Children, San Francisco and Los Angeles

The objectives of the Diagnostic Schools for Neurologically Handicapped Children are to (1) diagnose individual orthopedic and neurological disorders and prescribe an appropriate educational and medical placement, (2) provide a program of education and treatment to children for whom no local program is available, and (3) serve as a resource facility and demonstration laboratory for the training of teachers, therapists and other professional personnel in the treatment of neurologically handicapped children. It is estimated that in 1971-72 the enrollment at the San Francisco School will be 320 and the enrollment at the Los Angeles School will be 280.

Structure of the Program

There are four principal components to the operation of each of the Diagnostic Schools for Neurologically Handicapped Children: (1)

short-term diagnostic program, (2) long-term education and treatment program, (3) professional personnel training, and (4) special projects.

(1) *Short-Term Diagnostic Program.* At each school an extensive program of medical and educational diagnosis is provided to neurologically handicapped residents of California between the ages of 3 and 21 years. All children accepted for diagnostic study must be reviewed by the Admissions and Discharge Committees. A child is usually referred to one of the diagnostic schools by his local school district, a public health authority, or a private physician because previous attempts at determining the child's disorders have been inconclusive.

The diagnostic evaluation usually requires from two to five days depending on the complexity of the individual case. Approximately six children are evaluated weekly at each school under this program. One or both parents must be present during the evaluation period. As part of the diagnostic program, the child is examined by a pediatrician, a psychologist, a psychiatric social worker and other professional personnel, who prescribe the educational and medical program which will allow the child to develop to the fullest extent of his capabilities. Instructional recommendations made by the diagnostic schools are forwarded to the child's school district.

Upon completion of the short-term diagnosis, the child is either referred to a special education program in his home community, referred to an appropriate public or private agency for further services, or enrolled in the school's long-term educational program as a residential or day student.

(2) *Long-Term Education and Treatment Program.* Children who cannot receive appropriate services for their condition are accepted for education and training in the residential program. The residential program is limited to 36 students at the northern school and 32 at the southern. The period of enrollment normally ranges from 3 months to a maximum of 9 months depending upon the specific needs and recommendations for the child. Special facilities and personnel at each location provide occupational, physical and speech therapy which can be individually suited to the needs of a particular child.

Classes available include those for children whose primary diagnoses are aphasia (inability to understand the spoken or written language) and/or dyslexia (incapacity to read understandingly) or variations thereof. Classes are also provided for children whose primary diagnosis is cerebral palsy and who require more intensive therapy than can be provided in the local community.

(3) *Professional Personnel Training.* Both schools serve as resource and demonstration centers for students, teachers, physicians and other professionals studying the special education of neurologically handicapped children. Classes in special education are conducted by San Francisco State College and Los Angeles State College on the campus of each facility. The schools also receive assistance on a part-time basis from students and teachers studying at other nearby colleges and universities.

Education

Instruction for Special Education Students—Continued

(4) *Special Projects.* There are presently four research and development projects for neurologically handicapped children being conducted at the two schools.

a. ESEA Title I Projects. An Educational Prescription Program funded with both state and federal funds for the purpose of identifying language-learning disabilities among neurologically handicapped children is being administered at both schools. This project is designed as a remediation program to change the children's learning behavior. Successful remediation techniques are provided to teachers in public schools serving children with similarly complicated learning disorders. A reading laboratory for strengthening the reading skills of pupils enrolled at the northern school is also funded under Title I.

b. ESEA Title I Deaf-Blind Diagnostic Project. This project provides federal and state funds to examine and recommend placement for deaf-blind children who were products of maternal rubella during pregnancy. They are children who are multihandicapped and whose major physiological deficit is sensory loss for hearing and vision. These children are seen for a period of two weeks at the schools. Thirty children were examined the last school year and approximately 100 are to be seen this year.

c. ESEA Title VI-B Followup Project. Both Diagnostic Schools through an interagency agreement with the Department of Education received this year a federal grant for a one-year project providing educational followup services for children who received short-term diagnosis at the school.

We recommend that the Department of Education be instructed to submit to the Joint Legislative Budget Committee by November 1, 1971, a report on Project "Followup" conducted at the diagnostic schools for the neurologically handicapped and funded under ESEA Title VI-B. The objective of Project "Followup" is to provide educational followup services for children evaluated at the diagnostic schools to determine whether or not school districts did in fact implement the recommendations made by diagnostic schools and, secondly, whether the findings did in fact help the long-range educational planning for the children evaluated. We feel that a continuous followup study of this nature providing feedback for better utilization of staff and facilities is necessary for measuring the overall effectiveness of a program. We believe the results of such a followup study should be reported by the Department of Education to assist the Legislature in evaluating the effectiveness of the diagnostic schools.

d. ESEA Title VI-C Deaf-Blind Center Project. This project provides funds for a classroom teacher, teacher aides, and operating expenses for a demonstration class of three deaf-blind children.

California School for the Blind, Berkeley

The objective of the California School for the Blind is to offer comprehensive educational, residential and auxiliary services to blind, deaf-blind and multihandicapped blind children in California for whom no appropriate local services are available. It is estimated that the 1971-72 enrollment at the California School for the Blind will be 142.

Structure of the Program

The School for the Blind operates in three major capacities: (1) educational program, (2) special federal projects, and (3) residential program.

(1) *Educational Program.* The school offers classes from kindergarten through the ninth grade. The course of study is similar to that offered in public schools with the addition of special equipment and instruction techniques required in the education of the blind. Those pursuing a secondary education attend regular classes at Oakland Technical High School and receive reader service and study guidance in the evening at the Blind School.

Over the years the number of "normal blind" students at the School for the Blind has decreased while the number of multihandicapped blind students has increased. Table 47 reviews the number of individual handicaps diagnosed in a recent study of enrolees in the education program at the School for the Blind. In addition to blindness, other handicaps include emotional disturbance, deafness, mental retardation, cerebral palsy, etc.

Table 47
Classification of Handicapped Enrollments

Blindness only	5
Blindness plus 1 handicap.....	35
Blindness plus 2 handicaps.....	59
Blindness plus 3 handicaps.....	33
Blindness plus 4 handicaps.....	6
Total	138

We recommended in last year's Analysis that the Department of Education study the feasibility of requiring that all blind children, while residing at the residential school, attend the local public school program for the visually handicapped for a possible savings to the General Fund of \$2,000 per pupil. This recommendation was incorporated in the supplementary report of the Conference Committee and the Department of Education submitted a report to the Joint Legislative Budget Committee as required. This report concludes that it is feasible to require the enrollment of all normal blind high school students who reside at the residential school in a local public school program but that it is not feasible to require the enrollment of all normal blind elementary students who reside at the residential school in a local public school program since some elementary students are not capable of coping with the program of instruction offered in a regular public school program. We concur with the conclusions of this report. The enrollment study in Table 47 indicates that there are at present only five normal blind students in residence at the School for the Blind. The School for the Blind reports that three of these five normal blind students are enrolled in regular public school programs. The two students who are not enrolled in public school programs are unable to cope with regular programs because they are behind grade level in their educational achievement. The required placement of these students in a regular public school program would not result in a significant

Instruction for Special Education Students—Continued

savings for the state and would not benefit the students. Thus, we believe that the placement of these students in a local public school program should not be required but should be at the discretion of the School for the Blind.

(2) *Special Federal Projects.* There are three projects currently being administered by the School for the Blind.

a. *ESEA Title I Projects.* The school employs a social worker responsible for establishing contact with the student's parents to secure information regarding home and family that will assist in counseling. Home counseling services are also available to preschool blind children. Another project will be a one-week institute during the summer for the parents of preschool children. The school has been allocated \$35,675 for this current year and anticipates \$35,675 in the budget year.

b. *Deaf-Blind Center.* The School for the Blind has received \$35,000 in ESEA Title VI-C funds to establish a Deaf-Blind Center for Southwestern United States to serve the States of California, Arizona, Hawaii, and Nevada. Of the reportedly 275 deaf-blind children residing in these four states, approximately 240 are in California. This year services under this experimental project will be provided to three deaf-blind children.

(3) *Residential Program.* The school provides residential facilities for students enrolled in the educational program and those students attending regular day classes in the public schools.

Program No. IV

INSTRUCTIONAL SUPPORT

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Requested 1971-72	-----	\$27,886,299
Estimated 1970-71	-----	24,947,232
Actual 1969-70	-----	21,537,666
Requested Increase \$2,939,067 (11.8 Percent)		

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

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1. School Approvals. Recommend legislation to permit the 790 State Board of Education to set fees for approval of private schools which will support this function.

2. Teacher Certification and Credentials. Recommend special 791 legislative review.

The Instructional Support Program of the Department of Education is composed of a variety of activities of the Division of Instruction which are generally designed to supplement and support the improvement of instruction in California. The nine elements of this program are summarized in Table 48.

A review of the instructional support functions in terms of state operations and local assistance by funding source is provided in Table 49.

General Fund support to this program is composed of the revenue from the levy of credential fees estimated to be \$2,738,593 in 1971-72 plus the Budget Act appropriations in Table 50.

Table 48
Instructional Support Program Elements and Costs

	<i>Actual</i> <i>1969-70</i>	<i>Estimated</i> <i>1970-71</i>	<i>Proposed</i> <i>1971-72</i>
A. Pupil personnel -----	\$1,426,301	\$1,634,309	\$1,869,846
B. Audio-visual and school library -----	4,870,891	5,197,838	8,482,637
C. Innovation and research in elementary and secondary education -----	11,246,258	14,200,526	13,542,637
D. Reference service (past year only) -----	(78,986)	--	--
E. Educational assessment and evaluation -----	146,824	185,034	199,840
F. Intergroup relations -----	296,888	286,176	345,497
G. School approvals -----	399,964	520,271	532,922
H. Teacher certification and credentials -----	3,106,330	2,822,434	2,788,792
I. State Advisory Council on Vocational Education -----	44,210	100,644	124,128
Total -----	\$21,537,666	\$24,947,232	\$27,886,299

Table 49
Funding by Source for Instructional Support Program

	<i>Actual</i> <i>1969-70</i>	<i>Estimated</i> <i>1970-71</i>	<i>Proposed</i> <i>1971-72</i>
State Operations			
General Fund -----	\$4,010,286	\$3,431,617	\$3,384,077
Federal funds -----	1,651,217	2,214,908	2,179,625
Reimbursements -----	373,917	485,634	559,308
Subtotal -----	\$6,035,420	\$6,132,159	\$6,123,010
Local Assistance			
General Fund -----	696,027	725,000	800,000
Federal funds -----	14,806,219	18,090,073	20,963,289
Subtotal -----	\$15,502,246	\$18,815,073	\$21,763,289
Total -----	\$21,537,666	\$24,947,232	\$27,886,299
General Fund -----	4,706,313	4,156,617	4,184,077
Federal funds -----	16,457,436	20,304,981	23,142,914
Reimbursements -----	373,917	485,634	559,308
Total -----	\$21,537,666	\$24,947,232	\$27,886,299

Table 50
Budget Act Appropriations for Instructional Support

<i>Budget Act</i> <i>Item No.</i>	<i>Purpose</i>	<i>Amount</i>
State Operations		
263	General Activities Department of Education -----	\$478,284
265	National Defense Education -----	167,200
Local Assistance		
271	Instructional Television -----	800,000
		\$1,445,484

Instructional Support—Continued

Table 51
Pupil Personnel Services

	<i>Actual 1969-70</i>	<i>Estimated 1970-71</i>	<i>Proposed 1971-72</i>
State Operations			
General Fund -----	\$78,474	\$67,446	\$66,987
Federal funds -----	159,415	241,988	234,224
Local Assistance			
Federal funds -----	1,188,412	1,324,875	1,568,635
Total -----	\$1,426,301	\$1,634,309	\$1,869,846

Table 52
Audiovisual and School Libraries

	<i>Actual 1969-70</i>	<i>Estimated 1970-71</i>	<i>Proposed 1971-72</i>
State Operations			
General Fund -----	\$167,640	\$106,298	\$105,899
Federal funds -----	171,980	174,398	251,920
Reimbursements -----	--	25,642	26,386
Local Assistance			
General Fund -----	696,027	725,000	800,000
Federal funds -----	3,835,244	4,166,500	7,298,432

A. Pupil Personnel

This element includes the department's consulting activities conducted by the Bureau of Pupil Personnel Services related to school district counseling, psychological services and social work. Table 51 shows the budgeted support for this element.

Objectives for the budget year indicate a general continuance of existing services.

B. Audiovisual and School Library

This element includes the activities of the Bureau of Audiovisual and School Library Education. This unit provides assistance to local education agencies in the use of instructional media and supervises support to public school libraries under Title II. Table 52 reviews support to this element.

The budget supplement indicates that this element's objective is to improve the quality and effectiveness of instruction in California by June 1972 by providing local educational agencies and related groups with professional services, coordination, and technical assistance in planning, and by installing, operating and evaluating instructional media programs within the state. No measure, however, is provided for the degree of improvement sought.

The General Fund local assistance portion of this element is state support to instructional television in the amount of \$800,000 appropriated by Item 271 of the Budget Act. This program, established by Chapter 1236, Statutes of 1965, authorizes payment of \$0.50 multiplied by the number of pupils of the district present in classrooms where instruction was conducted by television in the preceding year. The amount of such allowances, however, shall not exceed one-half of the total cost to the district for providing television broadcasts or closed circuit television programs.

C. Innovation and Research

This element provides funding for those educational projects determined by the Department of Education to be "exemplary and innovative." The components of this element are NDEA Title III, ESEA Title II and ESEA Title III. Table 53 displays expenditures in terms of state operations and local assistance with indicated funding sources.

The \$167,554 shown as support from the General Fund constitutes the matching requirement for the administration of NDEA, Title III.

