

EDUCATION

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SUMMARY OF STATE EXPENDITURES FOR EDUCATION

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.

In 1972-73, 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 1972-73 more than \$2.7 billion will be spent by the State of California for all facets of education. Budget summaries indicate that such expenditures represent 46.2 percent of the proposed General Fund expenditures during the budget year and 37 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 expen-

1972-73

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ditures for the current year and the amounts proposed for 1972-73 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 \$2,748 million is estimated for the budget year, which is an increase of 13.4 percent over the current year.

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 5. 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 5 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 6 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 1970-71 approximately \$219 million for categorical aid programs such as compensatory education, contributions to teacher's 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 1970-71 from 34.1 percent to 39.04 percent.

1972-73

Table 1
General Fund Expenditures for State Educational Operations

	<i>Actual</i> 1970-71	<i>Estimated</i> 1971-72	<i>Proposed</i> 1972-73	<i>Change from 1971-72</i>	
				<i>Amount</i>	<i>Percent</i>
<i>State operations</i>					
Department of Education.....	\$7,000,004	\$7,480,903	\$7,720,835	+\$239,932	+3.2
Special schools.....	8,092,521	8,751,387	8,784,665	+33,278	+0.4
University of California.....	337,079,264	337,091,074	355,800,000	+18,708,926	+5.6
California State Colleges.....	305,131,971	318,692,616	350,167,004	+31,474,388	+9.9
Hastings College of Law.....	1,239,446	1,251,996	1,534,426	+282,430	+22.6
Scholarships and Loan Commission.....	16,098,613	20,000,000	28,225,056	+8,225,056	+41.1
Board of Governors California Community Colleges.....	5,340,365	4,309,574	4,348,807	+39,233	+0.9
Coordinating Council for Higher Education.....	357,330	453,213	475,466	+22,253	+4.9
Maritime Academy.....	791,200	791,000	891,000	+100,000	+12.6
Totals.....	\$681,130,714	\$698,821,763	\$757,947,259	+\$59,125,496	+8.5

Table 2
Capital Outlay for Education

	<i>Actual</i> 1970-71	<i>Estimated</i> 1971-72	<i>Proposed</i> 1972-73	<i>Change from 1971-72</i>	
				<i>Amount</i>	<i>Percent</i>
University of California					
General Fund.....	--	--	--	--	--
Tideland oil revenues.....	-\$2,888,355	--	\$4,500,000	\$4,500,000	--
Educational fee funds.....	12,613,909	\$23,900,000	34,197,000	10,297,000	+43.1
Health science bond funds.....	--	--	17,211,000	17,211,000	--
Construction bond funds.....	10,907,000	--	--	--	--
State Colleges					
General Fund.....	58,228	246,748	--	-246,748	-100.0
Tideland oil revenues.....	11,215,773	26,948,176	34,557,000	7,608,824	+28.2
Construction bond funds.....	18,705,778	5,446,602	--	-5,446,602	-100.0
Community Colleges					
General Fund.....	--	--	--	--	--
Construction bond funds.....	13,710,796	36,369,103	45,164,875	8,795,772	+24.2
Special Schools					
General Fund.....	63,490	43,000	52,860	9,860	+22.9
Construction bond funds.....	--	85,000	--	-85,000	-100.0
Totals.....	\$64,386,619	\$93,038,629	\$135,682,735	\$42,644,106	+45.8
General Fund.....	121,718	289,748	52,860	-236,888	-81.8
Tideland oil revenues.....	8,327,418	26,948,176	39,067,000	12,108,824	+44.9
Educational fee funds.....	12,613,909	23,900,000	34,197,000	10,297,000	+43.1
Health science bond funds.....	--	--	17,211,000	17,211,000	--
Construction bond funds.....	43,323,574	41,900,705	45,164,875	3,264,170	+7.8

Table 3
State General Fund Subventions for Education

	<i>Actual</i> 1970-71	<i>Estimated</i> 1971-72	<i>Proposed</i> 1972-73	<i>Change from 1971-72</i>	
				<i>Amount</i>	<i>Percent</i>
Apportionments.....	\$1,450,893,190	\$1,497,183,900	\$1,596,193,300	\$99,009,400	+ 6.6
Loans to school districts.....	- 102,678	- 222,679	- 222,680	- 1	--
Educational Improvement Act.....	--	--	--	--	--
Instructional television.....	629,236	604,000	640,000	+ 36,000	+ 6.0
Compensatory education.....	10,911,431	11,000,000	10,250,000	- 750,000	- 6.8
Special elementary school reading program.....	18,000,000	18,360,000	19,278,000	+ 918,000	+ 5.0
Mathematics improvement program.....	922,204	--	--	--	--
Children's centers.....	10,414,306	10,628,000	10,853,000	+ 255,000	+ 2.1
Children's centers construction.....	344,540	--	--	--	--
Grants to teachers of physically handicapped children.....	137,928	150,000	150,000	--	--
State school lunch program.....	--	--	--	--	--
Free textbooks.....	18,304,478	11,724,071	11,937,909	213,838	+ 1.8
Assistance to public libraries.....	970,193	800,000	800,000	--	--
Vocational education.....	555,220	550,000	550,000	--	--
Assistance to new community colleges.....	- 22,560	1,300,000	--	- 1,300,000	- 100.0
Subtotals, Local Assistance.....	\$1,511,957,488	\$1,552,077,292	\$1,650,429,529	+ \$98,352,237	+ 6.3
Contributions to Teachers' Retirement Fund.....	91,000,000	20,000,000	135,000,000	+ 115,000,000	+ 575.0
Debt service on public school building bonds.....	50,431,044	55,309,570	65,834,642	+ 10,525,072	+ 19.0
Community colleges extended opportunity program.....	4,350,000	3,350,000	3,350,000	--	--
Totals.....	\$1,657,738,532	\$1,630,736,862	\$1,854,614,171	+ \$223,877,309	+ 13.7

Table 4
Total State Expenditures for Education

<i>Fiscal Year</i>	<i>Actual 1970-71</i>	<i>Estimated 1971-72</i>	<i>Proposed 1972-73</i>	<i>Change from 1971-72</i>	
				<i>Amount</i>	<i>Percent</i>
State operations.....	\$681,130,714	\$698,821,763	\$757,947,259	+\$59,125,496	+8.5
Capital outlay.....	64,386,619	93,038,629	135,682,735	+42,644,106	+45.8
Local assistance.....	1,657,738,532	1,630,736,862	1,854,614,171	+223,877,309	+13.7
Totals.....	\$2,403,255,865	\$2,422,597,254	\$2,748,244,165	+\$325,646,911	+13.4
General Fund.....	\$2,338,990,964	\$2,329,848,373	\$2,612,614,290	+\$282,765,917	+12.1
Tideland oil revenues.....	8,327,418	26,948,176	39,057,000	+12,108,824	+44.9
Educational fee funds.....	12,613,909	23,900,000	34,197,000	+10,297,000	+43.1
Health science bond funds.....	--	--	17,211,000	+17,211,000	----
Construction bond funds.....	43,323,574	41,900,705	45,164,875	+3,264,170	+7.8

Table 5
General Fund Revenues of School Districts From
State School Fund and Local Sources
1930-31 to 1970-71 (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	125,778,837	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	79,821,811	45.0
1942-43	185,969,184	79,821,811	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	656,808,835	223,961,450	34.1
1952-53	759,625,678	270,638,000	35.6
1953-54	738,493,801	367,182,801	49.7
1954-55	804,345,803	395,622,803	49.2
1955-56	882,855,804	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	680,331,682	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	839,340,587	38.3
1964-65	2,433,975,602	937,400,245	38.5
1965-66	2,663,827,775	997,288,275	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	1,312,218,967	35.5
1969-70	4,067,690,000	1,432,997,000	35.2
1970-71	4,451,253,000	1,518,899,000	34.1

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

² From Controller's reports: financial transactions concerning school districts of California, and state budget documents, 1930 to present.

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

Table 6
Revenues for Public School Support
From State and Local Sources
(in thousands)

<i>State Subventions for Public Schools</i>	<i>1967-68</i>	<i>1968-69</i>	<i>1969-70</i>	<i>1970-71</i>
State School Fund Apportionment				
Regular Apportionments.....	\$1,271,933	\$1,315,158	\$1,420,023	\$1,518,899
Miller-Unruh Reading Program				
School Fund Apportionment.....	--	--	7,974	--
Educational Improvement Act				
State School Fund Apportionment.....	--	--	5,000	--
Subtotal State School Fund Apportionments.....	\$1,271,933	\$1,315,158	\$1,432,997	\$1,518,899
Total Other Local Assistance.....	169,579	189,810	201,851	218,695
Total State Subventions.....	1,441,512	1,504,968	1,634,848	1,737,594
Total General Fund Revenue of School Districts from Local Sources ¹	1,961,488	2,194,592	2,432,842	2,713,659
Total School Districts' Revenue (State Subventions plus Local Sources)....	3,403,000	3,699,560	4,067,690	4,451,253
Percent of Total State Subventions to Total School Districts' Revenue				
(State Subventions plus Local Sources).....	42.36%	40.69%	40.19%	39.04%

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

CALIFORNIA PUBLIC SCHOOL FINANCE

The California Supreme Court ruled on August 30, 1971 in *Serrano v. Priest* that the present system of funding public schools in California is unconstitutional.

We will discuss California school finance as follows: (A) major issues in the present finance system, (B) *Serrano v. Priest*, (C) alternative school finance systems and (D) recommendations for criteria to be applied to school finance legislation.

A. Major Issues in the Present School Finance System

The existing system of public school finance does not promote the efficient or equitable use of available tax resources. Local school districts are completely dependent upon the property tax to produce local tax revenue; yet the property base for such revenue is extremely unevenly divided. Although all elements of local government rely on the property tax as their most important revenue source, school districts collect more property tax revenues than all other elements combined. Table 7, for example, shows that in 1970-71 school districts received 52.1 percent of the total property tax revenues of local government.

Table 7
Local Government Property Tax Revenue—1970-71

Purpose	Revenue (in millions)	Percent of total
School districts	\$2,976.6	52.1
Counties	1,814.3	31.7
Cities	591.9	10.4
Special districts	334.0	5.8
Totals	\$5,716.8	100.0

Total property tax rates have increased in the past largely as a result of increases in school district levies as shown in Table 8. The table shows that from 1960-61 to 1970-71 school district revenues from the local property tax have increased by \$1,908 million. This increase is 54.2 percent of the total \$3,521.2 million increase in property tax collections of local governing bodies.

Table 8
Change in Property Tax Levies
1960-61 through 1970-71

Purpose	1960-61		1970-71		Change	
	Revenue (in millions)	Percent of total	Revenue (in millions)	Percent of total	Dollar increase (in millions)	Percent increase
School districts	\$1,068.6	48.7	\$2,976.6	52.1	\$1,908.0	178.5
Counties	707.3	32.2	1,814.3	31.7	1,107.0	156.4
Cities	296.2	13.5	591.9	10.4	295.7	99.9
Special districts	123.5	5.6	334.0	5.8	210.5	170.5
Totals	\$2,195.6	100.0%	\$5,716.8	100.0%	\$3,521.2	165.3%

The major issues in the present system of financing schools can be summarized as follows:

1. The growth in the property tax base, i.e., assessed valuation, re-

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sults in an increase in local property tax support and a reduction in state support for the public schools.

State support for public schools is based on a statutorily guaranteed amount known as the foundation program. The foundation program is comprised of three components: basic aid, district aid and equalization aid. The foundation program is financed through a combination of state and local funds. Under this system, the amount the state contributes to the guaranteed foundation program is determined by the amount that a 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 state adjustment is made.

This replacement of state funds with local funds is commonly referred to as "slippage" and is estimated to be approximately \$66 million statewide from 1970-71 through 1972-73.

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

There exists among the large number of California school districts wide variations in ability to support educational programs as measured by assessed valuation per unit of average daily attendance. Table 9 illustrates the extent of these differences in tax base among the school districts.

Table 9
Assessed Valuation per Average Daily Attendance—1970-71

<i>District level</i>	<i>Low</i>	<i>Median</i>	<i>High</i>
Elementary -----	\$75	\$20,083	\$1,053,436
High school -----	8,836	42,777	335,513

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 10 reviews this range of tax rates.

Table 10
Range of Total Tax Rates for Public School Districts—1970-71

<i>District level</i>	<i>Low</i>	<i>Median</i>	<i>High</i>
Elementary -----	\$0.39	\$2.35	\$5.16
High school -----	0.83	2.15	3.14
Unified -----	1.08	4.50	7.83

The various levels of taxable wealth and district tax rates working together result in a wide range in per pupil expenditure as shown in Table 11.

Table 11
Range of School District Current Expenditures per Pupil—1970-71

<i>District level</i>	<i>Low</i>	<i>High</i>
Elementary -----	\$420	\$3,447
High school -----	766	1,879
Unified -----	597	2,448

In some cases districts with low expenditure levels have correspond-

ingly low tax rates. In many more cases, however, the opposite is true; districts with unusually low expenditures are forced to have unusually high tax rates as a result of their limited tax bases. Table 12 demonstrates this situation in several counties.

Table 12
Comparison of Selected Tax Rates and Expenditure Levels
in Selected Counties—1970-71

<i>County</i>	<i>Assessed value</i>		<i>Expenditure</i>	
	<i>ADA</i>	<i>per ADA</i>	<i>Tax rate</i>	<i>per ADA</i>
Alameda				
Emery Unified	593	\$92,151	\$2.66	\$2,448
Newark Unified	9,673	6,056	5.69	719
Fresno				
Coalinga Unified	2,408	32,483	3.38	1,151
Clovis Unified	8,809	6,469	5.40	662
Kern				
Rio Bravo Elementary	130	88,288	1.26	1,402
Lamont Elementary	1,825	6,597	3.05	708
Los Angeles				
Beverly Hills Unified	5,791	52,407	3.16	1,516
Baldwin Park Unified	12,960	4,090	5.74	691

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 at approximately the same level from the same effort. The examples in Table 12 demonstrate this fact.

3. 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 a maximum tax rate which is expressed in terms of a level that cannot be exceeded without approval of the district electorate.

Since the concept of maximum tax rates was enacted in 1931 there have been very few modifications in the authorized limits. The current statutory maximum rates are: (1) elementary districts \$0.90, (2) high school districts \$0.75 and (3) unified districts \$1.65.

A comparison of maximum tax rates with actual tax rates of school districts demonstrates that the maximum rates are unrealistic because the voters of almost all districts have approved rates in excess of the statutory minimums. Table 13 compares the number of districts at each level with tax rates below and above the maximum.

Table 13
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>
At or below statutory maximum	10	1	3
Above statutory maximum	702	117	237

While there has been little legislative modification of the authorized maximum school district tax rates and most districts, by vote of the

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electorate, 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, children's centers, youth conservation, and training.

The original concept of maximum tax rates was to control the revenue and expenditure levels of school districts. However, as demonstrated above, through local option and permissive override taxes this control is no longer effective. We believe that the subject of property tax rate control must be included in any general reform in public school finance.

4. The foundation program guaranteed by state and local support does not reflect the actual 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 definition expressed in terms of dollars per ADA is not related to the actual average current expense of education per pupil, the estimated program requirements, or to any category of expenditures per pupil. Table 14 compares existing foundation program levels with the average current expense per pupil for 1970-71.

Table 14
Comparison of Foundation Program With Current
Cost of Education—1970-71

<i>Level</i>	<i>Foundation program</i>	<i>Current cost of education</i>
Elementary -----	\$355	\$733
High school -----	488	973

The use of a foundation program which is not related to actual requirements results in a rather inflexible apportionment system. The 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. We believe any plan to reform the school finance system should include a definition of the foundation program which is related to the actual cost of a basic educational program.

5. The system of state support does not adjust automatically to compensate for the impact of inflation on school costs or changes in real purchasing power.

The existing system of state school support does not have sufficient flexibility to adapt to changes in the economy. These changes are basically of two types: (a) changes due to inflation, and (b) changes in real purchasing power. Table 15 compares the increases in the current cost of education with increases in the Consumer's Price Index and real purchasing power. This table indicates a sizeable portion of the increased cost of education can be attributed to inflation and changes in real purchasing power as opposed to program expansion.

(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 15 shows that the California Consumer Price Index (CPI) increased by 4.07 percent during 1970-71 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 goods and services. It is not a direct reflection of the increased cost of education because most of the cost for schools consists of services (i.e., teacher salaries) which typically grow faster than general consumer prices.

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. If no funds are appropriated by the Legislature the full impact of inflation must be borne by the local property taxpayer.

(b) Increase in Real Purchasing Power. 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 through wage negotiations. California school districts partially recognize the need to adjust the real purchasing power of teachers by granting annual merit salary increases. However, the state school financial structure does not recognize changes in real purchas-

Table 15
Comparison of Increases in School District General Fund Current Expense
to Increases in the California Consumer Price Index
and Real Purchasing Power

Year	(1) Change in current expense of education	(2) Change in consumer price index ¹	(3) Change in real purchasing power ²	(4) Program expansion 1 — (2 + 3)
1966-67-----	8.62%	1.66%	2.52%	4.44%
1967-68-----	7.43	4.99	2.20	.24
1968-69-----	11.85	4.66	1.70	5.49
1969-70-----	8.58	4.82	-0.60	4.36
1970-71 (est.)-----	8.38	4.07	2.66	1.65

¹ March to March price index.

² Monthly Labor Review, U.S. Department of Labor. This index refers to private nonfarm employees.

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ing power. Thus, the cost of attempting to keep the purchasing power of teachers at parity with that of the rest of the labor force has been borne largely by the local property taxpayer.

We believe the school finance system should contain a mechanism to provide the state's share of increased school costs due to inflation and changes in real purchasing power. Such a mechanism would permit local taxpayers to share more equitably in these costs.

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

In 1970-71 there were 1,135 separate elementary, secondary and community college districts in California. Only four other states have a larger number of operating units. Table 16 shows the number of school districts by organizational structure and average daily attendance.

Table 16
Number of School Districts—1970-71

ADA		<i>Elementary</i>	<i>High school</i>	<i>Unified</i>	<i>Community college</i>	<i>Total</i>
Under 100	-----	181	—	—	—	181
100- 499	-----	223	20	21	1	265
500- 999	-----	84	21	18	6	129
1,000-4,999	-----	150	46	83	33	312
5,000-9,999	-----	50	17	49	15	131
Over 10,000	-----	20	13	71	13	117
Total	-----	708	117	242	68	1,135

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 1,135 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.

We believe any proposal for school finance reform should reduce the number of small inefficient districts in the state.

B. Serrano v. Priest Decision

The preceding discussion on "Major Issues in the Present School Finance System" shows that reliance by school districts on the local property tax base has produced wide disparities among school districts in levels of tax rates and expenditures. The California Supreme Court

declared in *Serrano v. Priest* that the reliance on local property tax bases made "... a child's education a function of the wealth of his parents and neighbors." The court further stated that the present funding system violates the equal protection clause of the 14th Amendment because the right to public education "... is a fundamental interest which cannot be conditioned on wealth. ..."

The *Serrano* decision means the Legislature must either reorganize school districts so as to equalize the taxable wealth or modify the existing foundation program structure so the ability of a school district to provide an educational program is not dependent upon its local tax base. Changes will be required as well in state allowances for regular transportation since the present formula allows districts to benefit from their own wealth. The existing structure of permissive tax overrides for categorical programs will have to be changed to give all districts equal ability to provide such programs. No modification will be necessary in categorical programs which are entirely state or federally funded.

The court did not propose remedies to correct the problems inherent in the existing system. Therefore, the full fiscal impact of the Supreme Court decision cannot be precisely determined until alternative systems are proposed by the Legislature. Some general alternatives to the present system and their fiscal implications are discussed in the following section.

C. Alternative School Finance Systems

1. *Equalizing Expenditures.* One possible alternative to the present school finance system is to equalize school district expenditures for basic education programs by providing all school districts a flat grant per pupil. To calculate the fiscal impact of equalizing school district expenditures we must assume some appropriate level of basic program support. For illustration we are using foundation program figures developed in a special study by the State Board of Education. We have increased these figures from last year by a 3 percent inflation factor.

Table 17
Cost of Model Foundation Program

Level	(1) Model Foundation Program ¹	(2) Estimated 1972-73 ADA	(3) Model Program Cost (in millions)
Elementary -----	\$687	\$3,222,700	\$2,214
High School -----	900	1,429,114	1,286
Totals -----	--	\$4,651,814	\$3,500 ²

¹ These model foundation program expenditures are based on a proposal developed by the State Board of Education.

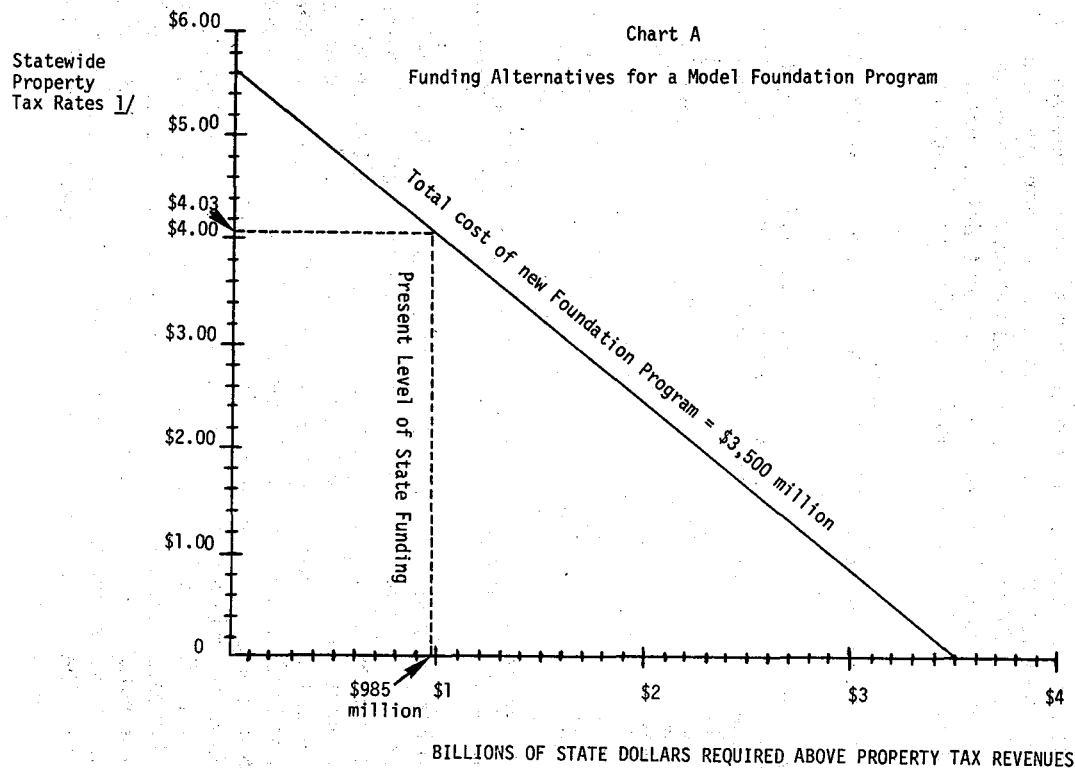
² The foundation program cost does not include the state and local costs of categorical aid programs or capital outlay. Also, this total does not include additional state and local costs for teachers retirement incurred from Chapter 1305, Statutes of 1971 (AB 543).

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To develop, then, the total cost of equalizing district expenditures under the Supreme Court decision, we take the foundation program level and multiply it by the 1972-73 estimated elementary and high school ADA (see Table 17). This results in a total model foundation program cost of \$3,500 million.

We have excluded the community colleges from our calculations because it is not clear whether they are affected by the *Serrano* decision. Although community colleges are financed on the same basis as the elementary and high schools, community college attendance is not mandated.

The total \$3,500 million cost of the model program could be funded in a number of ways ranging from full state support to full local support. Chart A shows graphically the range of state and local costs of funding the \$3,500 million foundation program from a combination of state revenue and a statewide property tax. The dotted lines on the graph show that if the estimated state support of \$985 million under current law is continued, a statewide property tax rate of \$4.03 would be required to fund the total \$3,500 million cost of the new foundation program. If state support were increased, there would be a reduction in the statewide property tax rate.



$\frac{1}{100}$ The chart assumes a 1972-73 statewide assessed valuation of \$62,079 million.

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Table 18 shows the impact on state costs of various statewide property tax rates to fund the \$3,500 million foundation program. The calculations in Table 18 show that a \$1.80 statewide property tax (the existing computational tax for elementary and high school districts) the estimated additional state cost for 1972-73 would be \$1,402 million.

Table 18
Financing Alternatives for a Model Foundation Program—1972-73
(in millions)

Statewide property tax rate	(1) Statewide property tax revenue ¹	(2) State funds needed for new foundation program ²	(3) Additional state cost ³
\$4.35	\$2,700	\$800	—\$185
4.30	2,669	831	—154
4.25	2,638	862	—123
4.00	2,483	1,017	+32
3.75	2,328	1,172	+187
3.50	2,172	1,328	+343
3.25	2,017	1,483	+498
3.00	1,862	1,638	+653
1.80	1,117	2,387	+1,402

¹ Statewide property tax revenue from estimated 1972-73 assessed valuation of \$62,073 million.

² Total cost of new foundation program, i.e., \$3,500 million minus statewide property tax revenue.

³ State funds needed for new foundation program minus estimated state support under current law of \$985 million.

Another method of equalizing educational expenditures is the voucher system. Under the voucher system each pupil or his parent would be provided a grant of equal amount to be used at the school of his choice. The total cost of a voucher system would depend on the amount of the voucher provided each student. The voucher system could be funded in a number of ways ranging from full state support to full local support from an equalized revenue source.

2. *Equalizing Districts Capacity to Raise Revenue.* One interpretation of the *Serrano* decision is that the ruling could be complied with by giving each district equal capacity to raise revenue. Districts could be given equal capacity to raise revenue by the enactment of a revenue-tax schedule which would guarantee each district the same revenue for the same tax rate. Such an approach is called "power-equalizing".¹

If power-equalizing were adopted, each district could determine how much per pupil it wanted to spend and tax itself accordingly. Assume, for example, that a power-equalizing schedule were adopted which permitted districts to spend \$3 per ADA for each cent of tax levied per \$100 of assessed valuation. As shown in Table 19, District A could decide to spend \$1,200 per ADA and tax itself \$4, District B could decide to spend \$900 per ADA and tax itself \$3, and District C could

¹ Coons, John, et al. *Private Wealth and Public Education*, Cambridge: Harvard University Press, 1970.

decide to spend \$600 per ADA and tax itself \$2. Under a power-equalizing system, if the district-adopted tax rate produced less revenue than the authorized per pupil expenditures, the state would make up the difference. If the district-adopted tax rate produced more revenue than the authorized per pupil expenditures, the excess revenue would be collected by the state for redistribution.

Table 19 illustrates how funds would be redistributed under a school finance system based on a power-equalizing schedule.

Table 19
Redistribution of Funds Under
Guaranteed Revenue-Tax or "Power-Equalizing" Schedule

<i>District</i>	<i>Assessed valuation per ADA</i>	<i>District tax rate</i>	<i>Per pupil¹ expenditure</i>	<i>Revenue from tax per ADA</i>	<i>Revenue surplus (+) deficit (-)</i>
District A-----	\$50,000	\$4.00	\$1,200	\$2,000	+\$800
District B-----	30,000	3.00	900	900	none
District C-----	10,000	2.00	600	200	-\$400

¹ Expenditure levels are determined by districts.

Under the power-equalizing schedule in Table 19 a one-cent tax would not raise enough revenue to provide an expenditure of \$3 per ADA in districts with an assessed valuation below \$30,000 per ADA. In districts above \$30,000 assessed valuation per ADA, a one-cent tax would raise more than \$3 per ADA and the excess revenue would be used for redistribution to less wealthy districts.

It is difficult to estimate the state cost of basing the school finance system on a power-equalizing schedule because the necessary variables to compute such a cost are unknown. The specific cost would be determined by the level of the power-equalizing schedule used and the per pupil expenditure levels chosen by school districts. However, the higher the amount of guaranteed revenue per ADA for each cent of tax rate, the higher the potential state cost. This is because the number of districts with an assessed valuation per ADA sufficient to produce the guaranteed revenue per ADA decreases as the level of guaranteed revenue per ADA is increased. For example, an estimated 75 percent, or 825, of California school districts have an assessed valuation per ADA below \$30,000. Thus, if a power-equalizing schedule of \$3 per ADA for each cent of tax rate were used, the necessary revenue for all districts to spend at the guaranteed level would have to be provided by both the state and the other 25 percent of the districts whose assessed valuation per ADA is greater than \$30,000.

Another possible way to equalize the capacity of school districts to raise revenue is to equalize district tax bases. Table 20 indicates the potential impact of district reorganization on equalizing the assessed valuation per elementary ADA. The table shows that under the present system, the assessed valuation per ADA ranges from a high of \$1,053,436 to a low of \$75. If, for example, California school districts were unified on a countywide basis, the range would be from a high

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of \$81,229 per ADA to a low of \$8,346 per ADA. Alternatively, if the districts were reorganized into the 12 regions established in the state by Education Code Section 6268 for vocational education planning, the range would be from a high of \$28,869 per ADA to a low of \$12,743 per ADA. These figures illustrate that it is possible to reduce the differences in tax bases among school districts by means of district reorganization. While it may be unrealistic to completely equalize school district tax bases through reorganization, short of statewide unification, we believe many discrepancies in school district wealth could be eliminated by reducing the number of districts in the state. Reorganization could provide great financial and general administrative advantages while local control over educational policies and administration might be retained in separate subboards for that purpose.

Table 20

Impact of School District Reorganization on Range in Assessed
Valuation per Elementary Average Daily Attendance

Range in assessed valuation per elementary ADA	Present district organization	Countywide unification	Regional unification ¹
High -----	\$1,053,436	\$81,229	\$28,869
Median -----	20,083	18,155	15,368
Low -----	75	8,346	12,743

¹ The regions used are the 12 regions established under Education Code Section 6268 for vocational education planning.

3. *Combination of Equalizing Districts' Expenditures and Capacities to Raise Revenue.* Another alternative to the present school finance system would be a combination of the bloc grant foundation program and power equalizing systems. Each district could be provided an equal amount per ADA funded from a combination of state and local sources. If a district wanted to spend more than the bloc grant amount, it could, with voter approval, raise additional revenue through a power equalizing tax schedule. This approach would give districts a certain amount of flexibility in providing an educational program.

4. *Revenue Sources.*

(a) *Property Tax.* Under the *Serrano* decision the property tax can continue to be utilized as a source of revenue for schools as long as the tax burden is distributed equitable. This can be done through district reorganization, a statewide property tax or power equalizing. We have recommended a statewide property tax to achieve an equitable distribution of the property tax burden for a number of years. We have also recommended equalizing the fiscal capacity of districts through reorganization. In addition to equalizing the tax burden, a statewide property tax would eliminate slippage or the reduction of state support due to increases in local assessed valuation.

It is often suggested that the property tax be replaced as a source of revenue for public schools. Although the property tax could be

supplemented with other revenue sources, we do not believe it is economically feasible to eliminate entirely the property tax as a source of school revenue. The property tax produced almost \$3 billion in school revenue in 1970-71. Its elimination would require substantial increases in other taxes.

(b) *Alternative Revenue Sources.* We believe that any revised system for financing schools should include consideration of the need to improve the overall relationship of the total state and local tax burden. This means that new revenue for schools or replacement revenue to provide property tax relief should examine all revenue sources including personal income, corporate franchise, sales and other taxes.

Three major factors should be considered in evaluating alternative revenue sources for schools:

(1) The first factor is the rate of growth of the revenue source. It would be desirable if the additional revenue source for schools were capable of growing at least as rapidly as the increase in school costs. For example, the current cost of education has grown at an average annual rate of 8.9 percent in recent years. Thus, the income tax would be a better major source of revenue for schools than the sales tax because it grows at an annual rate of 12 percent while the sales tax only grows at a rate of 6.5 percent.

(2) The second factor which should be considered is the impact of tax shifts on particular segments of the economy. The adoption of alternative revenue sources should not produce major tax advantages to any one segment of the economy. For example, a major shift from property taxes to sales taxes would result in a substantial tax shift from business to other taxpayers because the business segment directly pays approximately 70 percent of total property taxes but only 30 percent of sales taxes.

(3) The third factor which should be considered is the existing and future needs of state programs other than public elementary and secondary education. A search for alternative school revenue sources should not result in the over-commitment of any particular revenue source for education at the expense of other state program needs. Programs such as welfare, higher education, recreation, etc., will place strong financial demands on the state in the future. As a result, the state should leave some flexibility in its revenue structure to meet reasonable forecasts of these needs and not utilize all of its most productive and elastic revenue sources to provide school property tax relief at the present time.

D. Criteria to be Applied to School Finance Legislation

The court decision did not specify any alternatives to the present system. The Legislature can choose from a number of alternative structures and funding approaches. However, we believe any alternative school finance program should incorporate the following recom-

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mentations.

1. *We recommend that the foundation program be related to the actual cost of a basic education program.*

While the court decision may not mandate that the Legislature guarantee school districts equal expenditures, we believe that as a practical matter the Legislature must provide from a combination of state and local sources a reasonable level of expenditures per pupil which is related to the fundamental mission of the school program.

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. The acceptance of this approach would result in the utilization of, for foundation program purposes, teacher salaries and the support of essential operations related to classroom instruction. Under this concept a foundation program could 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 and funded on a categorical basis.

2. *We recommend that the school finance system contain a mechanism to adjust state support for costs due to inflation and changes in real purchasing power.*

We believe any proposal for school finance reform should contain a mechanism to adjust state support for cost increases due to inflation and changes in real purchasing power. The existing system of state support is inflexible and unresponsive to changes in the value of the dollar and the economy. The two principal economic trends which should be accounted for by the system are (a) cost changes due to inflation and (b) changes in real purchasing power. Both of these increase average taxpayer ability to support schools. Thus the real tax burden will not be increased by these measures which correct school support levels for price and economic changes.

(a) Cost changes due to inflation. We believe state support for the public schools 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) Changes in real purchasing power. We believe state support should be adjusted to compensate for changes in the real purchasing power of the economy. The adjustment formula should take into account the wide variations which occur from year to year in the na-

tional productivity factor or measure of real purchasing power as reported regularly by federal government reports. 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.

3. *We recommend that the school finance structure contain a comprehensive evaluation system.*

In providing educational funds we believe the legislature should require an evaluation-feedback process to determine whether funds are being utilized effectively.

An evaluation-feedback process for educational programs requires (1) measurable performance objectives, (2) collection of standardized and comparable data at various program levels, (3) a plan for judging the effectiveness of individual districts, schools and/or classrooms in meeting program objectives and (4) a feedback mechanism for translating evaluation results into appropriate program changes.

The implementation of this process is rare in education. For example, our report *Fiscal Review and Analysis of Selected Categorical Aid Education Programs in California* (May 17, 1971) concluded that the evaluation and feedback processes were totally inadequate for five of the six reviewed categorical aid programs. We found that measurements of student performance were not used to improve the program, expenditures were not directed toward increasing program effectiveness and statewide program accountability generally fell short of legislative intentions. We believe these same deficiencies exist in the regular educational programs as well as the categorical aid programs.

We believe that implementation by the Department of Education of the following recommended proposals for inclusion in school finance legislation could result in program improvement in many districts without increased state allocations.