NDEA, Title III, provides federal assistance for the improvement of instruction of mathematics, science, modern foreign languages, history, English, reading, geography, economics, civics and industrial arts. The federal funds are provided to the Department of Education for reimbursements to school districts for the purchase of equipment and materials and for minor remodeling expenses connected with the installation of new equipment. ESEA, Title II, provides library resources to both public and private schools of California. ESEA Title III, is discussed in the General Summary section of this analysis.

D. Reference Services

This function was discontinued in 1970 and is not funded in the current or budget years.

E. Educational Assessment and Evaluation

This element includes the state level administration of tests administered in reading in grades 1-3 under the Miller-Unruh Basic Reading Act and reading, mathematics, grammar and spelling in grades 6 and 12. Table 54 reviews support to this element.

The serious shortcomings of the existing assessment and evaluation system are reviewed in this analysis under the Basic Skills Element of Program I (Regular Instruction for Students).

Table 53
Educational Innovation and Research

	<i>Actual</i> 1969-70	<i>Estimated</i> 1970-71	<i>Estimated</i> 1971-72
Support:			
General Fund -----	\$387,638	\$161,968	\$167,554
Federal funds -----	1,076,057	1,439,360	1,278,861
Reimbursements -----	--	500	--
Local Assistance:			
Federal funds -----	9,782,563	12,598,698	12,096,222
Totals -----	\$11,246,258	\$14,200,526	\$13,542,637

Table 54
Educational Assessment and Evaluation

	<i>Actual</i> 1969-70	<i>Estimated</i> 1970-71	<i>Proposed</i> 1971-72
State Operations			
General Fund. -----	\$118,374	\$140,034	\$162,694
Federal funds -----	28,450	45,000	37,146
Total -----	\$146,824	\$185,034	\$199,840

Instructional Support—Continued

F. Intergroup Relations

This element provides assistance to school districts in meeting the problems and needs of minority children. Table 55 shows support for this element.

The objectives for the budget year include disseminating information on desegregation, promoting equal opportunity in employment and improving intergroup relations.

G. School Approvals

The Bureau of School Approvals is responsible for reviewing and approving programs offered to veterans and other adult educational, professional and educational programs. Table 56 reviews support to this unit.

We recommend legislation to allow the State Board of Education to set fees for approval of private schools within limits set by the Legislature which will guarantee support to the Bureau of School Approvals from fee revenues. The budget as proposed includes no General Fund Support for this function. This is based on the anticipation that fees for the approvals of educational courses can be increased to a level that the school approval element will be self-supporting. Fees for this service are governed by Section 29007.6 of the Education Code, however, and legislation will be required before the budget as proposed can be implemented in 1971-72.

We would propose that if the function is to be self-supporting, legislation should be enacted which authorizes the State Board of Education to set fees within maximum limits to finance it rather than prescribing the exact fee to be levied. This will allow the fee schedule to be flexible and responsive to the budget requirements of the unit.

H. Teacher Certification and Credentials

This element represents the department's responsibility for the licensing of applicants who wish to teach in the public school system. Table 57 reviews the expenditures for this element.

Table 55
Intergroup Relations

	Actual 1969-70	Estimated 1970-71	Proposed 1971-72
State Operations			
General Fund	\$144,484	\$139,008	\$147,939
Federal funds	139,376	147,168	197,558
Reimbursements	13,028	--	--
Total	\$296,888	\$286,176	\$345,497

Table 56
Bureau of School Approvals

	Actual 1969-70	Estimated 1970-71	Proposed 1971-72
State Operations			
General Fund	\$39,075	\$60,779	--
Reimbursements	360,889	459,492	532,922
Total	\$399,964	\$520,271	\$532,922

Table 57
Teacher Certification and Credentials

	Actual 1969-70	Estimated 1970-71	Proposed 1971-72
State Operations			
General Fund -----	\$3,074,601	\$2,756,084	\$2,733,004
Federal Funds -----	31,729	66,350	55,788
Total -----	\$3,106,330	\$2,822,434	\$2,788,792

Although reflected as General Fund the cost of the system is financed from the revenues generated by credential fees. Presently the maximum level permitted by law is \$20 of which \$5 shall be used for the following purposes: (1) automation of the credential function, (2) micro-filming of credential files, and (3) the establishment of branch offices.

The Legislature at its 1970 session substantially revised the provisions of the education code relating to teacher credentialing by the adoption of the Teacher Preparation and Licensing Law of 1970. Under this legislation the responsibilities for the issuance and revocation of teacher licenses is directly transferred from the State Board of Education to a newly created 15-member Commission for Teacher Preparation and Licensing appointed by the Governor. The new system, which is designed to eliminate much of existing need for transcript analysis, will be fully operational by January 1, 1973.

We recommend that the teacher credential automation project receive special review by the fiscal committees. In previous analyses and in a special report prepared pursuant to House Resolution 308 (1967 Regular Session), we have discussed the problems associated with the issuing of teacher credentials under a manual system. We found among other things that costs in the years 1963-68 had more than doubled for the certification office functions with no appreciable improvement in reducing the backlog of unprocessed credential applications or in determining the status of applicants. For this reason, we recommended approval of a Department of Education plan to automate this function.

A private consulting firm was retained to assist in the design and implementation of the system. The firm's initial report, *Cost Benefit Analysis Comparison of Original Specification to Recommend Specifications for Teacher Credential Automation Project*, detailed costs and potential savings of the project. After considerable delay and two extensions of the original contract, the system is now scheduled for completion on February 21, 1971. Total payments to the private contractor will be \$411,100. In addition, state personnel provided some of the computer programming for the project.

The first of four modules in the system became operational in September 1970. This system has been designed to utilize a random-access approach to the data base and video terminals are installed in the credential office for input and inquiry. Credentials and letters to applicants are printed on a high speed printer.

In our judgment, this project has suffered from lack of adequate management and coordination between the various state agencies and the private contractor. The credential office now reports that the system design requires more extensive computer utilization than was

Instructional Support—Continued

originally estimated and there is a distinct possibility that there will be insufficient funds from credential fees to operate the system. In fact, this shortage of funds may occur in March 1971. There is also an indication that the Department of Finance will undertake an audit of the charges levied by the contractor and the Department of General Services Data Processing Service Center.

Because of the uncertainties surrounding the project and the lack of specific information at this time, we recommend that the teacher credential automation project receive special review by the fiscal committees together with the remainder of the Department of Education's data processing program (as recommended on page 827 of this analysis).

I. State Advisory Council on Vocational Education

In order to qualify for federal vocational education funds under the Vocational Education Act of 1968, each state must establish a state advisory council to develop long-range vocational education plans, evaluate vocational education programs and submit annual reports to the State Board of Education and the U.S. Commissioner on Education. Table 58 shows the support for the advisory council.

Table 58**California Advisory Council on Vocational Education and Technical Training**

<i>Support</i>	<i>Actual 1969-70</i>	<i>Estimated 1970-71</i>	<i>Estimated 1971-72</i>
Federal Funds -----	\$44,210	\$100,644	\$124,128

The California Advisory Council on Vocational Education and Technical Training is comprised of the Director of Human Resources Development, a member of the Assembly Education Committee appointed by the Speaker of the Assembly, a member of the Senate Education Committee appointed by the Senate Rules Committee, and 23 members appointed by the Governor.

Program No. V**SCHOOL ADMINISTRATION AND FINANCE****Vol. IV p. 35 Budget p. 257**

Requested 1971-72 -----	\$27,886,299
Estimated 1970-71 -----	24,947,232
Actual 1969-70 -----	21,537,666
Requested Increase \$2,939,067 (10.5 Percent)	

The School Administration and Finance Program of the Department of Education includes a number of functions administered by the Division of Public School Administration and Finance. These include a wide variety of responsibilities required by the Educational Code in the administration of educational programs. Table 59 compares program support by element.

Table 59
School Administration and Finance

	<i>Actual</i> 1969-70	<i>Estimated</i> 1970-71	<i>Proposed</i> 1971-72
A. District organization -----	\$49,508	\$61,000	\$68,094
B. Administrative research -----	163,970	141,150	130,947
C. Pupil transportation -----	33,287	149,110	172,168
D. Management services -----	167,243	177,291	152,407
E. School district budgeting and accounting -----	352,972	163,072	151,373
F. School facilities planning -----	535,508	482,014	447,315
G. Child welfare and attendance -----	46,238	45,707	45,496
Totals -----	\$1,348,726	\$1,219,974	\$1,167,800

Total program support is shown by funding source in Table 60.

Table 60
Funding by Source for School Administration and Finance

	<i>Actual</i> 1969-70	<i>Estimated</i> 1970-71	<i>Proposed</i> 1971-72
General Fund -----	\$924,589	\$658,934	\$650,700
School Building Aid Fund -----	170,306	208,430	202,000
Federal funds -----	203,383	270,610	249,300
Reimbursements -----	50,448	82,000	65,800
Totals -----	\$1,348,726	\$1,219,974	\$1,167,800

The program is entirely composed of state level operation and Budget Act General Fund Support is appropriated entirely in Item 263 for the General Activities of the Department of Education.

A. District Organization

This element is composed of the activities of the Department of Education which provides liaison between the State Board of Education and county committees on school district organization. The Budget Supplement indicates that the system of separate elementary and high school districts is unnecessary, because it is educationally and economically inefficient. As a result the Bureau of Administrative Research and District Organization assists in bringing about the formation of unified districts and assists districts to improve their organization through transfers, annexations and the formation of new districts. Policy recommendations in the area of district organization are included in the General Summary Section of this analysis which deals with the basic reform of public school finance.

The budget indicates that General Fund expenditures will increase from \$61,000 to \$68,094 in 1971-72 to maintain the current level of service.

B. Administrative Research

This element represents the department's responsibility for providing information regarding the current status of school district administration and finance. This includes school district staffing and salaries, textbook utilization, plus special enrollment, tax rates and related studies. Table 61 reviews support to this element.

School Administration and Finance—Continued

Table 61
Administrative Research

	<i>Actual</i> 1969-70	<i>Estimated</i> 1970-71	<i>Proposed</i> 1971-72
General Fund -----	\$91,166	\$67,150	\$73,836
Federal funds -----	72,804	74,000	57,111
Total -----	\$163,970	\$141,150	\$130,947

The objectives for the budget year indicate a continuance of current year service.

C. Pupil Transportation

This element is administered by the Bureau of Administrative Services located in the Division of School Administration and Finance in the Department of Education. It (1) compiles rules and regulations concerning school bus operation and pupil transportation in California, (2) administers a training program for school bus drivers under a three-year National Highway Safety Act contract, (3) conducts workshops on transportation reporting procedures, schoolbus preventative maintenance and purchasing procedures and (4) monitors records and reports from school districts relative to transportation reimbursements.

Table 62 provides expenditure information for state support by fund source.

Table 62
Pupil Transportation Support

	<i>Actual</i> 1969-70	<i>Estimated</i> 1970-71	<i>Estimated</i> 1971-72
State Operations:			
General Fund -----	\$31,254	\$30,800	\$39,168
Federal funds -----	2,033	118,310	133,000
Total -----	\$33,287	\$149,110	\$172,168

The Legislature has shown concern in the past relative to pupil transportation allowances provided by the state. Resolution Chapter 95, (ACR 10) of the 1970 Session requested the Department of Education to conduct a study of school transportation allowances. A report is to be submitted to the Legislature on or before February 1, 1971. The completed study is to include recommendations relative to simplification of transportation computation laws and procedures, and recommendations to permit allowances to be made on a more equitable basis.

D. Management Services

This function includes the operations of the Division of Public School Administration and Finance's Bureau of Administrative Services. These activities are generally concerned with advising school districts' boards and administrators on the problems of district administration. This includes administrative workshops, district guidelines, and consultation. Table 63 compares support to this element.

It is anticipated that the budget will continue the current level of service.

Table 63
Management Services

	Actual 1969-70	Estimated 1970-71	Proposed 1971-72
General Fund -----	\$136,627	\$133,060	\$125,260
Federal funds -----	30,627	35,861	27,147
Reimbursements -----	--	7,000	--
Total -----	\$167,243	\$177,921	\$152,407

E. School District Budgeting and Accounting

This element includes the activities initiated by the Legislature in Chapter 1573, Statutes of 1967, which established the State Advisory Committee on School Districts Budgeting and Accounting. This committee is required to recommend to the State Board of Education a program budgeting system for implementation in all the school districts of the state. Support to this element is proposed at \$151,373, a reduction of \$11,699 from the current year. This reduction includes approximately \$3,200 in consulting services associated with implementation activities proposed by the Department of Finance.

In accordance with the developmental plan the State Board of Education has approved the program structure recommended by the advisory commission. As proposed, this would eliminate the current functional concept of district budgeting and accounting and would shift to a program format which emphasizes instructional programs, instructional support, pupil services, general support and community services. The board also authorized revision of the *California School Accounting Manual* which will require approximately 1½ years and a program of in-service training by public school business officials.

It is important to note that the Department of Education estimates that conversion costs of \$5 million can be anticipated in the year of implementation (1972-73) and a continuing cost of \$3.5 million thereafter.

F. School Facilities Planning

The Bureau of School Planning is located within the Division of School Administration of the Department of Education. Table 64 demonstrates the sources of funds and the estimated and actual expenditures for this program in recent years.

Table 64
School Facilities Planning—Estimated and Actual Expenditures

	Actual 1969-70	Estimated 1970-71	Estimated 1971-72
Support			
General Fund -----	\$216,824	\$156,145	\$147,473
School Building Aid Fund -----	170,306	208,430	202,000
Federal funds -----	97,930	42,439	32,042
Reimbursements -----	50,448	75,000	65,800
Totals -----	\$535,508	\$482,014	\$447,315

There has been a decrease in the level of General Fund support for this program while School Building Aid Fund support has remained fairly constant. Estimated 1971-72 expenditures show a total decrease in support over 1970-71 of \$34,699 (7.20 percent).

School Administration and Finance—Continued

A major function of the Bureau of School Planning is approval of site and planning applications for districts which are aided by the State School Building Aid program and certain other nonstate aided districts. Education Code, Section 15302, requires that the Bureau of School Planning review plans for school construction where the cost of a project exceeds \$5,000 and meets one or more of the following conditions: (1) that it is a unified school district with 1,500 or less ADA (2,000 ADA if district was formed after July 1966); (2) that it is a district not governed by a city board of education; or (3) that the district's building projects are financed with federal or state school building aid funds. A fee of one-twentieth of 1 percent as estimated by the Office of Architecture and Construction is charged to the district for review of plans and specifications, and a fee of \$25 is charged to the district for each 10 acres or fraction thereof for site review. The bureau is also required to provide its professional services and advice to any school district which is not governed by a city board of education. When such services are rendered, the bureau must collect a fee from the district equal to the actual costs incurred by the bureau, exclusive of the salaries of the participating state employees.

G. Child Welfare and Attendance

The accounting and reporting of average daily attendance data, improving procedures, and the communication of changes to districts are the activities of the Child Welfare and Attendance element. General Fund support to this function is proposed to decrease from \$45,707 in the current year to \$45,496 in the budget year or a total reduction of \$211.

Objectives for 1971-72 include inservice training for local administrators, communication with districts, distribution of necessary materials and related tasks.

Program No. VI
DISTRIBUTION OF AID

Vol. IV p. 48 Budget p. 259

Requested 1971-72	\$1,586,689,821
Estimated 1970-71	1,591,421,542
Actual 1969-70	1,478,516,892
Requested decrease \$4,731,721 (0.3 percent)	

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

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1. Apportionments to Public Schools. Recommend special 800 legislative consideration when information from first principal State School Fund apportionment is available.
2. Apportionments to Public Schools. Recommend legislative 800 augmentation to increase apportionments by 7.65 percent to reflect change in the cost of living and productivity.
3. Textbooks. Recommend priority listing of titles. 807
4. Textbooks. Recommend definition of teachers' editions. 807

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5. State Curriculum Commission. Recommend two-year ap- 809
pointments.

6. Textbooks. Recommend breakdown of textbook budget al- 810
location.

7. New Textbook Adoption (Social Science grades 5-8). Rec- 810
ommend more information on need and funds available.

8. Textbooks. Recommend maximum allowable royalty for- 811
mula.

9. Textbooks. Recommend State Board of Education make 813
new adoption by June.

10. Textbooks. Recommend additional cost and scheduling in- 813
formation from State Printer.

11. Duffy-Moscone Family Nutrition Education and Service 815
Act of 1970. Recommend special review; item not funded.

The largest individual program of the Department of Education is the Distribution of Educational Aid. This is composed of four component parts: (1) apportionment of the State School Fund, (2) distribution of surplus property, (3) selection, acquisition and distribution of textbooks, and (4) distribution of food services. Table 65 summarizes expenditures for the elements of the distribution of aid program.

Table 65
Distribution of Aid

	Actual 1969-70	Estimated 1970-71	Proposed 1971-72
A. Apportionments -----	\$1,428,811,814	\$1,516,006,786	\$1,500,147,950
B. Surplus property -----	3,540,084	4,126,551	4,320,000
C. Textbooks -----	23,017,174	21,549,955	18,054,820
D. Food services -----	23,147,820	49,738,250	64,167,051
Totals -----	\$1,478,516,892	\$1,591,421,542	\$1,586,639,821

These elements of state operations and local assistance are compared by funding source in Table 66.

Table 67 summarizes General Fund Support to the Distribution of Aid by Budget Act item.

A. Apportionments

The largest portion of state support to public education is composed of transfers made from the General Fund to the State School Fund for apportionment to local school districts. It is anticipated that approximately \$1.5 billion will be expended for this purpose in the budget year. The system of apportionment is controlled by constitutional and statutory provisions and annual budget adjustment. This process is generally considered to have three component parts, which are: (1) derivation—the total amount authorized for transfer from the General Fund to the State School Fund; (2) distribution—the total derivation rate divided roughly among the programs supported from the State School Fund; and (3) apportionment—the allocation of funds to school districts on the basis of specific formulas.

1. *Derivation.* The annual amount of money authorized for transfer from the General Fund to the State School Fund is referred to as the

Distribution of Aid—Continued

Table 66
Funding by Source Distribution of Aid Program

	<i>Actual 1969-70</i>	<i>Estimated 1970-71</i>	<i>Proposed 1971-72</i>
State operations			
General Fund -----	\$667,834	\$847,866	\$733,700
Surplus Property Revolving Fund -----	3,391,142	3,606,526	3,992,000
Federal funds -----	48,753	90,000	-
Reimbursements -----	49,442	76,500	28,000
Subtotal -----	\$4,157,171	\$46,620,892	\$4,753,700
Local assistance			
General Fund -----	\$1,448,882,013	\$1,469,321,479	\$1,477,030,321
State School Fund -----	2,721,948	2,700,000	2,650,000
California Water Fund -----	133,061	276,408	350,000
State Construction Program Fund -----	-	47,242,202	16,000,000
Motor Vehicle Transportation Tax Fund -----	-	18,000,000	20,000,000
Driver Penalty Assessment Fund -----	-	5,367,511	1,600,000
Federal funds -----	22,455,637	43,843,050	64,255,800
Reimbursements -----	167,062	50,000	50,000
Subtotal -----	\$1,474,359,721	\$1,586,800,650	\$1,581,936,121
Total -----	\$1,478,516,892	\$1,591,421,542	\$1,586,689,821
General Fund -----	\$1,449,549,847	\$1,470,169,345	\$1,477,764,021
Surplus Property Revolving Fund	3,391,142	3,606,526	3,992,000
State School Fund -----	2,721,948	2,700,000	2,650,000
California Water Fund -----	133,061	276,408	350,000
State Construction Program Fund	-	47,242,202	16,000,000
Motor Vehicle Transportation Tax Fund -----	-	18,000,000	10,000,000
Driver Training Penalty Assessment Fund -----	-	5,367,511	1,600,000
Federal funds -----	22,504,390	43,933,050	64,255,800
Reimbursements -----	216,504	126,500	78,000
Total -----	\$1,478,516,892	\$1,591,421,542	\$1,586,689,821

Table 67
Distribution of Aid by Budget Act Item

<i>Budget Act Item No.</i>	<i>Purpose</i>	<i>Amount</i>
State operations		
263	General activities, Department of Education--	\$733,700
Local assistance		
269	Apportionments to public schools -----	1,371,400,000
270	Apportionments to public schools -----	88,000,000
--	Repayment of loans to school districts -----	—197,679
276	Free textbooks -----	17,828,000
Total -----		\$1,477,764,021

derivation of the fund. The derivation formulas are based on certain statutory and constitutional amounts per pupil in average daily attendance in the preceding year. The statutory rate bears no relationship to the current level of school district expenditures, rather it is simply an automatic device to facilitate the annual transfer of funds. The elements of derivation are reviewed for the budget year in Table 68.

Table 68
Summary of Statutory Elements of Derivation

Item	Education Code section	Statutory unit rate	ADA factor	Total
Statutory minimum -----	17301(a)	\$180.00	5,222,100	\$939,978,000
Plus additional funds as needed -----	17301(b)	98.92	5,222,100	516,570,132
Subtotal -----		\$278.92	5,222,100	\$1,456,548,132
Adjustments -----				-62,898,132
Equalization aid cost adjustment -----				88,000,000
Driver training -----	17305			18,000,000
Project-connected pupils -----	17307			350,000
Total State School Fund derivation -----				1,500,000,000

Table 69
Distribution Rate for 1971-72

	Education Code authorization	Budget Act adjustment	Total proposed authorization
1. Basic, equalization and supplemental aid -----	\$240.92	\$-13.61	\$227.31
2. County School Service Fund -----	3.76	-0.05	3.71
3. Pupil transportation -----	4.40	+0.96	5.36
4. Special education -----	19.52	+0.49	20.01
5. Mentally gifted -----	1.67	-	1.67
6. Educationally handicapped -----	8.65	+0.16	8.81
Total -----	\$278.92	\$-12.05	\$266.87

The most recent addition to the derivation process has been the institution of an annual inflation factor authorized by Section 17 of Chapter 784, Statutes of 1969, which states:

"The Superintendent of Public Instruction may increase the various foundation programs in accordance with the specifications in the Budget Act in order to apportion amounts specifically appropriated in the Budget Act for cost increases due to inflation. Such increases shall be effective only during the fiscal year for which the appropriation is made."

In 1970-71 a total of \$88 million was added to the Budget Act in accordance with this section.

2. *Distribution.* After the State School Fund is derived, it is distributed into various categories for educational programs and activities specified by statute as eligible for state support. Programs supported include basic and equalization aid, which make up the foundation program, the county school service fund and allowances for special educational programs for exceptional children.

In the current year the distribution rates are completely controlled by provisions of the Budget Act of 1970. This practice was originally established in the Budget Act of 1969, and, in effect, results in the annual budgeting of State School Fund apportionments to public schools.

Distribution of Aid—Continued

The budget document and Budget Bill Items 269 and 270 reflect the intent of the administration to continue the practice of determining the amount of General Funds available to the State School Fund through budgetary action. Table 69 reviews the proposed distribution amounts.

3. *Apportionment.* The total amount authorized to the State School Fund is allocated to local school districts on the basis of apportionment formulas. The major component of state support is the foundation program which is designed to guarantee to public school pupils a prescribed level of financial support. This amount is determined through a combination of state and locally raised funds but always includes a basic aid or state guaranteed amount of \$125 per ADA. A district may, depending on its level of assessed valuation per pupil, receive additional state support in the form of equalization aid to reach the total foundation level, i.e., guaranteed amount.

The state also provides supplemental support to the lowest wealth school districts, support for the county school service fund, pupil transportation, special education allowances for the mentally and physically handicapped, and assistance for the mentally gifted.

In 1970-71 apportionments were increased through budget appropriation of \$88 million for cost increases due to inflation. The amount appropriated was distributed on a per-pupil basis to equalization aid districts.

1. *We recommend the apportionment element of the distribution of aid program be held for special consideration when information from the first principal State School Fund apportionment is available to estimate existing requirements.* The budget document estimates a total State School Fund apportionment of \$1,520,827,193 for the current year while the amount proposed for 1971-72 is \$1,500,000,000, a reduction of \$20,827,193. This is based on the assumption that the growth in assessed valuation and changes in average daily attendance will allow the state to support the existing apportionment formulas and continue the \$88 million inflation factor granted by the Legislature in the 1970 Budget Act at a lesser total cost than in the current year. The \$88 million is not an additional inflation factor but merely maintains the level achieved this year to offset inflation. No provision is made for current inflation.

Our preliminary estimates for the budget year indicate that these figures may be substantially below the actual requirement. To make an accurate projection of State School Fund apportionments for the budget year, data is required from the first principal State School Fund apportionment which will not be available until February of the current year. Consequently, we recommend that consideration of the amount budgeted for apportionments to public schools be held for special consideration when sufficient information is available to project demand.

2. *We recommend that legislation be adopted to increase State School Fund apportionment to public schools by 7.65 percent to reflect*

changes in the cost of living and a productivity factor between 1970-71 and 1971-72. There are two basic economic trends which affect public school costs (as discussed in the section of this analysis dealing with Basic Reform in the Public School Finance) which are not reflected in state support without legislative action. These fluctuations are (1) the cost changes which can be attributed to inflation and (2) increases in the productivity of society which are reflected in wage and income changes.

A. Effects of Inflation. A significant portion of the increases in the cost of education can be attributed to inflation which has escalated dramatically since 1966. Table 70 shows that the California Consumer Price Index (CPI) increased by 5.68 percent during 1969-70 which was more than double the rate of increase during the early 1960's. This CPI index measures only the growth in prices paid by the general public for the goods or services it purchases, and is not a direct reflection of the increased cost of education. Most of the cost for schools consists of services (i.e., teacher salaries) which typically grow faster than general consumer prices. One of the reasons for the more rapid growth rate is that salaries as they are adjusted to competition in the private sector reflect not only changes in inflation, but also increases in productivity (i.e., the increases in real purchasing power).

Chapter 784, Statutes of 1969, authorizes the Superintendent of Public Instruction to "increase the various foundation programs in accordance with the specifications in the Budget Act in order to apportion amounts specifically appropriated in the Budget Act for cost increases due to inflation." This, however, is only an authorization to act if funds are appropriated and not a guarantee of an adjustment.

B. Increase in Productivity. During the 1960's real purchasing power in this country increased at an average annual compounded rate of about 2.75 percent. Employees in both the private and governmental sectors attempt to share in this increase through wage negotiations. The salary structure for California teachers partially recognizes the growth in productivity by granting annual merit salary adjustments. However, neither the state (except when the Legislature increases state aid) nor the local school financial structure has a mechanism for recognizing what is obviously a built-in cost factor. These adjustments

Table 70
Comparison of Increases in School District General Fund Current Expense to
Increases in the California Consumer Price Index and National Productivity

	(1) Annual change in current expense of education	(2) Annual change in Consumer Price Index	(3) ¹ Annual change in productivity	(4) Program improvement difference 1 — (2 + 3)
1964-65	6.34%	2.20%	3.36%	0.78%
1965-66	7.51	1.61	3.24	2.66
1966-67	8.62	2.91	2.52	3.19
1967-68	7.43	3.17	2.20	2.06
1968-69	11.85	3.90	1.61	6.34
1969-70 (est.)	8.58	5.68	0.93	1.97

¹ 1970 Economic Report of the President, page 216, and the December 1970 issue of the Monthly Labor Review, by the U.S. Department of Labor, page 98. This index refers to private nonfarm employees and the increases are annual changes.

Distribution of Aid—Continued

can be financed, in part, out of voter-approved tax increases, the growth in assessed valuations (which partially results from inflation). Table 70 reviews both of these factors for recent years.