We recommend that the Department of Education be directed to prepare a comprehensive statewide educational evaluation program as follows:

1. *Develop statewide measurable performance objectives for every educational program or service that receives state support.*
2. *Establish an evaluation plan for each statewide measurable performance objective. This plan should specify:*
 - (a) *Data to be collected, e.g., student profile data, comparison group data and types and timing of pre- and post-tests in basic skills and areas other than basic skills, including criteria referenced tests and diagnostic tests.*
 - (b) *Procedures for use of data including how the data will be processed, evaluated and compared on a statewide basis.*
3. *Rank and compare districts annually in terms of expenditures, salient characteristics and achievement of performance objec-*

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- tives as measured by statewide tests.*
4. *Publish and disseminate annually all of the above information in the form of administrative guidelines, standardized evaluation report forms and statewide evaluation analyses.*
 5. *Conduct onsite reviews of those districts which ranked highest in the statewide evaluation and those which ranked lowest. Review teams should be comprised of both departmental specialists and district personnel temporarily drawn from the highest ranked districts. Annual onsite review teams should provide recommendations and assistance to no less than 25 of the lowest ranked districts.*
 6. *Disseminate information on the highest ranked classrooms, schools and districts as determined by the annual evaluation and review process.*

SUMMARY OF FEDERAL AID TO CALIFORNIA SCHOOLS

Federal assistance to California is composed of a wide variety of programs which are designed to provide special assistance for (1) a particular element of the pupil population, (2) instruction in specific subject areas and (3) support to relieve significant problems. Table 21 identifies the major programs and subprograms of federal assistance and indicates the anticipated amounts California will receive under each. The table demonstrates that \$409.9 million is anticipated in the budget year from all programs.

Table 21
Federal Support to California Public Schools

<i>Program</i>	<i>Actual 1970-71</i>	<i>Estimated 1971-72</i>	<i>Estimated 1972-73</i>
<i>Elementary and Secondary Education Act:</i>			
<i>Title I: Compensatory Education</i>			
Disadvantaged -----	\$101,938,961	\$101,275,726	\$101,275,726
Migrant -----	6,786,779	8,501,500	8,501,500
Neglected and delinquent -----	1,672,015	1,672,015	1,672,015
Handicapped -----	1,334,976	1,349,565	1,349,565
State administration -----	959,988	1,444,932	1,401,650
Incentive grants -----	-	133,997	133,997
Special grants -----	-	1,067,197	1,067,197
Subtotals, Title I -----	\$112,692,719	\$115,444,932	\$115,401,650
Title II: School Library Resources -----	\$7,302,566	\$7,298,482	\$7,298,482
Title III: Supplementary Centers and Services -----	6,452,690	9,522,267	12,513,023
Title IV: Planning and Evaluation -----	82,041	96,000	-
Title V: Strengthening State Department -----	1,650,487	2,000,000	2,127,000
Title VI: Special Education -----	2,028,195	2,094,780	3,000,969
Title VII: Bilingual Education -----	-	-	-
Title VIII: Dropout Prevention -----	-	-	-
Subtotals, ESEA -----	\$130,208,698	\$136,456,411	\$140,341,079
<i>Economic Opportunity Act:</i>			
Followthrough programs -----	4,800,000	6,100,000	7,600,000
<i>National Defense Education Act:</i>			
Title III: Critical Subjects -----	\$3,767,395	\$5,335,635	\$3,606,375
Title V-A: Guidance and Counseling -----	1,185,570	-	-
Subtotals, NDEA -----	\$4,952,965	\$5,335,635	\$3,606,375
<i>Education Professions Development Act:</i>			
Vocational—technical -----	\$571,701	\$640,362	\$870,000
Classroom personnel -----	897,885	256,894	-
Teacher corps -----	1,948	56,300	-
Subtotals, EPDA -----	\$1,471,534	\$953,556	\$870,000
<i>Vocational Education Act:</i>			
Program improvement -----	\$28,111,409	\$28,395,694	\$37,979,063
Education and research -----	518,225	1,389,473	1,389,473
Subtotals, Vocational Education -----	\$28,629,634	\$29,785,167	\$39,368,536
<i>Adult Education Act (Basic) -----</i>	<i>\$2,132,523</i>	<i>\$1,687,904</i>	<i>\$1,687,904</i>
<i>Manpower Development and Training Act:</i>			
Occupational training -----	17,601,493	12,370,500	12,370,500
<i>Economic Opportunity Act:</i>			
Headstart -----	24,700,000	24,700,000	24,700,000
<i>Aid to Federally Impacted Areas:</i>			
PL 874 -----	86,000,000	95,000,000	102,000,000
<i>Construction Assistance, PL 815:</i>			
Child Nutrition Act -----	42,028,924	63,655,800	77,078,700
Food and nutrition services pay- ments to welfare agencies -----	456,975	300,000	315,000
Totals, Federal Aid -----	\$342,982,746	\$376,344,973	\$409,938,094

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Department of Education
STATE OPERATIONS

Item 260, 261, 263, 264, and
 266 from the General Fund

Budget p. 176 Program p. 982

Requested 1972-73.....	\$16,356,150
Estimated 1971-72	15,876,445
Actual 1970-71	15,884,987
Requested increase \$479,705 (3 percent)	
Total recommended augmentation.....	36,000

<i>Budget Act Item</i>	<i>Purpose</i>	<i>Budget page</i>	<i>Program page</i>	<i>Analysis page</i>
260	Educational commission of the states.....	179	1023	927
261	General activities	176	982	809
263	National defense education	176	991	824
264	Special schools	176	997	854
266	State Library	179	1016	911

Item 262 from the State
 School Building Aid Fund

Budget p. 176 Program p. 982

Requested 1972-73.....	\$277,900
Estimated 1971-72	221,100
Actual 1970-71	227,495
Requested increase \$56,800 (25.7 percent)	
Total recommended reduction	None

<i>Budget Act Item</i>	<i>Purpose</i>	<i>Budget page</i>	<i>Program page</i>	<i>Analysis page</i>
262	General activities	176	982	896

Item 265 from the Surplus
 Educational Property Re-
 volving Fund

Budget p. 178 Program p. 1001

Requested 1972-73.....	\$6,235,000
Estimated 1971-72	3,992,000
Actual 1970-71	4,354,915
Requested increase \$2,243,000 (56.2 percent)	
Total recommended reduction	None

<i>Budget Act Item</i>	<i>Purpose</i>	<i>Budget page</i>	<i>Program page</i>	<i>Analysis page</i>
265	State Educational Agency for Surplus Property	178	1001	889

Department of Education**LOCAL ASSISTANCE**

Items 267 through 277 from
the General Fund

Budget p. 176 Program p. 982

Requested 1972-73	\$1,634,029,529
Estimated 1971-72	1,519,219,987
Actual 1970-71	1,518,245,027
Requested increase \$114,809,542 (7.6 percent)	
Total recommended reduction	35,440

<i>Budget Act Item</i>	<i>Purpose</i>	<i>Budget page</i>	<i>Program page</i>	<i>Analysis page</i>
267-269	School apportionments	179	1010	903
270	Instructional television	176	991	830
271	Compensatory education	176	993	832
272	Elementary reading program	176	991	828
273	Children's centers	176	994	844
274	Grants to handicapped teachers	176	996	852
275	Free textbooks	178	1001	867
276	Public libraries	179	1016	911
277	Vocational education	176	998	859

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

General

1. Recommend Department of Education present preliminary program budget to Department of Finance and Joint Legislative Budget Committee. 808
2. Recommend Department of Education submit details of departmental reorganization. 811
3. Recommend year extension of all position termination dates. 812
4. Recommend Department of Education develop budget for six new advisory bodies. 817
5. Recommend Department of Education summarize status of all existing educational advisory bodies. 817

Department of Education—Continued

Instruction Program

1. *Item 261. Mathematics Task Force. Augment \$36,000.* Recommend reconstitution of Mathematics Task Force and employment of experienced task force manager. 821
2. Recommend Department of Education report on feasibility of utilizing intermediate unit to assist EPAS unit. 828
3. Recommend Department of Education submit plan to consolidate categorical aid programs in EPAS unit. 828
4. *Item 270. Instructional Television. Reduce \$36,000.* Recommend reduction in instructional television local assistance budget. 830
5. Recommend Department of Education obtain legal determination whether ESEA Title III funds may be reserved for Innovative Schools Program. 831
6. Recommend Department of Education report on decline of reading and mathematics achievement scores of ESEA Title I participants. 834
7. *Item 271. Professional Development Centers. Augment \$750,000.* Recommend professional development centers budget be augmented to maintain current level of support for training teachers of disadvantaged students. 842
8. Recommend Departments of Social Welfare and Education identify children eligible for Children's Centers Program under "state means test" requirement. 845
9. Recommend Departments of Social Welfare and Education submit a mutually acceptable contract for administration of Children's Centers Program. 845
10. *Item 261. Master Tape Library. Transfer \$28,660 from Item 261 to Item 264.* Recommend Master Tape Library funds be reduced because funds are available from previous appropriation. 852
11. Recommend Schools for the Deaf return students to local deaf programs. 855
12. *Item 264. Followup Project and Evaluation of Diagnostic Schools. Transfer \$28,660 to Item 264 from Item 261.* Recommend budget for special schools be augmented to allow continuation of project followup and evaluation of diagnostic schools. 858

Instructional Support Program

1. *Item 280.* Recommend special review of proposed funding for teacher evaluation project. 864
2. Recommend no action be taken on proposed social 872

- science textbook adoption (grades 5 through 8) until accurate budget estimate is available
3. *Item 275. Foreign Language Textbook Adoption. Reduce \$749,440.* Recommend elimination of foreign language textbook budget and study of current foreign language programs in elementary schools. 876
 4. Recommend special legislative review of free textbook program and study by Department of Education to determine current and projected textbook needs. 878
 5. Recommend Curriculum Development and Supplemental Materials Commission present alternate procedures for textbook evaluation and selection to State Board of Education and Legislature. 878
 6. Recommend textbook funding for other than basic and supplementaries be limited to teacher editions. 880
 7. Recommend legislation to require textbooks to be field tested and validated by publisher. 881
 8. Recommend Department of General Services institute pilot program of open bidding for textbook printing. 882
 9. Recommend State Printer report on all aspects of textbook production costs. 883
 10. Recommend Superintendent of Public Instruction institute inventory control system for state adopted textbooks and report its effectiveness. 886
 11. Recommend Department of Education determine eligibility of State School Fund allocations as matching funds and update schedule of federal expenditures for School Lunch Program. 893

School Administration Support Program

1. Recommend Department of Education demonstrate compatibility of state and federal accounting manuals. 898

School Finance and State Aid Program

1. Recommend Department of Education report on the development of a program budgeting system in school districts. 902
2. *Item 267.* Recommend special review of State School Fund apportionments when information from first principal apportionment is available. 906
3. *Item 269.* Recommend funds to offset inflation be limited to equalization aid districts. 907
4. Recommend legislation to increase State School Fund apportionments to offset costs due to inflation and changes in real purchasing power. 908

Department of Education—Continued**Library Services Program**

1. Recommend no action on the advisory and research elements of Library Services Program until State Librarian submits program statement and work plan. 912

Departmental Management and Special Services Program

1. Recommend Department of Education develop state-wide testing program based on lot sampling. 918
2. Recommend Superintendent of Public Instruction consolidate all program evaluation functions in the Office of Program Evaluation. 920
3. Recommend Grants and Funds Office be eliminated and program and fiscal management functions be transferred to existing offices. 921
4. Recommend review of educational information system requirements. 924

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</i>	<i>Purpose</i>	<i>Actual 1970-71</i>	<i>Estimated 1971-72</i>	<i>Proposed 1972-73</i>
260	Educational Commission of the States -----	\$24,100	\$24,100	\$24,000
261	General activities -----	5,241,667	5,065,000	5,458,298
263	National defense education ---	161,968	167,200	173,500
264	Special schools -----	8,512,461	8,723,145	8,784,665
266	State Library -----	1,944,891	1,897,000	1,915,687
	Totals -----	\$15,884,987	\$15,876,445	\$16,356,150

The Department of Education is also responsible for the administration of over \$1.6 billion in state subventions allocated to local school districts to support educational costs for pupils enrolled in regular classes 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 by an appropriation of \$6,235,000 (Item 267) from the Surplus Property Revolving Fund to support the distribution of federal surplus property and \$277,900 (Item 264) from the State School Building Aid Fund to support the review of school construction plans.

Table 2
Local Assistance—Department of Education

<i>Budget Act Item</i>		<i>Actual 1970-71</i>	<i>Estimated 1971-72</i>	<i>Proposed 1972-73</i>
267-269	Apportionments for public schools -----	\$1,453,241,072	\$1,459,400,000	\$1,579,793,300
--	School district loan repayments -----	—177,678	—197,679	—222,680
--	Educational Improvement Act -----	---	---	---
270	Instructional television -----	725,000	702,000	640,000
271	Compensatory education -----	11,000,000	11,000,000	10,250,000
--	Assistance to new junior colleges -----	---	1,300,000	---
272	Special elementary reading program -----	18,000,000	18,360,000	19,278,000
--	Mathematics improvement program -----	925,000	---	---
273	Children's centers -----	10,399,712	10,627,666	10,853,000
--	Children's centers construction -----	344,540	---	---
274	Grants to teachers -----	150,000	150,000	150,000
--	Loans to teachers of the educationally handicapped -----	---	---	---
275	Free textbooks -----	21,307,110	17,828,000	11,937,909
276	Assistance to public libraries -----	1,000,000	800,000	800,000
277	Vocational education -----	1,330,271	550,000	550,000
	Totals -----	\$1,518,245,027	\$1,520,519,987	\$1,634,029,529

The department's budget is summarized in program terms beginning on page 175 of the Governor's Budget document and detailed beginning on page 981 of the Program Budget Supplement. Table 3 outlines the program budget format and proposed expenditures of the 1972-73 budget presentation. Table 4 shows all funding sources, corrected for minor interprogram transfers.

ANALYSIS AND RECOMMENDATIONS

The relationships between amounts proposed for appropriation in the Budget Act of 1972 and program totals in the budget document (generally referred to as a crossover) are not complete in the Governor's Budget. We will, however, attempt to relate programs to funding source throughout this analysis. Table 5 summarizes budget act support appropriation items and relates them to the six-program format for the budget year.

Table 3
Expenditures for Programs—Department of Education

<i>Program</i>	<i>Actual 1970-71</i>	<i>Estimated 1971-72</i>	<i>Proposed 1972-73</i>
I. Instruction -----	\$277,353,635	\$301,583,933	\$316,934,253
II. Instructional support -----	83,031,252	81,954,798	97,911,854
III. School administration support -----	1,013,163	1,317,900	1,388,500
IV. School finance and state aid -----	519,415,440	1,522,384,388	1,619,727,933
V. Library services -----	6,289,047	9,929,096	9,799,697
VI. Departmental management and special services—distributed -----	---	(2,812,100)	(3,198,200)
Undistributed -----	3,734,023	2,844,867	2,889,467
TOTALS -----	\$1,890,836,560	\$1,920,014,982	\$2,048,651,704
Reimbursements -----	—45,094,955	—55,015,117	—59,542,052
Totals -----	\$1,845,741,605	\$1,864,999,865	\$1,989,109,652

Table 4
Funding for Programs—Department of Education

	<i>Actual 1970-71</i>	<i>Estimated 1971-72</i>	<i>Proposed 1972-73</i>
General Fund -----	\$1,529,858,559	\$1,568,534,582	\$1,666,935,029
State School Fund -----	3,057,225	2,800,000	2,800,000
California Water Fund -----	276,408	350,000	400,000
Motor Vehicle Transportation Fund -----	18,000,000	20,000,000	20,000,000
State Construction Program Fund -----	47,242,202	---	---
Driver Training Penalty Assessment Fund -----	5,429,947	1,590,167	---
Surplus Educational Property Revolving Fund -----	4,354,915	3,992,000	6,235,000
School Building Aid Fund -----	179,372	221,100	277,900
Environmental Protection Program Fund -----	45,909	40,000	---
Federal funds -----	237,297,068	267,472,016	292,461,723
Totals -----	\$1,845,741,605	\$1,864,999,865	\$1,989,109,652

Preliminary Program Budget

We recommend that the Legislature direct the Department of Education to present a preliminary 1973-74 budget to the Department of Finance and the Joint Legislative Budget Committee by October 1, 1972. This preliminary budget should show clearly (for the past, current and budget years) the allocation of all resources including personnel and operating expenses by program total and program element.

This year's Department of Education program budget format is the fourth major change in the four years that the system has been utilized. It will be recalled that last year the department's budget was divided into eight programs. This year the budget is presented in a six-program format.

In previous years we have been critical of the Department of Education's program budget presentation. This year's budget presentation is an improvement over prior years because it contains detailed work

Department of Education—Continued

Table 5
Crossover Between Program Budget and Budget Act

<i>Budget Act Item No.</i>	<i>Instruction I</i>	<i>Instructional support II</i>	<i>School administrative support III</i>	<i>School finance and state aid to local schools IV</i>	<i>Library services V</i>	<i>Department management and special services VI</i>	<i>Total</i>
260 Educational Commission.....	--	--	--	--	--	\$24,000	\$24,000
261 General activities.....	\$2,312,806	\$1,430,006	\$579,700	\$557,313	\$408,506	169,967	5,453,298
263 NDEA III.....	173,500	--	--	--	--	--	173,500
264 Special schools.....	8,784,665	--	--	--	--	--	8,784,665
266 State Library.....	--	--	--	--	1,915,687	--	1,915,687
267 Apportionment for public schools.....	--	--	--	1,426,793,300	--	--	1,426,793,300
Loans to school districts.....	--	--	--	- 222,680	--	--	- 222,680
268 Apportionment for public schools.....	--	--	--	88,000,000	--	--	88,000,000
269 Apportionment for public schools.....	--	--	--	65,000,000	--	--	65,000,000
270 Instructional TV.....	640,000	--	--	--	--	--	640,000
271 Compensatory education.....	10,250,000	--	--	--	--	--	10,250,000
272 Elementary reading program..	19,278,000	--	--	--	--	--	19,278,000
273 Children's centers.....	10,853,000	--	--	--	--	--	10,853,000
274 Grants to teachers.....	150,000	--	--	--	--	--	150,000
275 Free textbooks.....	--	11,937,909	--	--	--	--	11,937,909
276 Assistance to public libraries..	--	--	--	--	800,000	--	800,000
277 Vocational education.....	550,000	--	--	--	--	--	550,000
Total.....	\$52,991,971	\$13,367,915	\$579,700	\$1,580,350,613	\$3,124,193	\$193,967	\$1,650,385,679

¹ Plus \$10,889,700 transferred to Department of Social Welfare as state matching requirements for federal funds for preschool programs.

Department of Education—Continued

plans which can be used during the year to evaluate the progress of the department in accomplishing its objectives. However, there is still a need, in most areas of the budget, for a clear statement of measurable outputs.

This year's budget also fails to clearly identify by program the allocation of personnel and operational expenses. This made it difficult to determine how these resources were being reallocated from the current year to the budget year. The position schedule on page 1039 of the Program Budget Supplement illustrates this problem. The schedule is in the traditional organizational format rather than in a program format which complies with the budget presentation.

To facilitate legislative decisionmaking, we believe that the program budget and supplemental schedules should clearly indicate the allocation of all resources by program element for both the current and budget years. Consequently, we believe the Department of Education should present a comprehensive preliminary 1973-74 budget to the Department of Finance and the Legislative Analyst by October 1, 1972, that clearly identifies the allocation by program of all resources for both the current and budget years.

Position Control System

The 1971-72 Governor's Budget as submitted last February authorized the Department of Education to redirect 394 positions to priority areas identified by the Superintendent of Public Instruction. As a result of this authorization the Department of Education established a number of new task forces and program units. In proposing these new units for legislative approval, the department stated in its revised budget of April 1971:

"Organization redirection and development of accountability is planned to be phased in on a transitional mode utilizing the task force as the transitional vehicle. Proposals in this budget reflect interim management requirements with major shifts to be coordinated and completed for review in the 1972-73 budget plan with full implementation and operational status achieved by June of 1973."

Since the department's April budget represented a "transitional" rather than a final departmental administrative redirection, we recommended that all 394 redirected positions (whether restored, redirected or newly created) be given termination dates of June 30, 1972. The purpose of this recommendation was to allow the Department of Education, the Department of Finance, the Legislative Analyst and Legislature to reevaluate personnel and organizational needs at that time.

This recommendation was accepted by the fiscal committees. Moreover, the supplementary report of the Committee on Conference Relating to the Budget Bill recommended that:

"Notwithstanding the provisions of Section 28, the Department of Education report to the Joint Legislative Budget Committee through the Department of Finance any: (1) change in the allocation of existing positions or (2) addition of new positions established during 1971-72 to task forces or existing organizational units which differ from the resubmitted budget as detailed in the legislative change book."

The department has failed to comply with this recommendation. Substantial changes have been made in position allocations but the Department of Education has not reported these changes. For example, the Mathematics Task Force as approved by the Legislature was to be comprised of 12.7 positions in 1971-72. However, the 1972-73 budget indicates that only 6.2 positions were actually allocated to this task force in 1971-72. We were not informed by the department of the reallocation of the other 6.5 positions.

The Department of Education indicates that it was unable to meet the position transfer reporting requirement because it has no effective system to monitor, control, and account for position reallocations. We find this lack of a position control system to be unacceptable for a department with a staff of almost 2,400 civil service and exempt positions. We believe the lack of an effective position control system greatly reduces the ability of an organization to use its personnel resources effectively and efficiently.

The Department of Education program budget indicates that a position monitoring system will be established in the budget year.

Departmental Reorganization

We recommend that the Department of Education be directed to include in its preliminary 1973-74 budget submission to the Joint Legislative Budget Committee on October 1, 1972 the details of its departmental reorganization plan including progress toward implementation of the plan.

The Department of Education program budget, submitted to the Legislature in April 1971, stated that the department was in a transitional stage and that major shifts in departmental reorganization would be presented for legislative review in the 1972-73 budget submission. However, the 1972-73 budget document does not specify a departmental reorganization proposal. Rather, the program budget states:

"The current organization is highly fragmented and lacking in flexibility. In addition there is duplication of function, program gaps and lack of communication in the organization.

"Changes in the organization are of high priority in order to provide the necessary goal setting, program planning, program evaluation and management services and control."

While the budget document points out a long recognized problem

Department of Education—Continued

regarding the Department of Education structure, it does not outline an alternative. Instead the document states that an organizational structure will be developed in 1972-73 and implemented by June 30, 1973.

We believe the Department of Education should report the details of its reorganization plan with its October 1 preliminary 1973-74 budget submission to enable the Joint Legislative Budget Committee to analyze the 1973-74 budget in the context of the departmental reorganization planned for 1972-73.

Position Termination Dates

We recommend an extension to June 30, 1973 of the termination dates on all positions which have June 30, 1972 termination dates in the current budget.

Because the Department of Education's organizational structure is still in a transitional stage, we believe the termination dates on positions in the current year should be extended to June 30, 1973. This procedure would allow the Department of Education, the Department of Finance, the Joint Legislative Budget Committee and the Legislature to reevaluate personnel and organizational needs at that time.

Departmental position justifications submitted with the 1973-74 budget should specify the duties, goals and objectives of each organizational unit and indicate how each position assigned to that unit will contribute to achieving these objectives.

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. The remaining segments (Parts B, C and D) were added by the April 1970 amendments. 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.

In previous years we have criticized the department for its fragmented use of Title V funds. As a result of dissatisfaction with the past use of Title V funds, the 1971-72 Governor's Budget terminated all projects and authorized the Superintendent of Public Instruction to redirect these resources. We recommended at that time that the department give highest priority to establishing an evaluation unit.

Table 6
E.S.E.A. Title V Estimated Expenditures 1971-72
Departmental Activities by Divisions

	<i>Man- years</i>	<i>Personal services</i>	<i>Operating expenses</i>	<i>Total</i>
Executive Division				
Program planning	22	\$359,200	\$141,200	\$500,400
Program evaluation	16	260,500	205,500	466,000
Organizational redirection and develop- ment	15	192,000	144,200	336,200
Subtotals	53	\$811,700	\$490,900	\$1,302,600
Division of Departmental Administration				
Departmental business management system	6	\$88,500	\$127,500	\$216,000
School district business subsystem	11	158,000	66,000	224,000
Management information system	3	39,564	42,536	82,100
Subtotals	20	\$286,064	\$236,036	\$522,100
Division of School Administration and Finance				
School district management review and assistance task force	7	\$139,900	\$35,400	\$175,300
Subtotals	7	\$139,900	\$35,400	\$175,300
TOTALS, E.S.E.A.'s V	80	\$1,237,664	\$762,336	\$2,000,000

E.S.E.A. Title V Proposed Expenditures 1972-73
Departmental Activities By Divisions

	<i>Man- years</i>	<i>Personal services</i>	<i>Operating expenses</i>	<i>Total</i>
Executive Division				
Program planning	22	\$366,400	\$249,700	\$616,100
Program evaluation	16	265,700	300,300	566,000
Organizational redirection and develop- ment	13	165,800	127,100	292,900
Subtotals	51	\$797,900	\$677,100	\$1,475,000
Division of Departmental Administration				
Departmental business management system	5	\$68,500	\$181,500	\$250,000
E.D.P. coordination office	2	32,200	4,800	37,000
Management information system	2	23,900	42,400	66,300
Subtotals	9	\$124,600	\$228,700	\$353,300
Division of School Administration and Finance				
School district management review and assistance task force	10	\$194,700	\$104,000	\$298,700
Subtotals	10	\$194,700	\$104,000	\$298,700
TOTALS, E.S.E.A. V	70	\$1,117,200	\$1,009,800	\$2,127,000

Department of Education—Continued

Table 6 shows the allocation of Title V funds in the current and budget years. The table indicates that the department has concentrated the use of Title V funds in three divisions. This concentrated use is a significant improvement over the fragmented approach used in allocating these funds in prior years.

Department of Education Priorities

In July, 1971, the State Board of Education approved for 1971-72 and 1972-73 the list of priorities shown in Table 7. The department reports that 1971-72 priorities will continue into 1972-73 if they are not met entirely in the current year.

Table 7
Department of Education Priorities as Approved by
The State Board of Education

1971-72 Priorities

1. Department and board reorganization
2. Curriculum development and textbook selection procedures
3. School district management, review and assistance
4. Basic skills
5. Career education
6. School finance and efficiency
7. Drug abuse preventative education
8. Early childhood education
9. Bilingual/bicultural

1972-73 Priorities

1. Teacher evaluation
2. Urban education
3. Analysis and applicability of testing procedures
4. Improvement of guidance and counseling services
5. Master plan for intermediate school education
6. Master plan for special education
7. Programs to prevent conflicts on junior high and high school campuses
8. Conservation education

It is important to note that the Department of Education is using task forces as the primary organizational unit to meet its priorities.

Our review of the Department of Education's 1971-72 budget resubmission in April, 1971, expressed concern regarding the composition, term, and functions of the proposed task forces. While we generally endorsed the task force concept as a sound approach to meeting departmental priorities because of its flexibility, we suggested that the department (1) clearly distinguish the functions and responsibilities of the task forces from those of the regular organizational units in the department, (2) fill the majority of the task force professional positions with people from outside the department who had recent field experience in the priority areas to which the task forces were addressed, and (3) fill the task force positions on a limited-term basis.

These suggestions have been met with varying degrees of success. We believe a major problem still exists in adequately distinguishing the functions and responsibilities of the task forces from those of the rest of the department. For example, the 1972-73 work plan of the

Drug Education Task Force states that one objective will be the development of "... a comprehensive model for drug education . . . which may also be used with other related health problems." The 1972-73 work plan of the Health and Safety component of the Instructional Program Administration Unit states that a major task will be to "... implement a new framework for health education with emphasis on drug education . . ."

We believe the department should take steps to distinguish more clearly the responsibilities and activities of the task forces from those of the regular organization. One way to accomplish this would be to place all program task forces under the direction of the Program Planning Unit. In this way the functions of the program task forces would clearly be identified as program development and distinguished from the program operation and maintenance functions of other organizational units.

Table 8 illustrates the progress of the department toward our suggestion last year that the task forces and other new organizational units be staffed with professional people from outside the department who had recent field experience. The table indicates that 26, or approximately one-third, of the 80 filled professional positions on the task forces and new organizational units were filled from outside the department. If all 25.4 of the professional positions currently vacant were filled from outside the Department of Education, the percentage of new professionals on the task forces and other units would increase to approximately 50 percent of the total 105.4 professional positions.

Table 8
Staffing of Task Forces and New Organizational Units

<i>Task forces and new units</i>	<i>Total professional positions</i>	<i>Professional positions (new hires)</i>	<i>Professional positions (redirected staff)</i>	<i>Professional positions vacant</i>
Reading -----	15.4	2	10	3.4
Mathematics -----	4	2	1	1
Curriculum frameworks -----	6	—	4	2
Bilingual and bicultural -----	8	1	3	4
Health and safety—drugs -----	4	2	2	—
School district management -----	8	6	—	2
Organizational redirection and development -----	8	5	2	1
Management information—school district business and pupil subsystems -----	14	—	9	5
Management information departmental business system -----	4	1	1	2
Program planning and development -----	15	3	11	1
Program evaluation -----	10	2	7	1
Career education -----	8	2	3	3
Grants and funds -----	1	—	1	—
Totals -----	105.4	26	54	25.4

Department of Education—Continued

We believe the department should continue to hire people with recent field experience on a limited-time basis whenever possible. This approach could provide the department with valuable outside perspective and staff flexibility.

Advisory Groups

In previous years we have been critical of the proliferation of commissions and committees established to advise the State Board of Education and the Superintendent of Public Instruction on educational matters. At the request of the Legislature in 1970, the Department of Education identified 164 educational advisory groups which require departmental staff time.

In the Analysis of the Budget Act 1971-72 we recommended that legislation be enacted to restructure and refinance the commissions mandated by the Education Code, and that the Department of Education develop a plan for restructuring all advisory groups. Chapter 1188, Statutes of 1971 (AB 2800), as modified by Chapter 1408, Statutes of 1971 (SB 1526), reduced 12 mandated advisory bodies to six as shown in Table 9.

Table 9**Advisory Bodies Created by Chapters 1188 and 1408, Statutes of 1971**

<i>New advisory body</i>	<i>Advisory body replaced</i>
Educational Innovation and Planning Commission	Educational Innovation Advisory Commission
Curriculum Development and Supplemental Materials Commission	State Curriculum Commission Advisory Committee on Conservation Education
Educational Management and Evaluation Commission	Commission on School District Budgeting and Accounting
	Advisory Committee on Program and Cost Effectiveness
	Advisory Committee on Integrated Data Processing
Equal Educational Opportunities Commission	Commission on Employment Discrimination
	American Indian Education Council
	Advisory Compensatory Education Commission
Advisory Commission on Special Education	Committee on Special Education
Advisory Committee on Educational Research in Basic Educational Programs	Educational Research Commission
	Statewide Mathematics Advisory Committee.

New Advisory Body Budgets

We recommend that the Department of Education develop and identify budgets for the operating expenses and departmental support costs for the six advisory bodies established by Chapters 1188 and 1408, Statutes of 1971 and submit this information to the fiscal committees before the Department of Education budget is reviewed.

The Department of Education program budget indicates a lack of planning for advisory group activities and related costs. There are no identifiable budgeted costs for advisory groups in the Governor's Budget. Some of the 12 advisory bodies consolidated into six by 1971 legislative action were created specifically to review federally funded programs. We are particularly concerned whether some of the new groups will qualify for federal support in view of their broadened responsibilities.

We believe the department should report the budgets and funding of the advisory groups for legislative review.

Educational Advisory Bodies

We recommend that the Department of Education submit a report to the Joint Legislative Budget Committee by November 1, 1972, summarizing the status of the 164 educational advisory bodies previously identified by the department. The report should outline a plan for restructuring or eliminating those groups which were not consolidated by 1971 legislation.

Of the 164 advisory bodies identified by the Department of Education in its 1970 study, there are 14 legislatively authorized and 138 administratively established bodies which were not affected by the 1971 reorganization. We believe the department should develop a plan for the consolidation or elimination of these bodies.

Program No. I**INSTRUCTION**

Budget p. 176 Program p. 982

Requested 1972-73	\$316,934,253
Estimated 1971-72	301,583,933
Actual 1970-71	277,353,635
Requested increase \$15,350,320 (5.1 percent)	

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. *Item 261. Mathematics Task Force. Augment \$36,000.* Recommend reconstitution of mathematics task force and employment of experienced task force manager. 821
2. Recommend Department of Education report on feasibility of utilizing intermediate unit to assist EPAS unit. 828

INSTRUCTION—Continued

3. Recommend Department of Education submit plan to consolidate categorical aid programs in EPAS unit. 828

4. *Item 270. Instructional Television. Reduce \$36,000.* Recommend reduction in instructional television local assistance budget. 830

5. Recommend Department of Education obtain legal determination whether ESEA Title III funds may be reserved for Innovative Schools Program. 831

6. Recommend Department of Education report on decline of reading and mathematics achievement scores of ESEA Title I participants. 834

7. *Item 271. Professional Development Centers. Augment \$750,000.* Recommend Professional Development Centers budget be augmented to maintain current level of support for training teachers of disadvantaged students. 842

8. Recommend Departments of Social Welfare and Education identify children eligible for Children's Centers Program under "state means test" requirement. 845

9. Recommend Departments of Social Welfare and Education submit a mutually acceptable contract for administration of Children's Centers Program. 845

10. *Item 261. Master Tape Library. Transfer \$28,660 from Item 261 to Item 264.* Recommend master tape library funds be reduced because funds are available from previous appropriation. 852

11. Recommend schools for the deaf return students to local deaf programs. 855

12. *Item 264. Followup Project and Evaluation of Diagnostic Schools. Transfer \$28,660 from Item 261 to Item 264.* Recommend budget for special schools be augmented to allow continuation of Project Followup and evaluation of diagnostic schools. 858

Program Description

The Instruction Program is composed of the five elements shown with a summary of expenditures in Table 10.

Table 10
Expenditures of the Instruction Program

<i>Program Elements</i>	<i>Actual 1970-71</i>	<i>Estimated 1971-72</i>	<i>Proposed 1972-73</i>
A. Task Forces or Special Projects-----	--	\$2,034,738	\$2,093,214
B. Instructional Program			
Administration -----	\$30,964,739	45,526,916	47,384,676
C. Instruction for the Educationally Disadvantaged Student -----	196,943,291	203,586,040	192,320,954
D. Instruction for Special Education Students -----	22,407,722	22,930,267	24,928,491
E. Occupational Preparation (vocational education -----	27,037,883	27,505,972	50,186,918
Total -----	\$277,353,635	\$301,583,933	\$316,914,253

Table 11 shows funding by source of the Instruction Program.

Table 11
Funding for Instruction Program

	<i>Actual 1970-71</i>	<i>Estimated 1971-72</i>	<i>Proposed 1972-73</i>
State Operations			
General Fund	\$11,860,236	\$12,245,871	\$11,420,321
School Building Aid Fund	9,515	19,100	20,600
Environmental Protection Program Fund	45,909	40,000	--
Federal funds	9,033,514	10,916,817	12,260,289
Reimbursements	2,141,869	2,574,411	2,634,096
Subtotal	\$23,091,043	\$25,796,199	\$26,335,306
Local Assistance			
General Fund	41,892,305	42,592,000	41,721,000
Federal funds	172,335,183	182,548,879	194,234,544
Reimbursements	40,035,104	50,646,855	54,623,403
Subtotal	\$254,262,592	\$275,787,734	\$290,578,947
Total	\$277,353,635	\$301,583,933	\$316,914,253
General Fund	53,752,541	54,837,871	53,141,321
Federal funds	181,368,697	193,465,696	206,494,833
Reimbursements	42,176,973	53,221,266	57,257,499
School Building Aid Fund	9,515	19,100	20,600
Environmental Protection Program Fund	45,909	40,000	--

A. Task Forces or Special Projects

The budget document identifies seven task forces and two special projects in the Instruction Program. The proposed expenditures of the task forces and special projects are shown in Table 12. Table 13 presents funding for task forces and projects in the Instruction Program.