We believe the school finance system should incorporate salary policies which include both the inflationary experience and changes due to productivity. In this way the state would share part of the financing of these two basic costs which are independent of changes in enrollment and program. It should then be possible to isolate these changes in local school budgets which reflect changes in level of services or cost improvements versus those which adjust for inflation and related salary costs.

We believe that foundation program support to the public schools should be increased through budgetary action to reflect these changes in the economy. This approach would also establish a logical method for determining teacher salaries. By granting an inflationary adjustment, teachers are protected from an erosion in their real purchasing power. By adding a productivity factor which corresponds to the long-term growth in the national economy, teachers will participate proportionately in the growth in real purchasing power. We propose the adjustment factors be computed in the following manner.

(a) Inflation factor: We believe that state support should be adjusted annually by the California Consumer Price Index reported from the period of March to March of the preceding fiscal year. These figures are presently reported by the Department of Finance and the use of previous year data will permit the use of actual figures. (The increase from March 1970 to March 1971 is estimated at 4.90 percent.)

(b) Productivity Factor: In developing a factor the formula should take into account the wide variations which occur in this index from year to year. We propose that the average for the prior 10 years be utilized. This factor for the 10-year period from 1960 to 1969 was 2.75 percent compounded. Therefore, based on the two components above the factor to be applied to state support for 1971-72 is estimated to be:

<i>Consumer Price Index</i> (March 1970 to March 1971)		<i>Productivity</i> factor		<i>Adjustment factor</i>
(4.90%) ¹	+	(2.75%)	=	(7.65%)

¹ Estimated.

When this factor is applied to 1970-71 apportionments for foundation program support as reflected in the budget document of \$1,306,074,020 multiplied by the estimated adjustment factor of 4.90 percent for the Consumer Price Index and 2.75 percent for productivity an augmentation of approximately \$64.1 million is required for the cost of living and \$35.9 million for productivity or a total cost of approximately \$100 million to the General Fund in 1971-72.

We believe that this adjustment in public school support is required, but that it should be considered in the context of comprehensive legislative reform of the system of public school finance discussed in the General Summary section of the Analysis beginning on page 723. This consideration of reform of school finance should not only include the adjustments for the cost of living and productivity, but should deal

with optimization of the size of school districts, the most efficient use of statewide property tax resources and a definition of the foundation program which is responsive to the costs of an adequate program model.

B. Surplus Property

The State Educational Agency for Surplus Property is located within the Division of Public School Administration in the Department of Education. This agency is responsible for (1) obtaining and distributing available federal surplus property, (2) receiving and redistributing food commodities obtained free from the U.S. Department of Agriculture to eligible institutions, and (3) receiving and reallocating federal funds to county welfare agencies for the improvement of food commodity distribution at the county level. Examples of eligible institutions are public elementary and secondary schools, colleges and universities, hospitals and health center clinics as well as nonprofit, tax-exempt schools, colleges, universities and public aid societies.

Table 71 demonstrates expenditures in terms of state operations and local assistance and indicated funding sources.

Table 71
Surplus Property Support

	Actual 1969-70	Estimated 1970-71	Proposed 1971-72
State operations:			
Surplus Property Revolving Fund -----	\$3,391,142	\$3,606,526	\$3,992,000
Reimbursements -----	49,442	30,000	28,000
Local assistance (federal funds) -----	99,500	490,025	300,000
Totals -----	\$3,540,084	\$4,126,551	\$4,320,000

Costs of handling and processing surplus property and food commodities are recovered from participating institutions by charges which are paid into the Surplus Property Revolving Fund. It is estimated that the surplus property to be distributed in 1971-72 has a fair market value of approximately \$38 million and food commodities have a wholesale value of an additional \$40 million.

Surplus funds which might accumulate in the revolving fund are credited yearly to the accounts of institutions buying surplus property and food commodities in proportion to their financial participation.

A sum of \$3,992,000 is proposed for expenditure in 1971-72 from the Surplus Property Revolving Fund. There is no cost to the State General Fund. The increase in the request for 1971-72 over the previous year is a result of anticipated increases in available surplus from U.S. military sources in Europe and the Far East, particularly Vietnam.

C. Textbooks

Activities conducted by this element are performed principally by the Bureau of Textbooks in the Division of School Administration and Finance. Support for the bureau has remained fairly constant in recent years. Expenditures for state support and local assistance are shown in Table 72.

The State Constitution provides for the adoption of textbooks by the State Board of Education. Adopted textbooks are distributed in grades kindergarten through eight without cost as provided by statute.

Distribution of Aid—Continued

Table 72
Textbooks Support

	<i>Actual</i> 1969-70	<i>Estimated</i> 1970-71	<i>Proposed</i> 1971-72
Support (General Fund) -----	\$157,189	\$192,845	\$176,820
Local Assistance:			
General Fund -----	22,692,023	21,307,110	17,828,080
Reimbursements -----	167,062	50,000	50,000
Totals -----	\$23,017,174	\$21,549,955	\$18,054,824

New textbook adoptions are recommended to the State Board of Education by a statutory body, the State Curriculum Commission. The state board makes a tentative adoption usually in March or April of each year from among the textbooks recommended by the commission. The textbooks tentatively adopted are distributed to the school districts for selection and public display. A schedule of future adoptions is outlined in Table 72A.

Table 72A
Schedule of Future Adoptions

<i>Criteria for new texts to be developed at November meeting</i>	<i>Books to be submitted by June 1</i>	<i>Adoption to be made by board</i>	<i>Adoption period to begin July 1</i>	<i>Subject field (Grades 1-8 unless specified)</i>
1968	1969	1970	1971	Social sciences, K-4
1968	1970	1971	1972	Social sciences, 5-8
1969	1971	1972	1973	Health, music, science
1970	1972	1973	1974	English and related subjects
1971	1973	1974	1975	Reading and literature
1972	1974	1975	1976	Mathematics
1973	1975	1976	1977	Social sciences, grades K-4
1974	1976	1977	1978	Social sciences, grades 5-8 foreign language
1975	1977	1978	1979	Health, music, science
1976	1978	1979	1980	English and related subjects
1977	1979	1980	1981	Mathematics

Districts can select from among a maximum of four basic textbook titles with a limit of no more than one basic textbook per pupil and from a varying number of supplementary textbooks with each school district limited by numbers and titles to a supplementary textbook credit computed by the Department of Education. After the selection by the school districts the State Board of Education finalizes the new adoption.

When the adoption process is complete, textbooks are manufactured in the State Printing Plant through a lease agreement with the publishers which permits the state to print the text in return for a "royalty" generally assessed on a per-copy basis. However, in cases where the right to print is withheld by the publisher of an adopted text or the leasing of film positives is not competitive with the finished book price, the state purchases the completed text directly from the publisher.

Completed textbooks are delivered by publishers or the State Printer to the State Textbook Warehouse in Sacramento for shipment to school districts. Usually between 85 and 90 percent of the year's total ship-

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ments are made from May to August to insure that books will be available when schools open in the fall. Distribution of texts is based on local orders and ratios established by each school district. Table 73 summarizes distribution for recent years with estimates for 1970-71 and 1971-72.

Table 73
Number of Textbooks Distributed 1963-64 Through 1971-72

1963-64	9,412,060
1964-65	10,404,140
1965-66	11,335,771
1966-67	7,525,788
1967-68	21,113,675
1968-69	18,210,080
1969-70	20,774,724
1970-71 (est.)	22,000,000
1971-72 (est.)	21,700,000

Elements of the textbook program will be reviewed as follows:

1. Selection and adoption
2. Acquisition
3. Distribution

1. Selection and Adoption

The State Board of Education has the constitutional responsibility for the adoption of textbooks. To aid the board in the selection of textbooks the Legislature created by statute the State Curriculum Commission. The commission screens textbooks submitted by publishers and recommends textbooks to the State Board of Education for adoption. The selection and adoption functions take approximately 18 to 20 months to complete. For example, the proposed social science adoption grades five through eight initially began with a call for bids in December 1969 and should be completed in July of this year.

A framework and criteria are developed for the proposed adoption and publishers are requested to submit books that meet the criteria. Initially several hundred titles are submitted to the commission for review. A preliminary screening takes place approximately one year after the original call for bids. A final screening takes place about three months later, usually in February. Textbooks that survive the first two screenings are those that are submitted to the State Board of Education by the commission. From the texts submitted the State Board of Education makes a tentative adoption. School districts select from among these books tentatively adopted and submit their requests to the Department of Education.

Education Code requires a 25,000-minimum order to be eligible for adoption as a basic or supplementary textbook. Texts not qualifying with the minimum order are eliminated from the adoption unless the state board designates them as teachers' manuals. A book designated as a teachers' manual requires no minimum order. The state board can designate who is to receive the teachers' manual and at what distribution ratio.

In reviewing the proposed textbook budget of \$17,828,000 with its elements of (1) selection and adoption, (2) acquisition, and (3) distribution, it is clear that the principal expenditures are related to the

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Distribution of Aid—Continued

acquisition element and basically are for printing, purchasing, royalties and new adoptions. However, since the State Curriculum Commission has a direct bearing on cost through its "selection" function, its activities are discussed under the section on selection and adoption.

The annual expenditure for textbooks has fluctuated considerably from year to year due to a wide variation in the size of annual new adoptions. However, this fluctuation has leveled somewhat in the last few years. Table 74 demonstrates the estimated expenditures for new adoptions and total textbook expenditures in recent years.

Table 74
Annual Textbook Expenditures

Subject area of new adoptions	<i>Estimated expenditures for new adoptions</i>	<i>Total textbook expense ²</i>
1961-62 reading and literature ¹ -----	\$1,552,923	\$6,876,166
1962-63 history and geography (5 & 8) -----	1,374,660	8,699,919
1963-64 arithmetic (1, 2 & 7) social studies (6 & 7) -----	1,111,000	10,906,962
1964-65 arithmetic (3, 4, 5, 6, & 8), social studies (4) -----	2,593,349	11,980,511
1965-66 none -----	--	7,720,420
1966-67 science health, social science (2, 3, & 5) -----	13,279,968	17,525,648
1967-68 music, English and related sub- jects -----	8,099,658	21,260,092
1968-69 reading and literature -----	11,000,000	19,631,786
1969-70 mathematics -----	6,169,898	22,692,923
1970-71 social science K-4 -----	3,677,162	21,307,110
1971-72 social science 5-8 (proposed) --	--	17,828,000

¹ Deferred purchases.

² Includes estimated expenditures for new adoptions and continuing expenditures for previous adoptions.

While annual state expenditures have varied substantially during the past few years the number of basic and supplementary titles in adoption have consistently increased. Table 75 demonstrates the number of textbook titles in adoption in recent years.

Table 75
Textbook Titles in Adoption

<i>Year</i>	<i>Numbers of titles ¹</i>
1961-62 -----	360
1962-63 -----	359
1963-64 -----	391
1964-65 -----	392
1965-66 -----	445
1966-67 -----	445
1967-68 -----	561
1968-69 -----	654
1969-70 -----	731
1970-71 -----	763
1971-72 -----	801

¹ Includes teachers editions.

Although there has been great variance in the estimated expenditures for new adoptions in each of the last 10 years, total textbook expense has increased sharply with a leveling off in the last few years, as shown

in Table 74. Indications are that there will be a continuing increase of textbook titles in the future as new adoptions are approved, as shown in Table 75.

a. *Priority Listing of Titles*

We recommend that the Legislature require the State Board of Education to establish a priority listing of titles for new textbook adoptions. This same recommendation was contained in the *Analysis of the Budget Bill, 1970-71*, and was subsequently adopted by the Legislature in the *Supplementary Report of the Committee on Conference Relating to the Budget Bill*. The reasons for the recommendation related principally to distribution ratio problems encountered in the 1968-69 reading adoption. Previous to multiple adoption of basic and supplementary textbooks the State Board of Education would establish distribution ratios for each textbook. For example, a book might be distributed on the basis of one textbook for 10 pupils. However, if the final budget was a lesser amount than that requested for textbooks the State Board of Education would reduce the ratios rather than eliminate titles. This would allow the textbook budget to stay within the financial constraints set by the budget and would also allow the State Board of Education to distribute all textbook titles it adopted regardless of how satisfactory or unsatisfactory the distribution ratios might be.

Since making that recommendation the voters approved multiple adoption for basic textbooks (supplementary multiple adoption went into effect on July 1, 1970). Under multiple adoption a district selects textbooks from an approved list provided by the Department of Education. A result of the district making the selection is that the district in effect establishes its own ratios. Because of this, the Department of Education in conversations conducted with the Legislative Analyst's Office and the Department of Finance expressed the belief that the setting of priorities as recommended is no longer valid. We believe the department's assumption is incorrect.

Social science textbooks, grades 5 to 8, that were adopted in the years 1963 through 1967 are currently being considered for adoption. Since the maximum allowable time that a book may be in adoption is eight years, the expiration of these textbooks varies from June 30, 1971, to June 30, 1975. We believe this is a factor that should receive primary consideration when proposing textbooks for adoption since a textbook adopted in 1967 could continue legally until 1975. The time of a textbooks adoption could thus be used as a point of reference in setting priorities for current and future adoptions.

While the Department of Education believes the setting of priorities is no longer valid, it still intends to prepare a priority listing of titles for the proposed social science, grades 5 through 8 for adoption. Such a listing cannot be prepared by the department until after the final screening of textbooks in February 1971.

b. *Teachers' Manuals*

We recommend that funding for textbooks other than basic and supplementaries be limited to "teachers' editions." We further recommend that "teachers' edition" be defined by legislation as a student textbook which contains annotations and/or teachers' guidelines overprinted or added in a separate section.

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Distribution of Aid—Continued

Chapter 917, Statutes of 1968, states: "The board shall adopt separate teachers' manuals for use in the subjects of the several elementary school grades in which the board shall determine the need and desirability for such manuals." (Education Code Section 9311.) While this section permits the adoption of teachers' manuals, nowhere in the Education Code is the term "teachers' manual" defined.