Table 12
Expenditures for Task Forces and Special Projects

	<i>Actual 1970-71</i>	<i>Estimated 1971-72</i>	<i>Proposed 1972-73</i>
1. Curriculum Framework Development			
Task Force	--	\$311,562	--
2. Reading Task Force	--	704,289	\$586,126
3. Mathematics Task Force	--	177,903	--
4. Career Education Task Force	--	215,800	261,200
5. Drug Education Task Force	--	183,634	386,040
6. Bilingual-Bicultural Task Force	--	441,550	558,448
7. Urban Education Task Force	--	--	231,400
8. Special Education Master Plan Project	--	--	40,000
9. Statewide Testing Programs	--	--	--
Totals	--	\$2,034,738	\$2,093,214

INSTRUCTION—Continued

Table 13
Funding for Task Forces and Special Projects

	<i>Actual 1970-71</i>	<i>Estimated 1971-72</i>	<i>Proposed 1972-73</i>
State Operations:			
General Fund -----	\$-	\$572,683	\$475,509
Federal Funds -----	-	1,438,655	1,508,205
Reimbursements -----	-	23,400	109,500
Total -----	\$-	\$2,034,738	\$2,093,214

1. *Curriculum Framework Development Task Force.* The Curriculum Framework Development Task Force was initiated in 1971. The purpose of the task force is to develop a comprehensive plan for the preparation, implementation and evaluation of curriculum frameworks. The Curriculum Framework Development Task Force will complete its plan in 1971-72. In 1972-73, 10.3 positions on the task force will be redirected to the Educational Program Administration and Services Unit discussed on page 824 to implement the framework development plan.

2. *Reading Task Force.* The Reading Task Force was initiated in 1971 as part of the Department of Education's reorganization. This task force will operate through 1972-73. The intent of the Reading Task Force is to eliminate deficiencies in California's reading program.

In the current year the Reading Task Force is identifying effective and reliable reading programs. The proposed activities of the Reading Task Force in 1972-73 include (1) the improvement of reading achievement of 50 elementary schools whose reading scores are in the bottom quartile on the statewide reading tests, (2) the identification of 20 effective model reading programs which are not categorically funded for implementation in 100 schools, (3) the identification of effective reading programs for implementation at the preschool, high school, and adult levels. Specific performance objectives have been established for all these activities.

We believe the identification of exemplary programs for replication in under-achieving schools as proposed in the Reading Task Force work plan is a sound approach to program improvement.

There will be a reduction of 9.3 positions in the Reading Task Force in 1972-73.

3. *Mathematic Task Force.* The Mathematics Task Force was established in 1971-72 as part of the reorganization of the Department of Education for the purpose of working with school districts to improve pupil achievement in mathematics. One activity of the task force in the current year is administering the State of California Inventory of Mathematical Achievement (SCIMA) Test to a sample of Cali-

for pupils in grades 3, 6, and 8. The SCIMA test was specifically designed in 1968-69 at a cost of \$100,000 to determine the effectiveness of California's mathematic textbooks and curriculum and the proficiency of California pupils in a number of categories of mathematics education. Although the SCIMA test was developed in 1969, it was not administered prior to 1971-72 due to lack of funds.

The results of the SCIMA test will indicate the strengths and weaknesses of mathematics education in California and could serve as the basis for mathematics program improvement.

Another major activity of the Mathematics Task Force in the current year is to develop a descriptive summary of effective mathematics programs identified by mathematics teachers and specialists.

No plans exist for the task force to use the results of the SCIMA test for mathematics program improvement.

The Department of Education proposes to terminate the Mathematics Task Force in 1972-73 and transfer the 6.7 positions of the task force to the Educational Program Administration and Services unit discussed on page 824.

Mathematics Task Force

We recommend that the Mathematics Task Force be reconstituted in 1972-73 for the purpose of identifying and implementing in selected school districts programs based on the results of the State of California Inventory of Mathematical Achievement (SCIMA) Test to improve student achievement in mathematics. We further recommend that the Department of Education Budget (Item 261) be augmented by \$36,000 to employ for one year a task force manager from outside the department who has recent experience in implementing effective mathematics programs in the classroom. (Fund from reduction in Item 270 recommended on page 830).

The results of the statewide testing program reported to the State Board of Education on October 26, 1971 indicate a decline in mathematics achievement scores from 1969-70 to 1970-71. Table 14 shows

Table 14
Statewide Standardized Test Results in Mathematics

	Grade 6			Grade 12		
	1969-70	1970-71	Change	1969-70	1970-71	Change
75th Percentile (State Q3)						
State Raw Score	84.8	83.2	-1.6	19.0	18.7	-0.3
Publisher's Percentile						
Rank	74	68	-6	77	77	0
50th Percentile (State Q2)						
State Raw Score	74.9	72.6	-2.3	13.2	12.9	-0.3
Publisher's Percentile						
Rank	47	43	-4	48	48	0
25th Percentile (State Q1)						
State Raw Score	58.9	56.1	-2.8	8.8	8.6	-0.2
Publisher's Percentile						
Rank	24	21	-3	25	25	0

INSTRUCTION—Continued

this decline. It is important to note that the raw scores of pupils in both the 6th and 12th grades in all percentile groups declined from 1969-70 to 1970-71.

The decline in mathematics scores indicates a need to determine the causes for this decline and to identify and implement effective programs to reverse the downward trend.

We believe the Department of Education should reconstitute the Mathematics Task Force in 1972-73 for the purpose of using the results of the SCIMA test to improve California mathematics education programs. The SCIMA results will identify the specific weaknesses of California mathematics programs. We believe the Mathematics Task Force should adopt a work plan similar to that of the Reading Task Force to identify programs that effectively deal with these weaknesses and implement such programs on a pilot basis in selected school districts. This plan should include measurable performance objectives.

Currently only three professionals are working on the Mathematics Task Force. One is supported by the General Fund and two by federal funds.

We believe the Department of Education's budget for 1972-73 should be augmented by \$36,000 to hire a task force manager from outside the department who has recent experience in implementing effective mathematics programs in the classroom.

4. Career Education Task Force. The Career Education Task Force was formed in 1971 as a special project and will be in operation through 1972-73. In December 1971, this task force was placed under the direct supervision of the Chief Deputy Superintendent of Public Instruction. The purpose of the task force is to identify, define and develop a design for a career education program that can be implemented in school districts throughout the state.

The work plan for the current year will evaluate various career education models and identify potential issues and problems generated by career education.

The 1972-73 work plan proposes to (1) disseminate to various agencies information on exemplary career education practices and programs, (2) implement career education projects in 15 school districts, (3) recommend legislation on the implementation of career education, and (4) develop preservice and in-service training for career education teachers.

5. Drug Education Task Force. The Drug Education Task Force was established in 1971. The work plan of the task force in the current year includes (1) determining the current status of drug education in California, (2) developing criteria for drug education programs, and (3) operating workshops and seminars in drug education throughout

the state.

The Drug Education Task Force will be expanded from 6.6 positions to 9.2 positions in 1972-73. The 1972-73 work plan will evaluate drug education programs, review the effectiveness of drug education in-service training, and develop a comprehensive model for drug education.

6. *Bilingual-Bicultural Task Force.* The Bilingual-Bicultural Task Force was established as a priority activity by the Superintendent of Public Instruction in 1971. The main objective for the current year is to develop a bilingual-bicultural education master plan. The task force also provides technical assistance to 49 ESEA Title VII bilingual-bicultural project directors and evaluates the Title VII projects.

In 1972-73 the Bilingual-Bicultural Task Force will conduct pilot tests of the master plan for bilingual-bicultural education in selected districts.

7. *Urban Education Task Force.* The State Board of Education has granted priority to the development of a master plan for urban education by the Urban Education Task Force. This project will be initiated in 1972-73 to focus on the financial and educational problems of urban schools.

8. *Special Education Master Plan Project.* In September 1971, The Division of Special Education granted top priority to the development of a Master Plan for Special Education that would include (1) a state-wide system to identify and refer all exceptional children, (2) a state-wide system for the collection and interpretation of data necessary to determine program needs and effectiveness, (3) a projection of future manpower needs in special education, (4) a plan to consolidate and streamline program options and regulations, (5) proposals for legislative reform in the financing of special education, and (6) a plan for the reorganization of the Division of Special Education.

The Department of Education requested two consultants to coordinate the Master Plan project in the budget year but these positions were denied by the Department of Finance.

In November 1971, the Division of Special Education utilized \$40,000 in program development and evaluation funds authorized by Chapter 1141, Statutes of 1970 (SB 1099) to contract without bid with a private management analysis firm. The contract requires this firm to provide assistance in the identification and coordination of activities essential to the development of the master plan.

We question the necessity of contracting with an outside firm. The Division of Special Education contains more than 30 administrators and consultants who are specialists in all phases of special education. We believe that these people could provide the necessary expertise for the development of a master plan. In addition, the Department of Education contains a Program Planning and Development Office and a Program Evaluation Office capable of providing the systems-organi-

INSTRUCTION—Continued

zation skills necessary to define the overall structure of the master plan.

The Division of Special Education intends to begin the Master Plan project in January 1971. A series of conferences with parents, teachers, and administrators are planned throughout the state to discuss every aspect of special education in California, including objectives for special education programs, the role of the Division of Special Education, the identification procedures of exceptional children, program financing, and program accountability. Information gathered in these conferences will be evaluated and developed into proposals for administrative and legislative change.

9. Statewide Testing Programs. Information on pupil performance in the basic skill areas is provided primarily through a series of legislative requirements commonly referred to as the Statewide Testing Program. This program authorizes the administration of standardized tests in grades 1 through 3 under the provisions of the Miller-Unruh Basic Reading Act, and a battery of tests in grades 6 and 12 in such areas as scholastic aptitude, language, spelling, arithmetic and reading.

It is important to note that reading tests used in the first and second grades differ from those used in the third grade. This results from a State Board of Education program to phase out the use of the Stanford Primary Reading Test over a three-year period. The Cooperative Primary Reading Test is more closely geared to the California reading textbooks.

The results of the statewide testing program for grades 6 and 12 are reported on pages 989-991 of the Budget Supplement. The results show a general decline in pupil achievement from 1969-1970.

Table 15 shows the results of the statewide reading tests for grades 1-3. The table indicates that California first grade pupils meet the publisher's norm but that second grade pupils fall 1.3 points below the publisher's norm for the Cooperative Primary Reading Test.

The Statewide Testing Program is also discussed as part of Program VI on page 918 of this analysis.

B. Instructional Program Administration

The budget supplement states that the Instructional Program Administration element is "to provide state administration services and leadership to school districts for mandated general education offerings and certain categorical aid and supplementary instructional programs." These services are performed by an Educational Program Administration and Services (EPAS) unit. This unit is responsible for administering (1) state mandated general education programs, (2) federally funded programs under ESEA Titles II and III and NDEA Titles II and III, (3) the Miller-Unruh Reading Program, and (4) the Farr-Quimby Instructional Television Program.

Table 15
Reading: Grades 1, 2 and 3—California Schools
Median Achievement Test Raw Scores

<i>Grade and year ¹</i>	<i>California median score</i>	<i>Publishers national median score</i>
Grade One		
1966	30.6	47
1967	32.5	47
1968	32.7	47
1969	34.5	47
1970	22.4 ¹	22.8
1971	22.8 ¹	22.8
Grade Two		
1966	37.6	50
1967	39.3	50
1968	39.7	50
1969	41.7	50
1970	42.6	50
1971	26.6 ¹	27.3
Grade Three		
1966	—	—
1967	61.9	72
1968	62.2	72
1969	63.1	72
1970	63.4	72
1971	63.6	72

¹ Cooperative Primary Test Scores.

Table 16 shows the proposed funding of the Educational Program Administration and Services unit.

Table 16
Educational Program Administration and Services
Expenditures by Fund Source

	<i>Actual 1970-71</i>	<i>Estimated 1971-72</i>	<i>Proposed 1972-73</i>
State operations			
General Fund	\$796,871	\$893,112	\$918,814
Federal funds	2,023,764	1,026,070	1,411,841
Environmental Protection Program			
Fund	45,909	40,000	—
Reimbursements	—	26,386	30,282
Subtotal	\$2,866,544	\$1,985,568	\$2,360,937
Local assistance			
General Fund	\$19,551,440	\$19,714,000	\$19,918,000
Federal funds	8,546,755	23,827,348	25,105,739
Subtotal	\$28,098,195	\$43,541,348	\$45,023,739
Total	\$30,964,739	\$45,526,916	\$47,384,676

The proposed \$375,369 increase in state operations in the budget year is caused primarily by the transfer of 27 positions from task forces into the EPAS unit. In addition, two new positions are established to administer the Farr-Quimby Act (Instructional TV) program and two positions are transferred to the Guidance and Counseling Task Force.

INSTRUCTION—Continued

The EPAS unit intends to implement task force recommendations concerning program requirements and to provide guidance and counseling services to school districts in the various instructional areas which the task forces have reviewed.

The \$1.4 million increase in local assistance is comprised of a \$918,000 increase, (5 percent) in the Miller-Unruh Elementary Reading program and modifications in allotments of various federal funds amounting to \$500,000.

Structure and Functions of the Educational Program Administration and Services (EPAS) Unit

In the Department of Education 1971-72 program budget resubmission, the Legislature approved the establishment of an Educational Services and Approvals Task Force to be comprised of 68.9 positions. However, the budget document indicates that the Department of Education subsequently established an EPAS unit comprised of 82.7 positions.

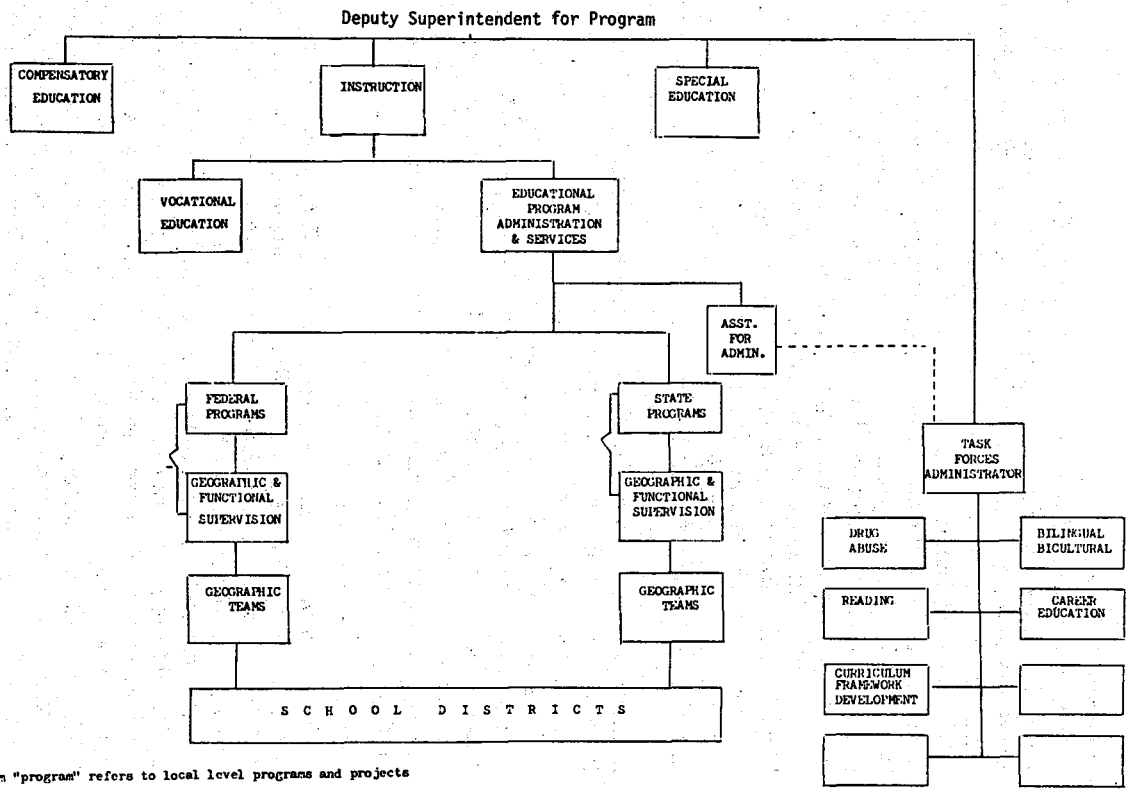
The objective of the department in establishing the EPAS unit is to consolidate the administration of programs which formerly were administered by separate bureaus. Under the previous fragmented system, considerable duplication of effort resulted at the state level in project approval and administration, data collection, reporting, and evaluation. In addition, there was considerable duplication in providing consulting services to local school districts. For example, under the fragmented system, it was possible for an ESEA Title III consultant, an ESEA Title II consultant, a Miller-Unruh consultant (as well as other special program consultants) to all visit the same district at the same time.

The objective of the EPAS unit is to eliminate duplication of effort by using consultants as generalists rather than specialists. Thus, rather than having separate consultants for each federal categorical aid program, one consultant will provide services for a number of programs. We endorse the concept of the EPAS unit and believe the consolidation of program administration should improve the efficiency of the Department of Education.

The specific functions of EPAS unit as stated in the program budget are to assist local school districts in: (a) project development, (b) project approval and funding, (c) project supervision and monitoring, (d) project evaluation, (e) reporting and dissemination of project results.

The organizational structure of the EPAS unit and its relationship to other administrative units in the Department of Education is shown in Chart B.

CHART B
Organization of Educational Program Administration
and Services (EPAS) Unit



* The term "program" refers to local level programs and projects

INSTRUCTION—Continued**Intermediate Units**

We recommend that the Department of Education report to the Joint Legislative Budget Committee by November 1, 1972, on the feasibility and economies of utilizing the intermediate unit on a regional basis to carry out the field responsibilities of the EPAS unit.

The organizational chart of the EPAS unit indicates that it will be divided into two subunits. One subunit is responsible for the administration of federal programs and the other is responsible for state programs. The chart indicates that these two subunits will also provide program supervision on a geographical or regional basis.

We believe the Department of Education should examine the feasibility of using the intermediate unit on a regional basis to provide program supervision and administration.