The Bureau of Textbooks and Publications in devising textbook order forms sent to districts differentiates between what it calls "teachers' editions" and "teachers' manuals." The differentiation is made between the two by the nature of their purpose and composition. The "teachers' edition" is ordinarily an annotated student text that includes text helps and ideas for the teacher, and is bound together in one volume, while the "teachers' manual" may be almost any book for which the state board "shall determine the need and desirability" for use as a manual.

A trend is emerging in the textbook adoption process in which it appears the undefined category called "teachers' manuals" is becoming a catch-all for textbooks unable to meet the 25,000-minimum order necessary for adoption as a supplementary or basic textbook. Examples of adopting supplementaries as teachers' manuals can be cited in the recent K-4 social science adoption.

Multiple adoption in both basic and supplementary textbooks gives the local districts more choice in textbooks used in their schools. However, state board adoption of supplementary and basic textbooks that fail the 25,000-minimum order as teachers' manuals, negates the purpose of district selection. Further, such adoptions reduce the funds available to districts to purchase in adequate numbers the textbooks they select.

Table 76 demonstrates an increasing amount of funds budgeted for teachers' manuals in recent years.

Table 76
Budget Expenditures for Teachers' Manuals
(Manuals with no corresponding pupils textbooks)

	1968-69	1969-70	1970-71	1971-72
Reading -----	--	\$298,823	\$39,566	\$39,566
Mathematics -----	--	--	113,036	70,870
English -----	\$1,980	0	3,300	3,300
Social sciences (K-4) -----	--	--	--	971,037
Handwriting -----	31,584	2,160	2,160	19,088
Music -----	53,361	3,650	29,924	6,690
New adoptions -----	146,662 ¹	157,441 ²	825,523 ³	-- ⁴
	\$233,587	\$462,074	\$1,013,509	\$1,110,550

¹ Reading.

² Mathematics.

³ K-4 social sciences.

⁴ New adoption figures not available for 5-8 social sciences.

For the reasons discussed above we believe the broad category of teachers' manuals should be eliminated and a more specifically defined category of teachers' editions be established.

c. State Curriculum Commission

We recommend that at least one-half of the members of the State Curriculum Commission be specialists in the subject matter area that will be considered for adoption in the second year of their appointment. We further recommend that appointment to the Curriculum Commission be limited to one two-year term.

A major concern of the Legislature in the past has been the extent to which textbooks are or are not being utilized. A study of textbook utilization is now being conducted by the Bureau of Administrative Research and District Organization. This study follows closely the guidelines of the preliminary study by Peat, Marwick, Mitchell and Company entitled *Methodology Development for Measuring Nature and Extent of Textbook Use* transmitted to the Department of Education January 5, 1968. The current review of textbook utilization includes science, grades 5 and 8; health, grades 3 and 6; social science, grades 2 and 5; handwriting, grades 1 and 6; English, grades 2, 4 and 7; music, grades 5 and 8; spelling, grades 3 and 7; English as a second language, grades 2, 4 and 7. The first three of these grades and subject area studies have been completed. As of this date there has not been a summary of the conclusions with recommendations made concerning textbook utilization.

In each of the three areas completed, however, tentative conclusions were reached. Some of these are as follows: (1) many of the adopted textbooks generally do not meet the different reading needs and abilities of pupils—especially below average pupils; (2) the state should "adopt supplementary texts for the low average and below average pupil with the stipulation that such textbooks actually be a supplement to the basic text"; and (3) there tends to be a low use rate of teachers' editions (the study indicates that a correlation exists between the experience of a teacher and the rate of use, i.e., the more experience the lower the use).

The variation of textbook approval or disapproval among teachers in the utilization study raises questions relative to the ability of the State Curriculum Commission to select textbooks. We make this statement based on our view of the role of the commission in the textbook selection and adoption process. Two of the responsibilities of the commission in the adoption process are: (1) the evaluation of textbooks to check for technical content accuracy and (2) the selection of technically correct textbooks that will meet various pupil needs and abilities statewide. The utilization study does not question the technical accuracy of textbooks selected but the study does raise questions relative to whether textbooks are meeting diverse student needs and abilities.

The Curriculum Commission is composed of the Superintendent of Public Instruction and 12 additional members appointed by the State Board of Education. Commission members are appointed for four-year terms with no limit on the number of terms they may serve. There are no specific requirements for appointment to the commission. As a result a commission member may not be an expert in a subject matter being considered for adoption. Further, a commission member may be making recommendations in subject matter areas that bear no relationship to his specialization or training.

Distribution of Aid—Continued

We believe a Curriculum Commission composed of subject matter specialists appointed for a maximum of two years would be more flexible than the current commission structure. At least one-half of the members would be specialists in the subject matter to be adopted with the other members specialists for the next scheduled adoption (see Table 72A page 804). While this change does not satisfy completely the problem of a commission member making textbook recommendations in areas outside of his specialization, it does reduce the problem. Further, appointment for two years will allow for greater statewide participation and serve to "renew" the commission more often. These proposals together with the information gathered by the textbook utilization study should provide a textbook adoption system that is better able to meet diverse pupil needs and abilities.

2. Acquisition

Textbooks adopted by the State Board of Education are acquired (1) through direct purchasing from the publisher or (2) through the State Printer.

We recommend that the State Board of Education give a complete breakdown of the allocation of the \$17,828,000 requested for fiscal year 1971-72 at the time the free textbook budget is considered by Senate Finance and Assembly Ways and Means Committees.

The textbook budget contains the following elements:

1. *Printing*: Textbook printing can be divided between (a) reprints of books adopted in prior years and (b) first-year printing of new adoptions.

2. *Purchasing*: Textbooks are purchased directly from the publisher in cases where the right to print is withheld by the publisher of an adopted text or the leasing of film positives is not competitive with the finished book price.

3. *Royalty*: Textbooks produced at the State Printing Plant and manufactured under contract with the publisher to lease the printing plates or film positives to the state in return for a royalty assessed on a per-copy basis at the time the books are distributed.

4. *Warehousing*: Textbook storage and distribution.

The estimated figure contained in the Governor's Budget (\$17,828,000) gives no indication as to the allocation of the request among the elements listed above.

a. New Adoption

We recommend that the State Board of Education give more complete information on (1) need for an adoption in social sciences grades 5 through 8 and (2) funds available in the Governor's Budget for the proposed social science adoption at the time the adoption is considered by Senate Finance and Assembly Ways and Means committees. Of major concern to the Legislature is the level of funding required for a new textbook adoption. The grade and subject area being considered for adoption in fiscal year 1971-72 is social sciences grades 5 through 8. Past adoptions were in 1963-64 for grades 6 and 7, and in

1966-67 for grades 5 and 8. The State Curriculum Commission is proposing an adoption for all four grades. We believe the State Board of Education should provide more complete information on the need for an adoption in all four grades.

Based on information obtained from the Department of Education the original request to the Department of Finance for the proposed social science adoption was substantially greater than the figure now included in the Governor's Budget. Original estimated figures are outlined in Table 77.

Table 77

Original Estimated Expenditures for Proposed Social Science
Adoption, Grades 5-8, 1971-72

<i>Textbooks</i>	<i>Amount</i>
Basic	\$4,918,310
Supplementary	1,430,320
Teachers' manuals	750,000
Braille and large type	350,000
Samples, science, health, music	100,000
Total	\$7,548,630

According to estimates of the Department of Education approximately \$15.4 million of the proposed \$17.8 million textbook budget is needed in fiscal 1971-72 for the reprint, royalty, purchase and distribution elements, leaving an estimated \$2.4 million for the new social science adoption. If \$2.4 million is the amount available in the Governor's Budget for new adoptions this represents a reduction of approximately \$5.1 million from the original Department of Education request of \$7.5 million. We believe more information is required in order to appraise the adequacy of the new adoption budget and to reconcile the original estimated new adoption figure with the amount available for new adoptions contained in the Governor's Budget.

b. Royalties

We recommend that a formula to determine maximum allowable royalties for textbooks printed by the state be included on a one-year trial basis in the language of the Budget Bill. In the Analysis of the Budget Bill 1970-71 we recommended that the Department of Education make a study of the costs of royalties in relation to list prices and production costs of the State Printing Plant and that the study include recommendations for reducing royalty charges. This recommendation was adopted by the Legislature in the language contained in the Supplementary Report on the Committee on Conference Relating to the Budget Bill. The results of the royalty study were submitted to the Joint Legislative Budget Committee on November 9, 1970.

In the textbook budget for 1971-72, approximately 48 percent of the budget is requested for royalties on textbooks. At the present time the state has no method of control over the amount of royalties charged on adopted textbooks. If royalty charges seem excessive, the Bureau of Textbooks and Publications in the Department of Education contacts the individual publishers and attempts to work out a downward revision of royalties. In most instances, they are successful in obtaining

Distribution of Aid—Continued

reduced royalty charges. However, we believe a firm guideline is needed in order to determine adequately the proper level of royalty charges.

A royalty study prepared by the Department of Education recommends that a royalty formula be contained in the language of the budget bill. Although we agree, we believe that the formula should be implemented on a trial basis for one year.

Based on our analysis of the study submitted by the Department of Education we propose the following language for the determination of maximum allowable royalties:

No funds shall be available to finance contracts for basic textbooks, supplementary textbooks or separate teachers' manuals adopted by the State Board of Education in which the royalty for any such textbook exceeds by more than 10 percent an amount equal to the net price of that book multiplied by the average of the ratios of royalty to net price of all competitive books of its respective type, basic, supplementary or separate teachers' manual.

c. Use Tax on Leasing of Textbook Film Positives

The State Board of Equalization has tentatively ruled that the State Board of Education must pay a use tax on the leasing of textbook film positives. The film positives are leased from publishers and are used by the State Printer to make the plates used to print textbooks. The State Board of Equalization has indicated that, because Chapter 2, First Extraordinary Session, Statutes of 1965, amended the legal definition of a "purchase" to add "any lease of tangible personal property," leases of film positives by the State Board of Education for textbook production in the State Printing Plant constitute a "purchase" subject to the 5-percent use tax.

Assuming that the Board of Education will be assessed for back taxes and assuming that the full amount of the lease payments (royalties) is assessed, there would be a one-time budget item of about \$1.7 million plus interest and penalties. These taxes have accrued since August 1, 1965. The use tax was 4 percent for the fiscal years 1965-66 and 1966-67 and 5 percent thereafter as shown in Table 78.

Table 78
Computation of Use Tax on Textbook Royalties

<i>Year</i>	<i>Royalty</i>	<i>Tax</i>
1965-66 -----	\$3,024,773	
1966-67 -----	2,146,320	
	<hr/>	
1967-68 -----	\$5,771,093	$\times 4\% =$ \$230,844
1968-69 -----	\$8,255,909	
1969-70 -----	4,998,702	
1969-70 -----	7,778,606	
1970-71 (est.) -----	8,210,386	
	<hr/>	
	\$29,243,603	$\times 5\% =$ \$1,463,180
		<hr/>
		\$1,693,024

The State Board of Education has protested the imposition of this tax to the Attorney General. However, the Board of Equalization is going ahead with the auditing of royalty charges of the publishers involved in past textbook adoptions to determine the tax liabilities. A full hearing before the board is tentatively scheduled for April 9, 1971. Should the results be unfavorable to the State Board of Education, this item of approximately \$1.7 million plus interest and penalties would be budgeted in 1972-73 or in a later year. In addition, this tax assessment will result in an annual cost to the state in the amount of \$100,000-\$500,000 depending on the royalties paid in any one year.

Part of the assessment of a use tax against the State Board of Education would be a real cost to the state. One-fifth of the use tax must be transferred to city/county governments. Therefore, there would be a one-time cost to the state of approximately one-fifth of \$1.7 million or \$339,000. In addition, the state would have the ongoing cost of paying the city/county governments one-fifth of the annual amount of this use tax. This could range between \$20,000 to \$100,000 annually. The remaining fourth-fifths of the tax would accrue as revenue to the state.

3. Distribution

When the adoption process is completed textbooks are either manufactured by the State Printer or purchased directly from the publisher and are then delivered to the textbook warehouse in Sacramento for distribution to the schools. The State Printer has developed a schedule of delivery for those textbooks manufactured at the State Printing Plant. According to the schedule over 10 million textbooks are to be delivered in July and August 1971.

a. Textbook Delivery

We recommend that the State Board of Education be required to complete an adoption no later than June of any given year.

We recommend that the State Printer include in his monthly report to the State Board of Education on the "status of textbooks on order in the Office of State Printing": (1) estimated cost of manufacture, (2) actual cost of manufacture, (3) textbooks scheduled to be partially or wholly manufactured outside the State Printing Plant, and (4) estimated and actual cost of those textbooks partially or wholly manufactured outside the State Printing Plant.

In the fall of 1969, public elementary schools in California experienced shortages of state issued textbooks when instruction began in kindergarten through eighth grades. Pursuant to a request by individual legislators who questioned the late delivery to the public schools during the 1969-70 school year, the Legislative Analyst prepared a report entitled *A Study of the Processes of Textbook Selection, Production and Distribution*, January 9, 1970. In that report, specific recommendations were made relative to changes or improvements in the entire textbook process which would improve the timeliness of textbook delivery.

Education

Distribution of Aid—Continued

Resolution Chapter 177, 1970 Session (SCR 34), recommended that the Legislative Analyst's January 9, 1970, report and recommendations concerning textbook selection, production and distribution be implemented. That resolution stated in part:

Resolved by the Senate of the State of California, the Assembly thereof concurring, That the recommendations of the Legislative Analyst's report be adopted and implemented by the responsible departments affected; and be it further

Resolved, That the Department of Education and the Department of General Services shall submit to the Legislative Analyst, beginning April 1, 1970, quarterly reports relative to progress in adopting and implementing the proposed recommendations; and be it further

Resolved, That the Legislative Analyst shall receive said reports, shall monitor the progress in adopting and implementing the proposed recommendations, and shall prepare a summary status report on the performance of the affected responsible departments for submission to the Senate and the Assembly of the State of California by the fifth calendar day of the 1971 Regular Session.