A study of the intermediate unit (office of the county superintendent of schools) conducted by our office last year concluded that its major role should be to serve as an administrative arm of the Department of Education. Since the Superintendent of Public Instruction has the statutory responsibility to approve the budgets of the county superintendents of schools and the state provides approximately \$19 million in funding for the intermediate unit through the County School Service Fund, we believe the Department of Education could make effective use of the intermediate unit to assist in program administration and supervision on a regional basis. In addition, we believe economies would result from utilizing the intermediate unit for field program administration.

Categorical Aid Programs

We recommend that the Department of Education be directed to report to the Joint Legislative Budget Committee by November 1, 1972, on a plan to consolidate the administration of all categorical aid programs in the EPAS unit.

The organization chart of the EPAS unit indicates that not all categorical aid programs are to be administered by the unit in the current and budget year. For example, ESEA Title I, as well as numerous other state and federally funded categorical programs, are managed by the Division of Compensatory Education. We believe the department should develop a plan to consolidate the administration of all categorical aid programs in one unit to further eliminate duplication of functions between organizational units.

Programs Administered by the EPAS Unit

The three major programs administered by the EPAS unit include:

a. *Miller-Unruh Basic Reading Act.* The Miller-Unruh Basic Reading Act of 1965 (Chapter 1233, Statutes of 1965) created the Special Elementary School Reading Instruction Program. This program

recognizes the need to diagnose actual or anticipated reading disabilities and correct them at the earliest point in the child's educational career.

The program provides state allowances to applicant school districts to employ certificated reading specialists in grades K-3. Over 95 percent of the total program allocation is spent for salaries of these specialists. The Miller-Unruh program also provides incentives for teacher training through reading scholarships and allowances for the staffing of school libraries.

Table 17 shows participation in the program from 1967-68 through 1971-72.

Table 17
Scope of Participation in Miller-Unruh Reading Program

	1967-68	1968-69	1969-70	1970-71	1971-72
Number of districts funded---	212	264	302	302	294
Number of specialist teachers	1,118	1,772	2,325	1,962	1,875
Total number of children served	595,045	940,700	1,239,560	1,007,608	961,875
Estimated number of children served individually or in small groups -----	45,838	72,283	95,530	87,654	84,375

This table indicates that program coverage in 1971-72 declined from the two previous years, due primarily to the fact that eight districts did not participate that year.

Table 18 shows the level of district requests for funds, state appropriations, and subsequent allocations for the Miller-Unruh program from 1967-68 through 1971-72. The table indicates that the demand for funds greatly exceeds the amount provided.

Table 18
Miller-Unruh Reading Program Funding

	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73
Requested by districts---	\$7,468,885	\$30,279,864	\$39,289,950	\$34,315,250	\$37,368,000	--
Appropriation -----	14,000,000	16,000,000	16,000,000	18,000,000	18,360,000	\$19,278,000
			7,974,824 ¹			
			23,974,324			
Allocations to:						
Reading specialists ---	7,403,090	15,218,141	21,487,257	17,629,873	17,885,000	--
Library component ² ---	120,295	256,460	361,335	247,377	--	--
Scholarship component ³ ---	54,500	112,500	145,500	122,750	--	--
Project SHARE ⁴ -----	--	--	--	--	475,000	--
Total allocations ---	\$7,577,885	\$15,587,101	\$21,994,092	\$18,000,000	\$18,360,000	\$19,278,000

¹ AB 606 special one-time augmentation.

² Districts receive \$500 multiplied by the number of specialist reading teachers employed.

³ Scholarship grants are \$250 to any regularly credentialed teacher in grades 1, 2, or 3 enrolled in approved reading courses. The number of grants awarded may not exceed one-fourth the total number of reading specialists employed.

⁴ Project SHARE, authorized by Chapter 1199, Statutes of 1970, was funded in lieu of the library and scholarship components in 1970-71, pursuant to Chapter 555, Statutes of 1971 (AB 2586).

INSTRUCTION—Continued

Budget Act Item 272 proposes an appropriation of \$19,278,000, for the Miller-Unruh Reading Program in 1972-73, an increase of 5 percent over the current year appropriation.

b. *Instructional Television.* Chapter 1236, Statutes of 1965 (the Farr-Quimby Act) authorizes the Superintendent of Public Instruction to provide funds to encourage the use of classroom instructional television. The EPAS unit contains two positions to administer this program. School districts and county superintendents of schools receive \$0.50 per pupil in classes taught by instructional television. Payments under this program are made on a reimbursement basis and may not exceed one-half of the cost to the local district for televised instruction.

Instructional Television

We recommend that the local assistance budget for Instructional Television of \$640,000 (Item 270) be reduced by \$36,000 to the current local assistance funding level of \$604,000. We recommend that this \$36,000 be applied to reconstituting the Mathematics Task Force in 1972-73 (see page 821).

Table 19 shows the appropriations and expenditures for the instructional television program from 1969-70 to the budget year.

Table 19
Instructional Television Support

	<i>Actual</i> 1969-70	<i>Actual</i> 1970-71	<i>Estimated</i> 1971-72	<i>Proposed</i> 1972-73
A. Budget Act appropriations	\$850,000	\$875,000	\$604,000	\$640,000
B. Local assistance expenditures	695,222	629,236	566,987	640,000
Savings	154,778	274,764	37,013	--
Totals	\$850,000	\$875,000	\$604,000	\$640,000

The data in Table 19 indicate a steady decline in the demand for local assistance funds for instructional television. It is estimated that \$566,987 will be spent in the current year for instructional television local assistance, a decline of \$62,249 from 1970-71.

Based on the declining demand for local assistance funds for instructional television, we believe Item 270 should be reduced by \$36,000 from \$640,000 to \$604,000, the current year funding level. We believe the \$36,000 reduction should be transferred to Item 261 for use in reconstituting the Mathematics Task Force in 1972-73.

c. *ESEA Title III.* Title III of the Elementary and Secondary Education Act of 1965 (Public Law 89-10) provides funds to develop imaginative solutions to educational problems, to utilize research findings more effectively, and to create, design and use supplementary centers and services. The primary objective of this program is to translate the latest knowledge on teaching and learning into widespread education

practice and to create an awareness of new programs and services which can be incorporated into school programs.

Table 20 reviews the funding for Title III.

Table 20
Title III ESEA Funds¹

	<i>Actual 1970-71</i>	<i>Actual 1971-72</i>	<i>Estimated 1972-73</i>
State operations -----	\$850,790	\$873,002	\$873,002
Local assistance -----	9,642,282	9,894,022	9,894,022
Total -----	\$10,493,072	\$10,767,024	\$10,767,024

¹ Amounts include grants for guidance, counseling and testing formerly provided under NDEA Title V-A.

Innovative Schools Program

We recommend that the Department of Education be directed to obtain from the U.S. Office of Education a legal determination whether Title III funds may be reserved for the Innovative Schools Program.

The allocation of Title III funds is governed and controlled by a wide variety of state legislative requirements.

Chapter 1442, Statutes of 1968, established the Educational Innovation Advisory Commission 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 Program) have confused the authority and responsibility for this program.

The Innovative Schools Program was redefined by Chapter 1408, Statutes of 1971 (AB 1526). This act directs the State Board of Education to reserve Title III funding maximums for the Innovative Schools Program as follows: \$512,000 in 1971-72, \$2,284,000 in 1972-73, and \$4,459,000 in 1973-74. However, the U.S. Department of Education has refused in prior years to approve Title III funds for the Innovative Schools Program because the program did not comply with federal guidelines.

We believe the Department of Education should obtain a final legal determination from the U.S. Office of Education whether Title III funds can be used for the Innovative Schools Program. If such funds cannot be used for this purpose, we believe that existing state law earmarking Title III funds for the program should be amended to permit funds to be used for other purposes.

C. Instruction for Educationally Disadvantaged Students

Instruction for Educationally Disadvantaged Students includes (1) instruction for socioeconomically disadvantaged students, (2) migrant education, and (3) preschool education and Children's Centers.

These functions are administered by the Department of Education's Division of Compensatory Education.

INSTRUCTION—Continued

Table 21 summarizes expenditures for this program.

Table 21
Instruction for Educationally Disadvantaged Students
Expenditures by Components

	<i>Actual</i> 1970-71	<i>Estimated</i> 1971-72	<i>Proposed</i> 1972-73
1. Socioeconomically disadvantaged students -----	\$148,981,088	\$145,849,196	\$131,882,054
2. Migrant education -----	8,512,519	10,658,200	10,624,600
3. Preschool education and children's centers -----	39,449,684	47,078,644	49,814,300
Total -----	\$196,943,291	\$203,586,040	\$192,320,954

Table 22 lists expenditures for state operations and local assistance by fund source.

Table 22
Instruction for Educationally Disadvantaged Students
Expenditures by Fund Source

	<i>Actual</i> 1970-71	<i>Estimated</i> 1971-72	<i>Proposed</i> 1972-73
State Operations:			
General Fund -----	\$604,866	\$622,300	\$309,850
School Building Aid Fund -----	9,515	19,100	20,600
Federal funds -----	1,953,829	2,228,646	1,826,562
Reimbursements -----	756,298	983,800	1,049,242
Subtotal -----	\$3,324,508	\$3,853,846	\$3,206,254
Local Assistance:			
General Fund -----	17,717,937	18,228,000	16,378,000
Federal funds -----	135,865,742	130,857,339	118,113,297
Reimbursements -----	40,035,104	50,646,855	54,623,403
Subtotal -----	\$193,618,783	\$199,732,194	\$189,114,700
Total -----	\$196,943,291	\$203,586,040	\$192,320,954

Table 23 summarizes General Fund support by Budget Act item.

Table 23 Budget Act Appropriations for Educationally Disadvantaged Students		
Budget Act Item:	Purpose	Amount
<i>State Operations</i>		
261	Department of Education general activities -----	\$309,850
<i>Local Assistance</i>		
271	Compensatory Education for disadvantaged students -----	10,250,000
273	Children's centers -----	6,128,000
Total -----		\$16,687,850

1. Socioeconomically Disadvantaged Students

Table 24 lists the programs for socioeconomically disadvantaged students.

Table 24
Programs for Socioeconomically Disadvantaged Students.

Federal:

- (a) Compensatory Education for Disadvantaged Pupils—ESEA, Title I
- (b) Adult Basic Education (WIN) — Social Security Act Amendments of 1967, P.L. 90-248.
- (c) Vocational Education for Disadvantaged Students—Vocational Education Act of 1968.
- (d) Follow-Through Program for Preschool Pupils—Economic Opportunity Act.
- (e) Teacher Preparation and Training—Education Professions Development Act.

State:

- (a) Special Teacher Employment Program
- (b) Demonstration Projects in Reading and Mathematics
- (c) State Projects in Research and Teacher Education (RATE)
- (d) Professional Development Centers (PDC)

In the budget year, manpower development and training (MDTA) and all vocational education activities except Vocational Education Act, basic Part B (activities for disadvantaged students) are transferred to the Occupational Preparation element of Program No. 1.

a. *Title I of the Elementary and Secondary Education Act of 1965, Public Law 89-10.* This special program of federal financial assistance to local educational agencies encourages 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, hospitals for the handicapped, and California Youth Authority institutions for delinquent youth.

Table 25 reviews California's total allocation of Title I funds in 1970-71.

Table 25
Title I Elementary and Secondary Education Act
Funds by Component 1970-71

<i>Component</i>	<i>Amount</i>	<i>Percentage</i>
School districts -----	\$97,986,622	89.5
Children of migrant agricultural workers -----	7,368,421	6.7
Handicapped children in state schools and hospitals ---	1,330,976	1.2
Neglected and delinquent youths in local institutions ---	1,083,697	1.0
Delinquent youths in California Youth Authority institutions -----	1,672,015	1.6
Total -----	\$109,441,731	100.0

In its 1970-71 annual report to the State Board of Education entitled "Evaluation of ESEA Title I Projects in California Schools," the Division of Compensatory Education reported that school districts par-

INSTRUCTION—Continued

ticipating in the Title I program were required to serve students identified as being the most educationally disadvantaged. Approximately 30 percent of the eligible students in the state were actually provided services under Title I in 1970-71.

ESEA Title I program guidelines in California were modified during 1969-70 school year to more adequately meet the educational needs of the children served. These guidelines require school districts to:

- A. Spend at least \$300 per child.
- B. Provide six program components: language development mathematics, auxiliary services, parent involvement, inter-group relations, and staff development.
- C. Concentrate services on pupils in the elementary grades.
- D. Utilize diagnostic-prescriptive instructional techniques.
- E. Develop performance objectives and appropriate measures for achievement of those objectives.

School districts report that 258,221 students were involved in Title I activities in 1970-71, a 15-percent increase in program participation from 1969-70 which reflects the increased funding available to local educational agencies. Of the total students served in the 1970-71 school year, 96.2 percent were enrolled in public schools and 3.8 percent were enrolled in private schools.

The 1970-71 annual Title I report makes the following recommendations for attaining increased program efficiency:

- (1) School districts should develop systematic plans for incorporating more completely the Title I supportive components into the activities of the total school program.
- (2) Performance objectives for each component should be stated with increased precision so as to achieve greater efficiency of effort and effectiveness of service.
- (3) The value of the supportive components should be determined by their relative impact upon student achievement, rather than by the quantity and variety of services offered.
- (4) Procedures should be developed for evaluating standardized data reported by school districts. School districts could then develop techniques to achieve program effectiveness.
- (5) Program evaluation and fiscal accountability should be improved at the local level to insure that project participants benefit from the services designed for them.

Achievement Scores

We recommend that the Department of Education submit a report to the Joint Legislative Budget Committee by November 1, 1972, outlining the causes for the decline in the reading and mathematics achievement scores of Title I participants. The report should indicate action being taken to reverse this downward trend in achievement

scores.

The 1970-71 annual Title I report summarizes achievement of participants in the program for both reading and mathematics as measured by standardized tests. The categories of evaluation 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 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 determination of the project's effectiveness.

Table 26 reviews the reported achievement of Title I students in reading.

Table 26
Reading Achievement of Students in Title I Projects
1967-68 Through 1970-71

Level of achievement	Percent of students			
	1967-68	1968-69	1969-70	1970-71
Substantial improvement	9.6	14.1	8.6	6.1
Moderate improvement	35.8	50.1	52.4	47.8
Little or no improvement	42.9	26.5	30.1	34.4
Irregular	11.8	9.3	8.9	11.7

The table indicates that 53.9 percent of the students in Title I reading programs in 1970-71 demonstrated growth equal to or greater than one year for the school year. This is down 7.1 percent from the comparable 1969-70 percentage of 61.0, and 10.3 percent from the 1968-69 percentage of 64.2. Approximately 54 percent of the students achieved at least one year of growth for one year of instruction. Although this is considerably higher than the achievement rate of the students prior to their participation in the Title I program, we believe the overall downward trend in reading achievement should be investigated by the Department of Education and reported to the Legislature.

Table 27 reviews reported achievement in the mathematics component.

Table 27
Mathematics Achievement of Students in Title I Projects
1969-70 Through 1970-71

Level of achievement	Percent of students	
	1969-70 ¹	1970-71
Substantial improvement	5.0	7.2
Moderate improvement	61.5	58.0
Little or no improvement	24.6	29.8
Irregular	8.9	5.0

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

The table indicates that 65.2 percent (substantial plus moderate improvement) of the students in Title I mathematics programs in 1970-71 demonstrated growth equal to or greater than one year for one year of instruction. This is down 1.3 percent from the comparable

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1969-70 percentage of 66.5.

b. *Adult Basic Education (WIN Program)*. The Work Incentive Program (WIN) uses funds authorized by Social Security Act Amendments of 1967, P.L. 90-248, to provide a basic skills training program for disadvantaged adults. This program is managed by the Department of Education under an agreement with the Department of Human Resources. Over a two-year period 19,351 enrollees have participated in the program. Of these, 7,855 (41 percent) completed their training objectives in the first year, 4,820 (25 percent) dropped out of the program and 6,676 (34 percent) continued the program into the second year.

To reduce the dropout rate for WIN enrollees, the department intends to provide an accelerated program of consulting services during the budget year and to implement a statewide evaluation system.

Estimated expenditure of \$8.9 million in the budget year is approximately the same as the current year. One additional clerk is authorized in the budget year to maintain inventory and stock cards for equipment purchased.

c. *Vocational Education*. The Vocational Education Act of 1968 provides federal grants to states to maintain, extend, and improve existing programs of vocational education, to develop new programs, and to provide part-time employment for youths who need the earnings from such employment to continue their vocational training on a full-time basis. At least 15 percent of the total federal funds appropriated to a state for support of secondary and postsecondary vocational education programs (Part B of the act) are to be used only for vocational education for disadvantaged students.

Estimated expenditures in the budget year of \$5.2 million are the same as the current year.

d. *Follow Through*. The Follow Through program consists of 18 projects designed to sustain educational gains made by pupils at the preschool level into kindergarten and the first three elementary grades. These projects are funded directly by allotments from the Economic Opportunity Act. The State Department of Education provides consultation on a scheduled basis to school district Follow Through staffs, Policy Advisory Committee (PAC) members, parents in the six school districts using the California Process Model, and technical assistance to the 12 Follow Through projects not using the California Process Model.

The California Process Model is a cooperative endeavor by the California State Department of Education and six school districts to develop, implement, and evaluate a new approach to the education of young children. The model's stated goals are: (1) to promote the maximum intellectual, physical, and socioemotional growth of the Follow Through child, and (2) to establish a partnership between the

school and the community.

The six districts which use the California Process Model are Lamont Elementary, Los Angeles City Unified, Oakland City Unified, Ravenswood City Elementary, San Jose Unified and San Pasqual Valley Unified.

To accomplish its goals, the California Process Model uses diagnosis, prescription, and instruction. The curriculum is developed by persons from all segments of the Follow Through community: parents, teachers, students, representatives from preschool programs, the Office of Economic Opportunity, and other agencies. These individuals and groups assess the strengths and needs of the pupils, teachers, school, and greater community and develop goals and objectives. The Follow Through teacher, aide and parent volunteer translate the written curriculum into classroom programs. The instructional program is supported by (1) staff development, (2) health, nutrition, social-psychological services, and (3) parent involvement.