In compliance with the resolution we submitted to the Legislature our followup report entitled *Implementation of Recommendations for Textbook Selection, Production and Distribution Processes, January 8, 1971*. We assess the performance in 1970 as being an improvement over 1969. However, we are not convinced that the improved performance resulted from implementation of recommended changes in the textbook warehouse operation specifically or the selection, production and distribution process in general but rather from better communication among all the various agencies involved. However, the late adoption of the basic K-4 social science textbooks (October, 1970) as compared with the June 1969 mathematics adoption (a difference of four months) could result in textbook delivery delays in the fall of 1971.

California's adoption system is unique among the states because of the manufacture of textbooks by the State Printer. The State Printer periodically issues reports comparing the cost of manufacture at the State Printing Plant to manufacture by private printing firms. These reports generally indicate that the State Printer can manufacture textbooks for the state at a saving of 30 to 40 percent over private manufacture.

Much of the purported savings to the state is lost when a textbook has to be manufactured outside the State Printing Plant. Since the State Board of Education adopted the social science grades K-4 at the late October date, many of the texts will have to be printed by private printers in order to maintain distribution schedules for the 1971-72 school year. We believe the Legislature should be aware of the additional cost to the state resulting from late adoptions.

D. Food Services

The Bureau of Food Services is located within the Division of School Administration and Finance in the Department of Education. This

agency is responsible for administering six federal school lunch programs as well as the Duffy-Moscone Family Nutrition Education and Services Act of 1970.

Table 79 provides expenditure for state operations and local assistance by fund source.

Table 79
Support for Food Services

	Actual 1969-70	Estimated 1970-71	Proposed 1971-72
State Operations			
General Fund -----	\$242,930	\$248,725	\$211,251
Reimbursements -----	--	46,500	--
Federal funds -----	48,753	90,000	--
Local assistance -----	22,856,137	--	--
General Fund -----	500,000	--	--
State Construction Program Fund -----	--	6,000,000	--
Federal funds -----	22,356,137	43,353,025	63,955,800
Total -----	\$23,147,820	\$49,738,250	\$64,167,051

In the current fiscal year \$6 million is budgeted from the State Construction Program Fund for the purposes of the Duffy-Moscone Family Nutrition Education and Services Act of 1970. There is no state money included to continue this program in the budget year.

We recommend that the Legislature give special review to the amendments of the National School Lunch Act and their implications for future mandatory state appropriation requirements for participation in the food services.

In 1970, Congress amended the National School Lunch Act and the Child Nutrition Act of 1966 relative to state matching requirements as follows:

"For the fiscal year beginning July 1, 1971, and the fiscal year beginning July 1, 1972, State revenue (other than revenues derived from the program) appropriated or utilized specifically for program purposes (other than salaries and administrative expenses at the State, as distinguished from local, level) shall constitute at least 4 per centum of the matching requirement; for each of the two succeeding fiscal years, at least 6 per centum of the matching requirement; for each of the subsequent two fiscal years, at least 8 per centum of the matching requirement; and for each fiscal year thereafter, at least 10 per centum of the matching requirement. The State revenues made available pursuant to the preceding sentence shall be disbursed to schools, to the extent the State deems practicable, in such manner that each school receives the same proportionate share of such revenues as it receives of the funds apportioned to the State for the same year under sections 4 and 11 of the National School Lunch Act and sections 4 and 5 of the Child Nutrition Act of 1966."

This amendment affects the state matching requirements for Section 4 funds of the National School Lunch Act (PL 91-248). Previous to the amendment the matching requirement was derived from sources within the state on the basis of 75 percent state, 25 percent federal.

Distribution of Aid—Continued

Beginning July 1, 1971 state expenditures appropriated or utilized specifically for program purposes must constitute at least 4 percent of the matching requirement exclusive of salaries and administrative expenses. The percentage requirement increases on a sliding scale upwards to 10 percent beginning July 1, 1977 and remains at that level. The percentage and expenditure increases in the state matching requirements are as follows.

<i>Fiscal Year</i>	<i>Estimated Federal Funds¹ (million)</i>	<i>Combined State and Local Matching Requirement (million)</i>	<i>Amended Percent Matching Requirement (Exclusively State) Percent</i>	<i>Estimated State Requirement (million)</i>
1971-72 -----	\$10.5	\$31.5	4	\$1.3
1972-73 -----	10.5	31.5	4	1.3
1973-74 -----	10.5	31.5	6	1.9
1974-75 -----	10.5	31.5	6	1.9
1975-76 -----	10.5	31.5	8	2.5
1976-77 -----	10.5	31.5	8	2.5
1977-78 and thereafter -----	10.5	31.5	10	3.2

¹ The Department of Education estimates that \$10.5 million will be received in 1971-72. For purposes of this table we do not show any progressive increase in federal support.

The full impact and consequences of the state not meeting the matching requirement is not known and the Department of Education has requested a clarification.

The Department of Education has estimated a surplus of \$2.3 million in the Duffy-Moscone Family Nutrition Education and Service Act. Existing federal regulations are unclear as to whether or not the surplus can be applied toward the state requirement of the National School Lunch Act.

Table 80 provides local assistance expenditures by program component for both state and federal funds.

Three of the six federal programs administered by the Bureau of Food Services (School Lunch, School Breakfast, and Special Food Service) provide complete meals, either breakfast or lunch while the remainder (Special Milk, Special Assistance to Needy Children, and Nonfood Assistance) provide additional or special assistance. The Special Assistance to Needy Children program provides funds for free or reduced-cost meals for school children from low-income areas who are unable to pay the full cost of a school lunch or breakfast.

In addition to the federal programs, free and reduced price meals have also been available through the Duffy-Moscone Family Nutrition Education and Service Act of 1970.

Table 81 demonstrates the participation in these food service programs and shows the rapid increase in the number of pupils receiving free or reduced price meals.

Education

Table 80
Food Services Local Assistance Expenditure by Program

	<i>Actual 1969-70</i>	<i>Estimated 1970-71</i>	<i>Proposed 1971-72</i>
General Fund			
Appropriations			
Chapter 1577, Statutes of 1969	\$500,000	--	--
Unexpended balance, estimated savings	--	--	--
Totals, Expenditures	\$500,000	--	--
State Construction Program Fund			
Appropriations			
Chapter 452, Statutes of 1970 (Family Nutrition Education and Service Act)	--	\$6,000,000	--
Totals, Expenditures	--	\$6,000,000	--
Federal funds			
Appropriations			
Federal grants for:			
School lunch	\$6,395,640	\$8,500,000	\$10,588,300
Special milk	9,300,000	8,900,000	11,185,900
School breakfast	235,865	402,000	502,800
Special assistance to needy children	6,044,200	17,500,000	39,390,500
Special food service	330,000	471,000	588,300
Nonfood assistance	380,730	1,000,000	1,250,000
Food and nutrition services	152,581	490,025	300,000
Administration	50,446	90,000	150,000
Totals available	\$22,889,462	\$37,353,025	\$63,955,800
Unexpended balance, estimated savings	--533,325	--	--
Totals, federal funds	\$22,356,137	\$37,353,025	\$63,955,800
TOTAL	\$22,856,137	\$43,353,025	\$63,955,800

Table 81
Comparison of Food Service Participation by Program
November 1969 to November 1970

<i>Programs</i>	<i>Number of schools</i>	<i>Average daily attendance</i>	<i>Average daily participation</i>	<i>Daily free and reduced</i>
National School Lunch				
November 1970	5,116	2,955,182	1,116,482	504,554
November 1969	4,290	2,265,925	862,195	154,362
Percent increase	19.2%	30.4%	29.5%	226.9%
School Breakfast				
November 1970	226	181,191	52,974	52,243
November 1969	96	107,802	11,141	9,957
Percent increase	135.4%	68.1%	375.5%	424.7%
Special Food Service				
Program for Children				
November 1970	72	3,091	6,681	6,569
November 1969	17	1,048	2,547	2,595
Percent increase	324.1%	194.9%	162.3%	153.2%

Education

Program No. VII LIBRARY SERVICES

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Requested 1971-72	\$9,637,096
Estimated 1970-71	9,684,115
Actual 1969-70	5,227,684
Requested Decrease \$47,019 (0.5 percent)	

The Library Services program is composed of those activities of the Department of Education which are directed toward general library services to the public, basic reference services for the Legislature and the Executive Branch of government and the maintenance of historical material relating to California. It also administers the state and federal programs for public library development which are intended to extend and improve public library services statewide. The program is composed of three elements which are shown with costs in Table 82.

Table 82
Library Services

	Actual 1969-70	Estimated 1970-71	Proposed 1971-72
A. Resources and services	\$1,813,909	\$2,036,554	\$2,259,724
B. Advisory and research	192,266	238,013	242,125
C. Administration	3,221,509	7,409,548	7,135,247
Totals	\$5,227,684	\$9,684,115	\$9,637,096

Table 83 provides expenditure in terms of state operations and local assistance with indicated funding sources.

Table 83
State Operations and Local Assistance

	Actual 1969-70	Estimated 1970-71	Proposed 1971-72
State operations			
General Fund	\$1,814,420	\$1,944,791	\$1,897,000
Federal funds	1,973,873	6,511,130	6,709,945
Reimbursements	183,275	228,194	230,151
Subtotal	\$3,976,068	\$8,684,115	\$8,837,096
Local assistance			
General Fund	\$1,251,616	\$1,000,000	\$800,000
Totals	\$5,337,684	\$9,684,115	\$9,637,096

Table 84 compares the library services program to its sources of General Fund appropriation.

Table 84
Library Services

Item number	Title	Amount
State operations—268	State Library	\$1,897,000
Local assistance—277	Assistance to public libraries	800,000
Total		\$2,697,000

A. Resources and Services

This element (1) serves as a research and reference center to state government, (2) provides interlibrary loan service, (3) provides the services of purchasing, cataloging and classifying books for libraries not able to carry out these operations efficiently in their own organizations, (4) acquires catalogs, classifies and distributes library materials made available under Title I of the Library Services and Construction Act for approximately 60 libraries subscribing to the service, (5) serves as a depository for federal documents, (6) maintains a collection of historical material relating to California, (7) maintains legal reference material for use by the Legislature, the bench, the bar, law enforcement agencies and the public, and (8) provides books for the blind and the physically handicapped.

Table 85 provides a breakdown of expenditures by year as well as sources of funding for this element.

Table 85
Library Services Actual and Estimated Expenditures

	<i>Actual</i> 1969-70	<i>Estimated</i> 1970-71	<i>Proposed</i> 1971-72
Support			
General Fund -----	\$1,377,744	\$1,486,186	\$1,519,445
Federal funds -----	252,890	322,174	510,128
Reimbursements -----	183,275	228,194	230,151
Totals -----	\$1,813,909	\$2,036,554	\$2,259,724

An increase of 4.5 positions is shown in the proposed budget request for 1971-72. The request is based on anticipated workload increase in the processing center function of this element.

On January 1, 1971, the State Library stopped all direct loans to persons living in the Sacramento postal zone area and from the Sutro Library to individuals in San Francisco. The termination of service does not apply to California state employees and officials. Library materials will continue to be available to all residents of the State of California through interlibrary loan.

Justification for this action was given by the State Library as necessary to maintain the "... quality and speed of its interlibrary loan and reference service. ..." The explanation also states that "... the State Library and its Sutro Branch will then be providing service statewide on an equal and similar basis to all areas of the state."

B. Advisory and Research

This element provides consultant services to the state's 196 libraries. The consultants advise local libraries regarding the planning and construction of new facilities and make surveys of local library requirements. The element is partially responsible for implementing the California Public Library Services Act and for coordinating and supervising projects authorized under the federal Library Services and Construction Act.

Table 86 provides expenditures by year as well as source for this element.

Library Services—Continued

Table 86
Advisory and Research Support

Support	Actual 1969-70	Estimated 1970-71	Proposed 1971-72
General Fund -----	\$140,325	\$149,414	\$146,608
Federal funds -----	51,941	88,599	95,517
Totals -----	\$192,266	\$238,013	\$242,125

The programs coordinated and supervised by this element are summarized below.

1. *Public Library Services Act of 1963 (Chapter 1802)*. The Library Services Act is designed to improve local library services by encouraging the establishment of cooperative library systems. The program originally authorized two types of grants; planning grants and establishment grants designed to encourage local units to form cooperative systems, and per capita grants to partially defray the cost of improved services provided by the regional library systems. Chapter 97, 1966 Statutes, amended the program by eliminating the planning grant and by establishing an equalization aid formula for the allocation of state support.

The amendments also modified a provision of the law which limited state support to a maximum of 2 percent of the total operating expenses of California's public libraries from funds received from local sources and substituted a sliding scale limitation which increases in annual increments from 6 percent in 1967-68 to 10 percent in 1969-70. Currently, there are 21 library systems, composed of 15 multiple library systems and six single library systems, in California, serving an estimated population of 18,540,668 in 1970-71.

A sum of \$800,000 is proposed for subventions to local libraries for establishment and per capita grants in 1971-72 which is a decrease of \$200,000 below the current level of state support. Table 87 shows the number of library systems, the state subventions for assistance to public library systems, the population served by library systems, and state support per capita served by the library systems in California for fiscal years 1967-68 through 1971-72.

Under the proposed budget, state support per capita would decrease from the current level of \$0.054 to \$0.042. The number of library systems is projected to remain the same in 1971-72. Population served by the library systems shows an increase during 1970-71 mainly due to independent public libraries joining existing library systems.

The proposed subvention of \$800,000 for this activity is shown in element C. *Administration* of this program on page 821.

2. *Library Services and Construction Act*. This is a federally financed program authorized by PL 89-511 and is designed to improve local library services. The titles of the act are:

Title I (Services). This title provides federal funds to extend and improve library services in areas without local libraries or with substandard services. Funds are used for the purchase of books, materials and for state level administration. In 1970-71 it is estimated that California will receive approximately \$2.7 million for Title I projects.

Table 87

Number of Library Systems, Amount of State Subventions, Population of the Library System and State Support per Capita for Fiscal Years 1967-68 Through 1970-71

Fiscal year	Number of library systems	State subventions	Population of the library systems	State support per capita
1967-68	20	\$800,000	14,921,059	\$0.054
1968-69	21	1,200,000	16,412,331	.073
1969-70	21	1,251,616	17,656,407	.071
1970-71	21(est.)	1,000,000	18,540,668(est.)	.054
1971-72	21(est.)	800,000	18,952,599(est.)	.042

Title II (Construction). This title provided federal assistance for construction of library facilities through fiscal year 1967-68 with approximately \$1 million being carried over into 1968-69. There were no funds for construction purposes for fiscal years 1969-70 or 1970-71 and none are projected for 1971-72.

Title III (Interlibrary Cooperation). This title was enacted by the 1966 Congress and seeks to encourage cooperation between local libraries. Presently funds are being used to support a program designed to improve library services for business and industry, to support library workshops and to finance expanded library services.

Title IV. Also enacted by the 1966 Congress. This title provides federal assistance for two purposes:

Title IVa (Institutional Library Services). This title is presently financing seven demonstration projects designed to promote cooperation among state institutions, to provide improved library services and to provide consultative service to state institutions.

Title IVb (Services for Physically Handicapped). This title is being implemented by improving the State Library's collection of material for the blind and physically handicapped and by establishing a pilot program in a local library to demonstrate the need for adequate library programs for the handicapped.

The Library Services and Construction Act was amended by the 91st Congress in 1970. Titles IVa and IVb beginning in 1971-72 will be operated and funded under Title I.

C. Administration

This element has the responsibility for administering and directing all activities of library services as well as coordinating with other administrative and service agencies of the state and local jurisdictions.

Table 88 provides expenditures by support and local assistance as well as by source.

Table 88
Library Administration and Local Assistance

	Actual 1969-70	Estimated 1970-71	Proposed 1971-72
Support			
General Fund	\$296,351	\$309,191	\$230,947
Federal funds	1,673,542	6,100,357	6,104,300
Local assistance			
General Fund	1,251,616	1,000,000	800,000
Federal funds	--	--	--
Total	\$3,221,509	\$7,409,548	\$7,135,247

Program No. VIII

DEPARTMENTAL ADMINISTRATION

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Requested 1971-72	\$4,722,958
Estimated 1970-71	4,716,695
Actual 1969-70	3,161,056
Requested increase \$6,263 (0.1 percent)	

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. *Divisional Administration.* Transfer \$88,400 plus operating expense and staff benefits. Recommend transfer from special schools for the handicapped (Item 266) to Divisional Administration (Item 263) to support physician and surgeon contract services. 824

2. *Fiscal Office.* Reduce \$12,576 plus staff benefits. Recommend deletion of one associate budget analyst. 825

3. *Fiscal Office.* Recommend Legislature require the Department of Education to submit a plan for the consolidation of all fiscal activities in the fiscal office to the Joint Legislative Budget Committee by November 1, 1971. 825

4. *Management Analysis Office.* Augment \$17,000. Recommend augmentation to continue management analysis function. 826

5. *Data Processing.* Recommend special legislative review. 827

Departmental administration, program number eight in the Governor's Budget, contains the administrative and management functions of the Department of Education. Included are the expenses associated with the Education Commission of the States, State Board of Education, and the Executive, the administrative expenses of each of the other programs, departmental administrative functions, which are organizationally found in the Division of Departmental Administration, and the service functions of data processing and publications.

Support for these functions are reviewed in Table 89.

Table 90 reviews funding by source for Departmental Administration.

General Fund support of \$1,363,930 for Departmental Administration is appropriated in Item 262 for the Education Commission of the States and Item 263 for the General Activities of the Department of Education.

A. Educational Commission of the States

The Educational Commission of the States was organized in 1965 to encourage interstate cooperation and communication among executive, legislative and professional personnel concerning methods of improving public education. California joined the commission on July 1, 1966, with the enactment of the Interstate Compact for Education (Chapter 148, Statutes of 1966). California's representatives on the

Table 89
Departmental Administration

	<i>Actual</i> <i>1969-70</i>	<i>Estimated</i> <i>1970-71</i>	<i>Proposed</i> <i>1971-72</i>
<i>Summary of Program Requirements</i>			
A. Education Commission of the States	\$22,684	\$24,100	\$24,100
B. State Board of Education	48,912	54,134	55,500
C. Executive	517,711	566,230	761,453
D. Divisional administration	363,568	358,977	489,453
E. Legal office	137,752	196,801	197,200
F. Fiscal office	743,004	697,465	791,552
G. Management analysis office	16,320	17,100	---
H. Personnel and training office	193,883	214,380	214,400
I. Publications	234,665	248,150	---
(Direct charges)	---	---	221,300
J. Data processing	882,557	1,051,358	376,800
(Direct charges)	---	1,288,000	1,091,100
State fiscal and administration pro rata charges	---	---	500,100
Total	\$3,161,056	\$4,716,605	\$4,722,958

Table 90
Funding by Source for Departmental Administration

	<i>Actual</i> <i>1969-70</i>	<i>Estimated</i> <i>1970-71</i>	<i>Proposed</i> <i>1971-72</i>
State Operations			
General Fund	\$1,875,969	\$1,753,012	\$1,363,930
Federal funds	957,648	808,782	1,194,000
Reimbursements	327,439	2,154,901	2,165,028
Total	\$3,161,056	\$4,716,695	\$4,722,958

commission include the Superintendent of Public Instruction, a member each of the Assembly and the Senate, the Governor, a member of a local school board, and one representative each for public and private institutions of higher education.

As originally enacted, California's participation in the commission was to expire December 31, 1969. Chapter 1538, Statutes of 1969, extended state participation until December 31, 1973, and provides that the Legislature shall review participation in the Compact for Education at that time.

B. State Board of Education

The State Board of Education is established by Division 2, Chapter 1, Article 1 of the Education Code, which states that the board shall consist of 10 members appointed by the Governor with the advice and consent of the Senate. The code authorizes the state board to exercise broad control over the state's public educational system. Budgeted support provides for the salary of a special assistant to the state board, appropriate clerical assistance and the travel and related expense of the members of the board.

C. Executive

The Executive Unit of the Department of Education contains the office of the Superintendent of Public Instruction, the Chief Deputy Superintendent of Public Instruction, assistant superintendent and the special assistant to the superintendent, plus clerical assistance.

Departmental Administration—Continued

D. Divisional Administration

This element represents the composite amounts budgeted for administration in each of the divisions of the department.

We recommend that \$88,400 plus operating expense and staff benefits be transferred from the budgets of the Special Schools for Handicapped Children (Item 266) to Divisional Administration for Special Education (Item 263) to support physician and surgeon contract services.

The budget proposes to delete a physician and surgeon II and a secretary I plus operating expense and staff benefits at a total saving of approximately \$37,000. We opposed the establishment of this position when proposed in the 1966-67 budget and pointed out at that time the services of physicians were provided at the state special schools. We further stated that the department might more effectively use funds for physician services which are authorized on a contract basis. We therefore concur with this deletion.

Table 91 reviews the level of physician services budgeted at the State Special Schools.

Table 91
Physician Services at State Special Schools Proposed 1971-72

School	Positions	Salary and Wages amount
California Schools for the Deaf and Blind, Berkeley----	0.8	\$20,997
California School for the Deaf, Riverside-----	0.2	5,491
Diagnostic School for Neurological Handicapped Children, Northern California -----	1.0	27,456
Diagnostic School for Neurological Handicapped Children, Southern California -----	1.0	27,456
	3.0	\$88,400

These figures demonstrate that the budget as submitted includes 3.0 physician positions at a state General Fund cost of \$88,400 plus operating expense and staff benefits. It is important to note that, while these services have been provided, a substantial number of the pupils at the special schools have had family paid medical insurance programs, reducing the need for on campus treatment.

We believe that the deletion of the department's physician and surgeon II could affect the Department of Education's ability to advise districts of the complex state requirements for programs for physically and mentally handicapped children. We would suggest, however, that an adequate level of service can be provided by a more effective deployment of existing resources. Specifically, we would recommend that the salaries and wages for physician and surgeon service be transferred from the special school budgets to the divisional administration program as contract services. In this way the department can in the budget year use these resources where priorities dictate, whether in the State Department of Education to advise districts or at the state special schools.

The budget also proposes a reduction of 2 clerical positions from the Division of Instruction. Table 92 compares the administrative clerical assistance in each of the administrative units of the divisions of the department.

Table 92
Clerical Positions of Divisional Administrative Units

<i>Unit</i>	<i>Positions</i>
Division of Public School Administration-----	2.0
Division of Special Education-----	5.3
Division of Compensatory Education-----	2.5
Division of Instruction -----	9.2

It will be noted from Table 92 that the Division of Instruction has the largest complement of clerical assistance in its administrative unit and that even the proposed reduction of 2.0 positions will still leave 7.2 positions.

E. Legal Office

The department's legal office provides advice to the Superintendent of Public Instruction, departmental staff and the State Board of Education.

F. Fiscal Office

The fiscal office located in the Division of Administration provides accounting and budgeting services to the entire department. A total of 62.9 positions is proposed to perform this function. This continues the existing level of service.

We recommend the consolidation of all departmental budget analyst functions in the fiscal office and the deletion of one associate budget analyst for a General Fund savings of \$12,576 plus staff benefits.

We recommend that the Department of Education be directed to submit a plan for the consolidation of all departmental fiscal activities within the fiscal office to the Joint Legislative Budget Committee by November 1, 1971. The Department of Education's fiscal control is divided into two general parts: (1) the fiscal office, which provides accounting, bookkeeping statements and business services plus budget planning and administrative analysis, and (2) the fragmented fiscal activities which are located in the various operating units. Table 93 reviews the fiscal position authorized outside the department's fiscal office for budget preparation and analysis.

Table 93
Budgetary Positions of the Operating Units of the Department of Education

<i>Unit</i>	<i>Positions</i>
Division of Special Education	
Associate budget analyst-----	1
Office of Compensatory Education	
Assistant budget analyst-----	2
Accounting technician -----	3
Title III ESEA	
Associate budget analyst-----	1
Vocational Education	
Coordinator of fiscal affairs-----	2
Assistant budget analyst-----	1

This apparent duplication of budgetary duties has historically developed from certain individual requirements of the state special schools and federal programs. We believe that this fragmentation of responsibility is uneconomical and that steps should be taken to centralize fiscal

Departmental Administration—Continued

planning in the department. We believe that this could be done immediately with the budget analyst functions.

The fiscal office takes responsibility for the budget preparation yet certain operating units prepare budget submissions independently. This contributes to a lack of direction and accountability. We believe that if these functions were consolidated in the fiscal office, the elimination of existing duplications in special education and federally financed programs would reduce the need for one associate budget analyst position for a General Fund saving of \$12,576 plus operating expense and staff benefits.

We believe that further improvement and economies can be made by the full consolidation of the departmental fiscal function. However, a degree of planning is required to accommodate the varied procedures of the various federal programs. We therefore propose that the Department of Education be instructed to submit to the Joint Legislative Budget Committee by November 1971 a plan for the consolidation of all fiscal functions in the 1972-73 budget.

G. Management Analysis Office

We recommend that the budget of the Department of Education be augmented by \$17,000 to continue the function of the management analysis office. The management analysis function of the Departmental Administration program provides the leadership of the department in the development of policies a wide variety of subjects from program organization to space utilization. This responsibility in the department has recently been reappraised and upgraded. The function was split from the fiscal office with responsibility directly to the departmental administrative service officer.

The budget proposes to eliminate this function by deleting an associate management analyst and related operating expense and staff benefits. We believe, however, that this position should be continued. The department at present has no formalized administrative procedures and is lacking in efficient management practices. Consequently, we recommend the continuance of the Management Analysis office at a total additional General Fund expense of \$17,000.

H. Personnel and Training Office

We recommend approval of the amounts budgeted for personnel and training. The personnel office of the department prepares necessary forms for personnel transactions, attendance, reports and payroll. In addition, this unit provides management services on personnel matters and supervises the in-service training program.

I. Publications

The publications unit provides editorial assistance to the department plus compilation of the Directory of Administrative and Supervisory Personnel of California Public Schools. The budget proposes the deletion of the Chief of the Bureau of Publications and related clerical assistance for a total General Fund saving of \$30,000. It is anticipated that through reorganization of the publications function this reduction can be accommodated without a reduction in the level of service.

J. Data Processing (Information Systems and Computer Utilization)

This element is composed of departmental utilization of computer technology and the implementation of a statewide education information system.

We recommend a special review by the fiscal committees of the issues concerned with the information system requirements of public education and the effective utilization of electronic data processing by school districts and the Department of Education. In past analyses and special reports, we have discussed and made recommendations regarding the need for development of an adequate information system to serve school districts, the Department of Education and the Legislature. The progress in this entire area has been extremely slow with few concrete results. A statement of the primary issues and brief summaries of each problem concerning departmental data processing follows.

1. *Absence of a Statewide Reporting and Information System.* During the past 10 years, the Department of Education has been preoccupied with developing a series of computer systems and programs for school districts. Therefore, the department has not accomplished what should have been its No. 1 priority, the development of a uniform statewide reporting system and the development of a data base to support an information system. In past analyses, we have been critical of this allocation of priorities and have stressed the need for the common identification and coding of data elements, for an analysis of user information requirements, and for the Department of Education to serve as the collector of common data.