State operations in the current and budget year are an estimated \$250,000 in federal funds.

e. *Education Professions Development Act.* This program is comprised of Part B-1 (Teacher Corps) funds to recruit and train persons to teach in low-income schools, and Part B-2 funds to assist local school districts which have priority needs for recruiting and qualifying persons to meet critical shortages in teaching personnel. At present the program is aimed at qualifying college graduates as credentialed teachers certified by the State of California. However, the program also seeks to provide selected persons with the skills they need to perform successfully as teacher aides. Table 28 summarizes expenditures of EPDA funds for local assistance.

Table 28
Education Professions Development Act
Estimated Expenditures for Local Assistance

Component	Actual 1970-71	Estimated 1971-72	Proposed 1972-73
Part B-1 Teacher Corps -----	-	\$56,300	-
Part B-2 EPDA Projects -----	\$897,885	256,894	-

The U.S. Office of Education has advised the Department of Education that there will probably be no EPDA federal funds available for local assistance in the budget year.

f. *Compensatory Education.* Item 271 contains \$10,250,000 for disadvantaged students in the following state programs:

(1) Special Teacher Employment Program (\$6,500,000). 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 29 demonstrates the distribution of the \$6.5 million supporting this component in the current year. The budget proposes to continue this program at the same funding level.

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Table 29
Special Teacher Employment Program—1971-72

<i>County</i>	<i>District</i>	<i>Funds approved</i>
Alameda	Berkeley Unified	\$27,070
	Oakland Unified	336,303
Contra Costa	Pittsburg Unified	52,796
	Richmond Unified	231,984
Fresno	Fresno City Unified	178,623
	Fresno Colony	36,515
	Madison	28,572
	Teague Elementary	21,419
	West Park	17,467
Kern	Bakersfield Elementary	205,377
	Greenfield Elementary	26,636
Los Angeles	Compton City Unified	273,903
	El Monte Elementary	32,432
	El Rancho Unified	13,990
	Garvey Elementary	82,633
	Long Beach Unified	187,989
	Los Angeles Unified	3,269,771
	Monrovia Unified	12,685
	Montebello Unified	26,754
	Pasadena Unified	115,671
	Pomona Unified	18,534
	Santa Monica	21,933
	Whittier City Elementary	9,445
Riverside	Jurupa Unified	30,469
	Riverside Unified	12,764
Sacramento	Del Paso Heights	6,124
	North Sacramento	9,642
	Sacramento City Unified	36,238
San Bernardino	Colton Joint Unified	20,234
	Ontario-Montclair	46,039
	San Bernardino City Unified	177,441
San Diego	National	14,978
	San Diego City	188,388
	San Ysidro Elementary	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	63,132
Total		\$6,500,000

(2) Demonstration Projects in Reading and Mathematics (\$3,000,000). The major objective of this program is to develop and implement experimental projects in reading and mathematics to improve the achievement of disadvantaged children in grades 7-9. Estimated cost of the program in the current and budget year is \$3.0 million.

Table 30 lists the districts currently conducting demonstration projects.

Table 30
Demonstration Projects in Reading and Mathematics—1971-72

<i>County</i>	<i>District/School</i>	<i>Approved funds</i>
Alameda	Oakland City Unified:	
	Woodrow Wilson Junior High (R & M)	\$153,763
	Hoover Junior High (R & M)	207,445
Fresno	Fresno City Unified:	
	Irwin Junior High (R & M)	204,050
Los Angeles	El Monte Union High (R)	81,721
	Long Beach Unified:	
	Franklin Junior High (M)	165,000
	Lindbergh Junior High (M)	70,276
	Los Angeles Unified:	
	Thomas Edison Junior High (R & M)	223,992
	Pacoima Junior High (R & M)	235,806
	Pasadena Unified:	
	Pasadena High and John Muir High (M)	145,171
Riverside	Riverside Unified:	
	Central Junior High, Seventh Grade (R & M)	84,469
	Central Junior High, Ninth Grade (R & M)	167,725
San Bernardino	Colton Joint Unified:	
	Colton High (R & M)	67,500
San Diego	San Diego Unified:	
	Gompers Junior High (R)	104,818
	Memorial Junior High (R)	200,014
San Francisco	San Francisco Unified:	
	Benjamin Franklin Junior High (R)	149,919
	Pelton Junior High (R)	103,891
Santa Barbara	Santa Barbara Unified:	
	Santa Barbara Junior High (R)	245,633
	LaCumbre Junior High (R)	98,500
Santa Clara	San Jose Unified:	
	Abraham Lincoln High (R & M)	249,233
Total		\$2,958,926

R=Reading.
M=Mathematics.

(3) State Projects in Research and Teacher Education (RATE) (Not Funded). The McAteer Act authorized 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. Particular emphasis has been placed on im-

Table 31
Research and Teacher Education Projects—1971-72

<i>Agency</i>	<i>Funding level</i>
Cambrian School District	\$44,696
Los Angeles Unified	139,320
Los Nietos Elementary	101,418
Pasadena Unified	108,352
University of California, Santa Cruz	96,979
University of the Pacific	93,906
Total	\$584,671

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proving the quality of prospective teachers of disadvantaged children who are trained by the state's teacher training institutions. Table 31 summarizes 1971-72 projects funded to date.

The Governor's Budget indicates that this activity, funded in the current year at \$750,000 will not be funded in the budget year. Item 271 (total state support for compensatory education) will therefore be reduced from \$11 million in the current year to \$10,250,000 in the budget year.

We agree that the RATE program has not been measureably effective in developing the abilities and skills of prospective teachers of disadvantaged children. In addition, the RATE program has not caused any measurable improvement in instructional curricula of participating higher education institutions. However, we believe there is a need for expanded professional development programs for teachers in disadvantaged schools.

(4) Professional Development Centers (PDC), Chapter 1414, Statutes of 1968 (AB 920) (\$750,000). Chapter 1414, Statutes of 1968, provided (1) policy guidelines for the establishment, maintenance and evaluation of preservice and in-service programs of teacher training, and (2) authorized the establishment of a system of "Professional Development and Program Improvement Centers" to provide preservice and in-service training for teachers serving in schools with a high percentage of underachieving pupils. Estimated cost of the program in the current and budget years is \$750,000 (Item 271). Table 32 lists agencies funded in 1971-72.

Table 32
Professional Development Centers—1971-72

<i>Agency</i>	<i>Funding Level</i>
Compton Unified	\$149,740
Fresno Unified	197,845
Long Beach Unified	224,344
Oakland City Unified	171,600
Total	\$743,529

The Professional Development Centers Program stipulates that a school district must operate a compensatory program for underachieving students before it may serve as a professional development and program improvement center. To be eligible for the 6-9 week training program, teachers must be employed by a "satellite" school within the sponsoring district which meets the following criteria:

(a) Schools with the largest concentration of pupils whose reading achievement scores fall below the first quartile, as measured by the

most recently administered Miller-Unruh Basic Reading test, or any other applicable statewide reading test, and those schools which have the largest concentration of pupils whose mathematic achievement scores fall below the first quartile as measured by applicable statewide mathematic achievement tests.

(b) Schools which maintain a summer session and integrate its instructional program with the preservice and in-service training program performed during the summer;

(c) Schools which have the largest concentration of teachers who assure the district that they will continue to teach in the satellite schools the school year following their training.

In each satellite school, the district designates one or more master teachers to act as resource teachers in reading and mathematics and to work with other teachers in strengthening instructional techniques and program improvement.

Table 33 compares the reading and mathematics achievement gains of pupils in grades 2-6 in over 100 Title I Big City Saturated schools with the gains of pupils in PDC schools.

Table 33
Composite Grade Equivalent Gain Scores in Reading and Mathematics
for PDC's and Title I Big City Saturated Schools¹ in 1970-71

Grade level	Reading gains		Mathematics gains	
	PDC schools	Big city schools	PDC schools	Big city schools
2-----	.8	.6	.8	.9
3-----	.8	.5	1.0	1.0
4-----	.8	.7	1.3	.9
5-----	.8	.7	1.0	.8
6-----	.9	.7	1.0	.8

¹ 1970-71 data for teachers trained in 1969-70.

The teachers of the PDC schools had all received training at professional development centers prior to the 1970-71 school year. The table indicates that the students in all grades in PDC schools registered higher gains in reading than the Title I schools and that the PDC schools registered higher gains in mathematics in all grades except grades 2 and 3.

The Department of Education is planning changes in the operation of the professional development centers to provide more effective training and to expand the areas covered by the program as follows:

a. The center satellite school concept will be modified to permit in-service training programs in the satellite schools where teachers to be trained are permanently assigned. This is to be accomplished by utilizing resource personnel on a mobile team basis within the district or region.

b. Techniques advocated by the training team will be implemented in the classroom during the training cycle.

c. The program will be expanded to include rural areas.

d. The program will be expanded beyond the present K-6 coverage to include preschool and grades 7-12.

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e. Training cycles will be flexible, based on the size and composition of each satellite school and the needs of individual teachers.

f. Followup evaluation and supplemental training will be provided in the teacher trainee's school classroom.

Professional Development Centers

We recommend that the budget of the Professional Development Centers (PDC) Program within Item 271 be augmented by \$750,000 for a total of \$1.5 million to maintain the current level of General Fund support for training teachers of the disadvantaged. We propose that the \$750,000 dropped from the budget for the Research and Teacher Education (RATE) Program be restored and used for the PDC Program.

The data in Table 33 suggest that the PDC program has been successful in improving the capabilities of teachers in disadvantaged schools. We have also indicated that the Department of Education plans to make program modifications which should further improve the program's effectiveness.

The Department of Education estimates that there are 750,000 disadvantaged students in California schools who are underachieving. Approximately 30,000 teachers and aides are directly involved in the education of these children. However, only 365 teachers and aides (less than 2 percent) are participating in the PDC training program in 1971-72. These statistics indicate a significant need for training teachers of the disadvantaged.

We believe that a \$750,000 augmentation of the funding of this program is necessary to provide training to additional teachers and extend the program to other regions of the state.

It is important to note the augmentation of the Professional Development Center Program by \$750,000 would restore state support for compensatory education to \$11 million (Item 271), the level of support in the current year.

Table 34
Migrant Education
Expenditures by Fund Sources

	<i>Actual 1970-71</i>	<i>Estimated 1971-72</i>	<i>Proposed 1972-73</i>
State Operations			
School Building Aid Fund -----	\$9,515	\$19,100	\$20,600
Federal funds -----	175,094	316,600	275,400
Reimbursements -----	82,655	135,000	141,000
Subtotal -----	\$267,264	\$470,700	\$437,100
Local Assistance			
Federal funds -----	\$6,786,779	\$8,501,500	\$8,501,500
Reimbursements -----	1,458,476	1,686,000	1,686,000
Subtotal -----	\$8,245,255	\$10,187,500	\$10,187,500
Total -----	\$8,512,519	\$10,658,200	\$10,624,600

2. Migrant Education

The Migrant Education component serves about 40,000 of the estimated 80,000 eligible children. Table 34 summarizes expenditures for state operations and local assistance by fund source for the Migrant Education program.

The table indicates funding of the Migrant Education component in the budget year at the same level as the current year, except for a slight decrease in state operations. This decrease is an adjustment in indirect costs and does not involve any position reductions.

3. Preschool Education and Children's Centers

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

a. *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 served, (2) program standards, and (3) program emphasis and related requirements.

b. *Children's Centers.* The Children's Centers program is a long established system of day care centers for children of working parents. The program is supported by a combination of budgetary appropriations and parental fees. In 1965 the Legislature added an educational component in order to extend the program beyond the function of child supervision, and to encourage the participation of families which might otherwise become dependent on welfare programs.

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

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

e. *Head Start.* The federal government authorizes Head Start as part of the Economic Opportunity Act. 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 35 summarizes participation in these programs in 1970-71.

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Table 35

Child Care and Preschool Education Program Participation—1970-71

	<i>Pupils</i>
1. State Preschool Program.....	14,717
2. Children's Centers.....	21,989
3. Title I ESEA Preschool Program.....	4,542
4. Migrant Day Care and Preschool.....	1,237
5. Head Start.....	16,760
Total.....	59,245

Table 36 reviews expenditures by source in 1970-71 for each of these programs.

Table 36

Child Care and Preschool Education
Expenditures by Source—1970-71 (estimated)

	<i>Federal</i>	<i>State</i>	<i>Local</i>	<i>Fees</i>	<i>Total</i>
1. State Preschool Program.....	\$11,918,730	\$3,972,909	--	--	\$15,891,639
2. Children's Centers.....	12,728,977	10,673,967	\$9,756,395	\$5,554,617	38,713,956
3. Title I ESEA Preschool Program.....	3,123,173	--	--	--	3,123,173
4. Migrant Day Care.....	1,297,000	349,000	--	--	1,646,000
5. Head Start.....	24,688,021	--	--	--	24,688,021
Totals.....	\$53,755,901	\$14,995,876	\$9,756,395	\$5,554,617	\$84,062,789

Item 273 of the Budget Act appropriates \$21,742,700 for the state preschool program, children's centers, and development centers for the handicapped.

Table 37 indicates the components of this appropriation.

Table 37

Components of Item 273 Appropriation

For Children's Centers	
Apportionment to districts	\$6,128,000
Transfer to SDSW for state matching requirement for federal support	5,561,247
Subtotal	\$11,689,247
For State Preschool Program	
Transfer to SDSW for state matching requirement for federal support	5,328,453
For Development Centers for Handicapped	4,725,000
Total	\$21,742,700

Table 38 lists expenditures for state operations and local assistance by fund sources for the State Preschool and Children's Centers Programs.

Children's Centers Program

The Children's Centers appropriation of \$11,689,247 provides state support for an educational program for children from low-income families. Of this amount, \$5,561,247 is matched on a 75-25 federal-state matching basis by \$16,683,741 of federal funds. This amount is allocated to federally certified low-income children of families receiving public

Table 38
State Preschool and Children's Centers Programs
Expenditures by Fund Sources

	<i>Actual 1970-71</i>	<i>Estimated 1971-72</i>	<i>Proposed 1972-73</i>
State Operations			
General Fund -----	\$9,237	\$33,500	\$27,800
Federal funds -----	34,670	91,444	95,100
Reimbursements -----	409,785	567,700	591,200
Subtotal -----	\$453,692	\$692,644	\$714,100
Local Assistance			
General Fund -----	5,929,306	6,128,000	6,128,000
Reimbursements -----	33,066,686	40,258,000	42,972,200
Subtotal -----	\$38,995,992	\$46,386,000	\$49,100,200
Total -----	\$39,449,684	\$47,078,644	\$49,814,300

assistance or who are former or potential recipients of public assistance. The balance of \$6,128,000 is allocated for children whose parents qualify under the "state means test" requirements. This is an income limiting restriction which is used to qualify children, other than federally certified, for the Children's Centers Program.

"State Means Test" Children

We recommend that the State Department of Social Welfare and State Department of Education submit to the Joint Legislative Budget Committee by September 1, 1972 a plan to identify the "state means test" children who could qualify as former or potential recipients of federal aid. The plan should include procedures to identify and convert a specified number of "state means test" children to federally certified status and a timetable for completing the recertification.

For every "state means test" child the state pays \$0.68 per pupil-hour less an average \$0.16 in parent fees, or \$0.52 per child. For every federally certified child the combined federal/state subsidy is \$1.10 per pupil-hour, of which the federal share is \$0.825 and the state's share is \$0.275. Thus, for every "state means test" child who could be federally certified the state's payment would be reduced by \$0.245. These funds would then be available to expand the program, by including additional "state means test" or "federally certified" children who are not now being served.

The State Department of Education estimates that approximately 80 percent of the present "state means test" children could be recertified to qualify for federal matching funds. Thus, recertification could provide up to \$14.7 million of additional federal funds for the Children's Centers Program.

Children's Centers Program

We recommend that the State Department of Social Welfare and State Department of Education submit to the fiscal committees hearing the budget a mutually acceptable draft contract for the administration of the Children's Centers Program in the budget year.

The current contract between the Department of Social Welfare

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and the Department of Education for the administration of children's centers was the subject of much controversy and was not executed until late October 1971. This endangered the operation of the program because federal funds could not be obtained until the contract was signed. To avoid such a delay for the budget year we believe that both agencies should immediately review the present contract and prepare a list of proposed changes together with supporting justifications. These differences should be mediated by the Department of Finance. We see no reason why the contract should not be agreed to, and signed, before the beginning of the budget year and serve as a model for subsequent years' contracts.

State Preschool Program

Appropriations for the State Preschool Program are matched by federal funds on a 75-25 federal-state matching basis, under the Federal Social Security Act Amendment of 1967. The budget appropriation for the current year of \$4,122,000 was supplemented by an additional \$1 million appropriation by Chapter 1325 (SB 702) to be matched by \$15,366,000 of federal funds.

In the budget year the Item 273 appropriation of \$5,328,453 will be matched by \$15,985,359 of federal funds, for a combined total of \$21,313,812. This represents an increase of approximately \$800,000 over the current year. The increase is primarily for local assistance. State support for administration of the program remains the same as the current year.

In last year's Analysis of the Budget Bill we recommended 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. This recommendation was incorporated in the supplementary report of the Conference Committee on the Budget.

The purpose of the recommendation was to eliminate unnecessary costs involved in the present certification procedure which is done on the basis of an individual case review. We believe utilization of residence in a target area, i.e., a low-income Human Resources Development, Model Cities, or ESEA Title I target area as a basis for certification, would be quicker and less costly.

We are informed that the State Department of Social Welfare has not modified its certification regulations and that county welfare agencies are still conducting individual case reviews to certify children for the preschool program.

Child Care Services

The Welfare Reform Act of 1971, Chapter 578, Statutes of 1971 (SB 796) appropriated \$3 million for use by counties on a state/county fund matching basis of 67.5/32.5 percent, to provide child care services

for former, current, and potential welfare recipients who certify that if provided such services they will accept employment or vocational training.