2. *Little Progress in Statewide Data Collection.* We have recently examined the data collection problem and find that there are 34 units in the Department of Education which send out 800 forms annually and collect 5,360 items of data. A recent report (August 1970 by the Department's Advisory Committee on Integrated Data Processing) stated that there is no control point within the department for collection or dissemination of data. Different bureaus make identical but separate requests for data from local districts.

3. *Individual Acquisition and Utilization of Computers.* We are informed that another survey by the above advisory committee to be released in late February 1971 will show that currently 121 school districts operate their own computer systems. Of these, 63 are K-12 districts and 38 are junior college districts. One-half the K-12 district computers are obsolete second-generation machines in need of upgrading. Total expenditures by individual districts for EDP total \$18.8 million, of which \$9 million is for personnel.

4. *Regional Center Development.* Another approach to educational data processing has been the development of regional educational data-processing centers. There are currently 11 centers providing services on a regional basis to school districts. The total budget for these centers is \$3.7 million.

5. *Department of Finance Study.* We understand that the Department of Finance has studied the utilization of EDP by school districts in its recent survey of the management of public schools. To date, we have seen no published report resulting from this survey other than accounts in the press.

Departmental Administration—Continued

6. *The Development of CEIS.* Much publicity and discussion have been generated about the development of the California education information system (CEIS). It is the emphasis on the element of CEIS which provides computer programs to local schools that has hampered the development of the statewide reporting system described in No. 1 above. The earlier versions of CEIS processed only pupil personnel data and were designed for computer systems using magnetic tape. Currently, new random-access oriented systems are being designed and programmed for both pupil personnel and business systems (payroll, budgeting, accounting, personnel records, etc.).

These two systems which have been developed by a private contractor will be ready for pilot test in April 1971 and operational in July 1971. This project has already experienced considerable delay and school districts in the past have been disappointed by the performance of the department in releasing thoroughly tested and workable computer progress. However, if the systems meet the design specification, California school districts could have access for the first time to a uniform library of standard computer programs.

7. *The Development of the California Education Information Management System (CEIMS) Completed in June 1970 by a Private Contractor.* This system is intended to audit and edit data from school districts and build a common data base for use by the department and the Legislature. However, with the exception of the state testing program, there is no uniform flow of data into the department. Therefore, the mission of CEIMS becomes impossible in the current environment.

8. *Expenditures for CEIS and CEIMS Development.* To date, \$1,148,000 in federal funds, \$222,000 in state general funds and \$69,000 in county school service funds have been expended to develop and program CEIS. This represents a total investment through April 1971 of \$1,614,000. To develop CEIMS, a total of \$527,674 of ESEA Title V funds have been required.

It is evident that a substantial investment has been made in systems design and programming for these systems. With regard to utilization by school districts, it is apparent that if school districts do not utilize these programs in their individual computer installations or obtain service from regional centers which use the CEIS package, this development effort will have been in vain and schools will be faced with individually developing systems and programs.

9. *Departmental Data Processing.* It became clear to the Legislature during the 1969 and 1970 sessions that the Department of Education was underutilizing and inefficiently managing its own computer facility. Based on our analysis and a private consultant's report, we issued a report *Supplementary Information—Department of Education EDP Budget* to the fiscal committees on April 17, 1970. In this report, we recommended that the responsibility for managing the computer facility be removed from the department. This recommendation was accepted and funds were transferred to the Department of General Services to permit it to operate education's computer as a "shared computer utility" with the Department of Education as a customer.

10. *Education Information Support.* No funds are provided to support the Bureau of Information Systems which coordinates departmental data processing with the Department of General Services and is responsible for the development and dissemination of the CEIS package to local schools and the CEIMS package in the department. A total of 15 authorized positions have therefore been deleted from the budget.

11. *Inability to Disseminate and Maintain CEIS.* If the CEIS program proves to be an acceptable and workable package to install on a statewide basis, the elimination of funds from the budget for the Bureau of Information Systems makes it impossible for the department to accept this responsibility. We continue to question whether the total responsibility of such a program should be a function of the department and further, whether the cost is a logical state expenditure. If districts are the principal benefactors, perhaps dissemination and maintenance should be financed by an allocation from the subventions to local school districts. This question and many others must be answered if this issue is to be successfully resolved.

From the above, it is apparent that the department, school districts and the Legislature face a critical problem with respect to the availability of information and the utilization of EDP technology. The emergence of a program planning and budgeting system for schools will compound the problem.

The numerous commissions, advisory committees and task forces working on the problem within the educational community creates an unwieldy structure that makes positive action difficult, if not impossible. Therefore, we recommend that the concerned agencies in public education together with the Department of Finance, Office of Management Services and the Legislative Analyst organize the facts and make concise recommendations in order that the policy and fiscal committees of the Legislature can arrive at a satisfactory solution to this problem.

Subventions for Education

CONTRIBUTIONS TO TEACHERS' RETIREMENT FUND

Item 279 from the General Fund Vol. IV p. 125 Budget p. 264

Requested 1971-72	\$26,000,000
Estimated 1970-71	91,000,000
Actual 1969-70	79,000,000
Requested decrease \$65,000,000 (71.4 percent)	
Total recommended increase	\$72,000,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
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Provided that basic legislation is enacted to place the State Teachers' Retirement System on a more nearly funded basis (similar to AB 1307 of the 1970 session), we recommend an augmentation of \$72 million. This would eliminate the need to use contingency reserve funds in the budget year, and save \$78 million in General Fund repayments costs over the next 30 years.

Contributions to Teachers' Retirement Fund—Continued
GENERAL PROGRAM STATEMENT

In 1944, the Legislature, in establishing the State Teachers' Retirement System (STRS), recognized that the system was actuarially unsound and that the assets of the transferred system were insufficient to meet its obligations. The Legislature therefore provided in a declaration of financing policies (Section 13804 of the Education Code) that (a) all benefits in respect to service rendered prior to July 1, 1944, which cannot be met by assets of the State Teachers' Retirement Fund shall be provided from contributions by the state, and (b) all benefits for service following July 1, 1944 shall be provided from member contributions and public contributions on an approximately equal basis.

The income to the Teachers' Retirement Fund is derived from four sources: (1) the state General Fund, (2) employing school district contributions, (3) interest from investments, and (4) member contributions. All teacher contributions when received are deposited in the retirement fund and invested in bonds and mortgages. These contributions are credited with 4 percent interest income annually, and every member has the right to withdraw his contributions and credited interest at any time.

The interest income earned on the investments of these teacher contributions which is not credited to teacher accounts (4 percent), and which is not applied to the costs of administration (\$598,543 in 1969-70), remains in the retirement fund as a contingency reserve. This contingency reserve has been established "as a reserve against deficiencies in interest earned in other years, losses under investments, and other contingencies," (Section 13918 of the Education Code). In fiscal year 1969-70, the net balance of interest earnings which was added to the contingency reserve following the subtraction (from the total interest earnings of the fund) of investment losses, interest credited to members, and administrative expenses amounted to \$11,098,371. This brought the total balance of the contingency reserve to \$72,496,154 in 1969-70.

Payment for current benefits in force is made from members' contributions for their own retirement, from General Fund appropriations, and from payments made by the employing school districts. School district payments for current benefits are assessed at 3 percent of salary plus \$6 per teacher semiannually. These payments, together with members' contributions for their own retirement, constitute only about one-half the current benefits which the system is required to pay. The state has obligated itself to pay the remaining sum, which amounted to \$79 million in 1969-70.

Because payment for retirement benefits is normally derived from members' contributions for their own retirement and matching employer contributions, General Fund expenditures for the payment of such retirement benefits is considered a subvention to the local school districts for costs which these districts would otherwise normally incur. Table 1 illustrates the increasing state share of benefit payments required to be appropriated from the General Fund to the retirement fund.

Table 1
State Obligation to the Retirement Fund

<i>Year</i>	<i>Total benefit payments excluding refunds (in thousands)</i>	<i>State share of benefit payments (in thousands)</i>
1966-67 -----	\$119,962	\$56,182
1967-68 -----	139,856	69,260
1968-69 -----	151,748	71,500
1969-70 -----	168,246	79,000
1970-71 (estimate) -----	184,945	91,000
1971-72 (estimate) -----	203,435	98,000
1974-75 (estimate) -----	271,024	144,637
1979-80 (estimate) -----	438,412	271,585
1984-85 (estimate) -----	705,521	485,899
1989-90 (estimate) -----	1,121,432	684,816

In addition to the increasing state share of benefit payments, there has been a rapidly increasing accrued liability. In 1966, independent actuaries completed an actuarial evaluation of the Teachers' Retirement Fund for the Joint Legislative Retirement Committee. Their report concluded that the retirement fund's unfunded accrued liability, which is a state obligation that must eventually be paid, was \$3,613,826,782 as of June 30, 1966. At the present time, it is estimated that this liability amounts to more than \$5 billion. As shown in Table 2, there has been a staggering growth in the system's unfunded liability since the first actuarial valuation was made in 1919.

Table 2
The Amount of Unfunded Accrued Liability

<i>Date of valuation</i>	<i>Unfunded accrued liability</i>
1919 -----	\$25,613,707
1924 -----	32,848,453
1927 -----	47,635,710
1964 -----	2,124,274,205
1966 -----	3,613,826,782

ANALYSIS AND RECOMMENDATIONS

The difference between member and school district payments and the estimated cost of benefit payments in the budget year is approximately \$98 million. In past years, this deficit has been met solely by General Fund expenditures. In the budget year, however, it has been proposed that the General Fund contribute \$26 million toward the cost of benefit payments, and that the remaining amount be funded by \$72 million from the State Teachers' Contingency Reserve Fund.

The stated rationale for this proposal is (1) that the contingency reserve has not been used to cover the actuarial losses which the system has experienced, primarily due to unanticipated salary increases, and (2) that the General Fund has subsidized this contingency reserve by paying the increased amounts in current benefit payments which should have been paid by the contingency reserve. Thus, it is contended that the General Fund contribution for the budget year is merely an adjustment for overexpenditures in past years.

A special actuarial study made for the Joint Legislative Retirement Committee in 1969 concluded that the contingency reserve should be

Contributions to Teachers' Retirement Fund—Continued

charged for part of the actuarial losses attributable to these unanticipated salary increases. It specifically recommended, however, against applying the entire amount of the contingency reserve to reduce the state contribution for a specific year.

If the system is continued on its present "pay-as-you-go" method of financing, the actuarial firm recommended two different but similar approaches which would liquidate the balance of the contingency reserve in approximately 13 years. This would be achieved by applying an amount equal to 10 percent of the reserve toward reducing the General Fund appropriation each year. All interest earnings in excess of the 4 percent interest rate which is credited to member accounts would continue to be credited to the reserve (or its successor) and would also be used to defray part of General Fund expenditures each year. This method would provide some savings to the General Fund in the amount equal to the interest earnings on the declining balance of the contingency reserve. It would also preserve the current pattern of state expenditures for this program.

The main thrust of the actuarial study, however, and of recent legislative proposals, has been to put the State Teachers' Retirement System on a funded basis. If this were to be accomplished, the study recommended that the assets of the contingency reserve be transferred to the total assets of the system to reduce the unfunded liability of the system. The annual minimum state contribution would then be reduced by an amount equal to the interest earnings of the reserve balance. The State Teachers' Retirement System has made a similar, though not entirely like proposal, which would do much the same thing.

We believe that it is necessary to place the State Teachers' Retirement System on a more nearly funded basis. The one-time windfall which the General Fund may realize in the budget year through the use of the contingency reserve will not alter the fact that General Fund expenditures for the support of benefit payments are expected to rise to more than \$634 million in fiscal year 1989-90. This is almost seven times the General Fund expenditure which was made in the current year for the support of this program.

In 1970, legislation was proposed (AB 1307) to put the system on a more nearly funded basis by requiring the state to pay the full employer cost of all benefits in force on the operative date of the bill, and for the school districts to finance the full employer cost for service credited after that date. This legislation called for an annual General Fund expenditure of \$125 million for 30 years, after which time General Fund support would no longer be needed. Similar legislation has been proposed in 1971, but would require \$135 million annually from the General Fund (rather than \$125 million) for 30 years. The additional annual cost of this proposed legislation is primarily attributable to three factors: (1) the loss of interest which would have been earned on the higher contributions from the school districts; (2) the liability which the state has incurred for service credited during the intervening year; (these two factors require additional General Fund expenditures of \$5 million per year), and (3) the loss of interest which would have

Higher Education

been earned on the contingency reserve over a 30-year period, assuming that the administration's proposal to expend \$72 million from the Contingency Fund in the budget year is approved. This would result in an additional General Fund expenditure of \$5 million per year for 30 years for repayment of the principal with interest. Thus, the system estimates that the proposed use of \$72 million from the contingency reserve in the budget year will cost the General Fund approximately \$78 million over a 30-year period (i.e., \$150 million less \$72 million), if the system is to be put on a funded basis as proposed.

We believe the use of the contingency reserve for the payment of current benefits in the budget year would be fiscally inconsistent and wrong. The taxpayer cost for such action will be more than double the one-time savings which will be realized. On the other hand, if the present "pay-as-you-go" method of financing is continued, we believe that the contingency reserve should be only gradually liquidated as recommended by the joint committee's actuary report. We again point out, however, the great rise in costs inherent in the present method of financing the system, and emphasize that if the system is placed on a funded basis, retention of a reserve with application of the earnings from its investment will ease the General Fund burden. Conversely, exhausting the reserve in one year to help balance the budget merely defers and compounds the latter problem.

Recommended Augmentation

We recommend an augmentation of \$72 million to this item provided that legislation (similar to AB 1307 of the 1970 session) is enacted to place the State Teachers' Retirement System on a more nearly funded basis. This augmentation would eliminate the need to use contingency reserve funds in the budget year and save \$78 million in General Fund repayment costs over the next 30 years.

HIGHER EDUCATION

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