The potential state/county matching funds total of \$4.5 million is eligible for federal matching funds on a 75/25 percent basis of \$13.5 million. Thus, total potential fund availability is \$18 million.

The State Department of Social Welfare was to have developed a plan for implementation of this program and to have made allocations to the counties by January 1, 1972. To date, such a plan has not been published. When the plan is available we will report to the Legislature whether an educational component is included in the program as specified in both the Welfare and Institutions Code and Education Code and whether the program makes maximum utilization of federal funds.

D. Instruction for Special Education Students

The Instruction for Special Education Students Program is composed of activities of the Division of Special Education and local assistance to school districts for the support of special education programs for exceptional children. Exceptional children are students requiring special assistance beyond the regular school program because of physical or mental handicaps, or because of exceptional learning ability. The Division of Special Education oversees a wide range of services for the exceptional child including special day classes, learning disability groups, counseling, home and hospital instruction, special residential schools, development centers and experimental projects.

Table 39 summarizes expenditures of all activities supervised by the Division of Special Education. Development centers and grants to special education teachers are included under the handicapped student category. The \$2 million increase in the budget year is caused primarily by an increase in federal funds and a \$225,000 increase in state support of development centers.

Table 39
Expenditures for the Division of Special Education

	<i>Actual 1970-71</i>	<i>Estimated 1971-72</i>	<i>Proposed 1972-73</i>
A. Handicapped students -----	\$13,109,548	\$12,921,636	\$14,930,960
B. Gifted students -----	66,857	78,994	80,069
C. Special schools -----	9,231,317	9,929,637	9,917,462
Totals -----	\$22,407,722	\$22,930,267	\$24,928,491

Table 40 indicates funding sources for all activities supervised by the Division of Special Education.

Under state-level operations, General Fund appropriations include support for the Division of Special Education, the gifted program, and the special schools. Federal funds include ESEA Title VI-B grants for the support of the Bureau of Educational Improvement for the Handicapped, and ESEA Title VI-C grants for the support of a regional

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deaf-blind center. Reimbursements include payments by school districts for the support of a local resident in the special schools, ESEA Title I (compensatory education) projects at the special schools, and funds withheld pursuant to Chapter 1141, Statutes of 1970 (SB 1099, Burgener) for research and program development and evaluation.

Under local assistance, General Fund appropriations include \$4,725,000 for development centers and \$150,000 for grants to teachers of handicapped children. Federal funds for local assistance include ESEA Title III and VI, and Vocational Act grants to districts for the improvement of special education programs.

Table 40
Funding Sources for the Division of Special Education

	<i>Actual 1970-71</i>	<i>Estimated 1971-72</i>	<i>Proposed 1972-73</i>
State-level Operations:			
General Fund -----	\$10,458,499	\$10,157,776	\$9,716,148
Federal funds -----	989,538	1,488,969	1,480,702
Reimbursements -----	1,278,803	1,430,825	1,325,372
Subtotals -----	\$12,726,840	\$13,077,570	\$12,522,222
Local Assistance:			
General Fund -----	4,622,928	4,650,000	4,875,000
Federal funds -----	5,057,954	5,202,697	7,531,269
Subtotals -----	\$9,680,882	\$9,852,697	\$12,406,269
Totals -----	\$22,407,722	\$22,930,267	\$24,928,491
General Fund -----	15,081,427	14,807,776	14,591,148
Federal funds -----	6,047,492	6,691,666	9,011,971
Reimbursements -----	1,278,803	1,433,825	1,325,372

Table 41 presents the total number (409,299) of exceptional children enrolled in special education programs in 1970-71. This represents an increase of approximately 15,000 students over the total 1969-70 enrollment. The Department of Education estimates that an additional 250,000 exceptional children in California remain unserved by special education programs.

Table 41
Enrollment in Special Education Programs—1970-71

Handicapped:	
Physically handicapped -----	173,426
Mentally retarded -----	57,777
Educationally handicapped -----	50,988
Multihandicapped -----	527
Development centers -----	1,804
Gifted -----	123,039
Special schools -----	1,738
Totals -----	409,299

Table 42 summarizes budget act items which appropriate General Fund support for special education programs.

Table 42
Budget Act Appropriations for Special Education

<i>Item</i>		
State-level Operations:		
261	Division of Special Education -----	\$931,483
264	Special schools -----	8,784,665
Local Assistance:		
273	Development centers -----	4,725,000
274	Grants to teachers of handicapped children -----	150,000
Totals -----		\$14,591,148

Table 43 presents expenditures for special education programs conducted by school districts and county superintendents. Average daily attendance (ADA) differs considerably from the enrollment data presented in Table 41. Enrollment figures for the physically handicapped program include children (approximately 120,000) who receive only a few hours a week of remedial speech and physical education and thus contribute little to ADA. ADA figures for gifted, mentally retarded, and educationally handicapped programs exceed enrollment figures because ADA includes identification services and consultation prior to actual enrollment. The per pupil expense for the special schools includes a comprehensive residential program.

Table 43
Expenditures for Special Education Programs
(1970-71)

	<i>Average daily attendance (ADA)</i>	<i>Special allowance apportion- ments</i>	<i>State expense per ADA</i>	<i>Percent of total program expense paid by state</i>
Handicapped				
Physically handicapped	35,810	\$53,554,910	\$1,496	77%
Mentally retarded ----	59,751	37,495,219	628	47
Educationally				
handicapped -----	59,248	47,327,823	799	67
Multihandicapped ----	121	743,203	6,142	100
Development centers --	1,804	4,500,000	2,494	53
Special transportation	24,084	10,343,829	429	93
Gifted -----	155,446	8,598,810	55	54
Special schools -----	1,738	8,092,521	4,656	94

A. Handicapped Students

Responsibility for the many categories of handicapped students is divided between two bureaus in the Division of Special Education: (1) the Bureau for Physically Exceptional Children which offers guidance to deaf, blind, orthopedically handicapped and multihandicapped programs in local school district, and (2) the Bureau for Mentally Exceptional Children which offers guidance to educable and trainable mentally retarded, educationally handicapped, and gifted programs. A third bureau, the federally supported Bureau for Educational Improvement for Handicapped Children, administers federal-aid programs and assists local school districts to initiate, expand, and improve programs for handicapped children. Table 44 presents a summary of expenditures at the state level for the instruction of handicapped

INSTRUCTION—Continued
children.

Table 44
Support for the Instruction of Handicapped Students

	<i>Actual 1970-71</i>	<i>Estimated 1971-72</i>	<i>Proposed 1972-73</i>
State-level Operations:			
Bureau of Physically Exceptional Children -----	\$290,784	\$365,632	\$371,277
Bureau of Mentally Exceptional Children (excluding gifted) -----	206,316	266,457	270,070
Multihandicapped -----	16,746	86,544	88,902
Development centers -----	27,502	32,004	32,486
Clearinghouse depository and master tape library -----	64,630	71,153	102,815
Federal funds (Bureau of Educational Improvement for the Handicapped) -----	989,538	1,488,969	1,480,702
Research funds -----	140,007	238,439	178,439
Subtotals -----	\$1,735,523	\$2,549,198	\$2,524,691
Local Assistance:			
Teachers grants -----	\$150,000	\$150,000	\$150,000
Development centers -----	4,500,000	4,500,000	4,725,000
Federal funds -----	5,857,954	5,202,697	7,531,269
Subtotals -----	\$12,093,477	\$12,401,895	\$14,930,960
Special allowance apportionments -----	\$140,852,033	\$149,615,000	\$158,125,000
Totals -----	\$153,095,510	\$162,016,895	\$173,055,960

Special Education Research

Chapter 1141, Statutes of 1970 (SB 1099) requires the Superintendent of Public Instruction to withhold an amount equal to 0.0016 of the preceding year's State School Fund apportionment for the support of research, program development, and program evaluation in special education. Projects approved by the Division of Special Education for 1971-72 totaled \$228,655. Funds are to be apportioned by the Division of Special Education as follows: (a) 75 percent for research to the two University of California campuses (Berkeley and Los Angeles) which offer joint doctoral programs in special education with nearby state colleges, (b) 25 percent for program development and evaluation to any agency acceptable to the department. Chapter 1141 also provides for a Committee on Special Education to select new or continuing areas of research and program development and evaluation in special education. However, this committee has since been replaced by the Advisory Commission on Special Education.

Research Centers. For the 1971-72 school year, the Committee on Special Education awarded approximately \$92,000 to each of two University of California campuses. Both schools (UCB and UCLA) have used these funds to establish research centers in special education. Fifty-eight percent of the total funds has been budgeted by the universities for the salaries of professors, graduate students and clerical staff. The remaining 42 percent will be used to pay equipment, travel and

prorated administrative costs.

The UCB Research Center declared its research priority to be the evaluation of state and local programs for handicapped children. Projects include (1) the followup of children discharged from state mental hospitals, (2) a study to determine the effectiveness of bioptic spectacles for the partially sighted, (3) a determination of factors associated with successful work experiences of trainable mentally retarded graduates and (4) a study to determine characteristics of long-term educationally handicapped students.

The UCLA Research Center declared its research priority to be the development of early identification and remediation procedures for exceptional children. Projects include (1) a study to determine the similarities between programs for handicapped and educable mentally retarded children, (2) a study of the acquisition of a formal written language by gifted, average, and retarded preschool children, (3) a comparison of problem-solving styles of exceptional children as they are affected by different programs, and (4) a development of more effective assessment procedures for multihandicapped children.

While we do not question the validity of any of these projects per se, we do note the lack of a common research theme. The Division of Special Education has granted top priority to the development of a Master Plan for Special Education and we believe that research efforts should reflect this choice. The scope of the master plan necessitates complete coordination of funding sources and research activities.

Research coordination is difficult to achieve because 75 percent (approximately \$180,000 per year) of the available funds is mandated to two University of California campuses. Thus most research is limited by the interests and expertise of the personnel at these two schools.

Advisory Commission on Special Education. Chapter 1408, Statutes of 1971 (SB 1526) replaces the Committee on Special Education with the Advisory Commission on Special Education, consisting of one member from each legislative house and 12 public members, nine of whom are to be appointed by the State Board of Education. Chapter 1408 directs the advisory commission to provide the State Board of Education with advice in new or continuing areas of research and program development and evaluation. We believe that appointments to this committee should be made as soon as possible to avoid delays such as occurred in the program's first year. In addition, we believe that the advisory commission should scrutinize each research project to make certain it conforms to specific state priorities such as the development of the Master Plan for Special Education.

Development Centers

The budget contains a proposed local assistance appropriation of \$4,725,000 for the support of development centers, a \$225,000 increase over the current year.

INSTRUCTION—Continued

Chapter 1235, Statutes of 1965, established the Development Center Program to provide day care and treatment for children unable to attend special education classes because of a severe physical handicap and/or mental retardation. The program is designed to develop basic self-help skills and to provide a placement alternative to the state mental hospitals. State allowances include \$1.75 per attendance hour plus \$675 per ADA for transportation. For the 1971-72 school term, the state appropriated \$4.5 million from the General Fund for development centers and local districts contributed \$4 million.

Fifty-two development centers are currently in operation. The budget increase from \$4,500,000 to \$4,725,000 will permit services to be extended to an additional 80 children for a total statewide enrollment of 1880. The Department of Education estimates that there are 8,000 severely multihandicapped children in the state who remain unserved.

Grants to Teachers

The budget contains a proposed local assistance appropriation of \$150,000 for grants to teachers of handicapped children.

Chapter 2107, Statutes of 1963, authorizes grants to be awarded through county superintendents of schools to encourage teachers of mentally retarded and physically handicapped children to further their professional education. Grants provide \$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 county superintendents from funds appropriated to the Department of Education.

Clearinghouse Depository.

The clearinghouse depository for visually handicapped students assists local school districts in obtaining textbooks and study materials in braille and large print, and maintains a circulating library of instructional aids. In addition, the depository supervises two federal projects supported by ESEA Title VI-B funds: (1) a compressed speech unit which provides tapes utilizing accelerated speech, and (2) a master tape library which furnishes master tapes and copying services to local school districts.

Master Tape Library

We recommend the elimination of the proposed \$28,660 General Fund appropriation (Item 261) for the master tape library in 1972-73 because funds have been appropriated for this purpose by Chapter 1282, Statutes of 1971. We recommend that the \$28,660 be applied to the unfunded followup project at the Diagnostic School for Neurologically Handicapped Children, Southern California.

Federal funding of the master tape library has been secured for

1971-72. However, Chapter 1282, Statutes of 1971 (SB 1601), appropriates \$30,000 for the support of the library budget. Thus there is a duplication in funding for 1971-72. We believe that the funds appropriated by Chapter 1282 should be moved forward for the support of the library in 1972-73 and that the \$28,660 budgeted for the library in 1972-73 should be applied to the unfunded project followup.

Southwestern Region Deaf-Blind Center

The Southwestern Region Deaf-Blind Center, located within the Department of Education, provides diagnostic, counseling, and orientation programs for deaf-blind children in California, Nevada, Arizona, Hawaii, and the Trust Territories. The center also conducts research to identify and meet the educational needs of deaf-blind children. Support for the center in 1971-72 consists of \$717,047 in ESEA Title VI-C funds.

B. Gifted Minors

Chapter 883, Statutes of 1961, established a program for gifted minors in California, providing \$40 per student per year for identification and instruction. Apportionment maximums have grown in the past 10 years to \$40 per student for identification and \$60 per year per student for instruction. When a student's schoolwork and general mental ability test scores indicate that he is in the top 2 percent of the school population, he is identified as gifted and eligible for programs designed to encourage academic excellence, creative problem-solving and leadership development. In 1970-71, 123,000 students were enrolled in two general categories of gifted programs. Ten percent of the total gifted enrollment attended special day classes consisting of advanced instruction certified as "qualitatively different" from regular classes by the Division of Special Education. Ninety percent received special services, such as the use of advanced materials in the regular classroom, tutoring, correspondence courses, college courses, or special seminars. Table 45 presents the proposed funding of the gifted program.

Table 45
Support for the Instruction of Mentally Gifted Students

	<i>Actual 1970-71</i>	<i>Estimated 1971-72</i>	<i>Proposed 1972-73</i>
State-level Operations:			
Bureau of Mentally Gifted Children.....	\$66,857	\$64,058	\$65,933
Research funds	--	14,136	14,136
Subtotals	\$66,857	\$78,194	\$80,069
Local Assistance:			
Special allowance apportionments ----	\$8,256,270	\$8,720,000	\$8,900,000
Totals	\$8,323,127	\$8,798,194	\$8,980,069

INSTRUCTION—Continued

C. Special Schools

The State of California operates five special schools to provide services to handicapped minors whose districts of residence do not offer adequate special education services. These five schools are the: (1) California School for the Deaf, Berkeley, (2) California School for the Deaf, Riverside, (3) Diagnostic School for Neurologically Handicapped Children, Northern California, (4) Diagnostic School for Neurologically Handicapped Children, Southern California, and (5) California School for the Blind, Berkeley. All five residential schools are operated by the Division of Special Education. Table 46 summarizes state and federal support for the special schools.

Table 46
State and Federal Support for the Special Schools

	General Fund	1972-73 Reimburse- ments from districts	Total local and state support	Federal support	Total
Special Schools:					
California School for the Deaf, Berkeley	\$2,675,796	\$255,000	\$2,930,796	\$150,682	\$3,081,478
California School for the Deaf, Riverside	3,314,270	220,450	3,534,720	136,454	3,671,174
California Schools for Neurologically Handicapped Children:					
Northern California	762,051	17,980	780,031	60,215	840,246
Southern California	753,765	11,555	765,320	96,761	862,081
California School for the Blind, Berkeley	1,278,783	109,000	1,387,783	74,700	1,462,483
Totals -----	\$8,784,665	\$613,985	\$9,398,650	\$518,812	\$9,917,462

California Schools for the Deaf, Berkeley and Riverside

The California Schools for the Deaf provide a program of elementary and secondary education with residential care for deaf and multihandicapped deaf children whose district of residence does not offer an appropriate deaf program. In 1970-71 the enrollments at Berkeley and Riverside were 484 and 618 respectively.

The four major elements in the operation of the California Schools for the deaf are (1) an educational program, (2) diagnostic services, (3) special projects, and (4) a residential program.

1. *Education Program.* The educational programs at the Schools for the Deaf consist of four departments. (1) The lower school provides assistance in the development of communication skills through auditory training, lipreading, and speech training for children between five and nine years old. (2) The elementary school employs manual fingerspelling to supplement speech, speech reading, and amplification. (3) The junior high school emphasizes prevocational instruction and the simultaneous (oral and manual) method of communication. (4) The high school provides both a college prepara-

tory and a vocational instruction program. In addition, a multihandicapped deaf unit at Riverside offers a comprehensive diagnostic, educational, and residential program for 60 multihandicapped deaf students, two-thirds of whom are mentally retarded or emotionally disturbed in addition to being deaf.

2. *Diagnostic Services.* Both schools for the deaf offer testing services for the purposes of determining the type and degree of hearing loss of enrolled students. Counseling services are also provided to help emotionally disturbed deaf children adapt to their new environment.

3. *Special Projects.* Major projects conducted by the schools for the deaf include: (a) a state-supported summer project (Berkeley) for 40 preschool deaf children and their parents, (b) ESEA Title I projects, including a Visual Education Media Center (Berkeley and Riverside), a Child Management and Early Training Program (Berkeley), home instruction (Berkeley and Riverside), and an in-service training program in communication methods for faculty and staff (Berkeley and Riverside), and (c) a project to upgrade vocational instruction supported by federal Vocational Education Act funds.

4. *Residential Program.* A comprehensive residential program houses 380 deaf students at Berkeley and 467 deaf and multihandicapped students at Riverside. Nearly half of the buildings at the School for the Deaf, Berkeley, were built prior to the Field Act (1933). Chapter 1375, Statutes of 1971 (AB 199) authorizes a \$43,000 study by the Department of Architecture and Construction to determine whether to renovate, replace or relocate the present facilities.

School for the Deaf Enrollment

We recommend that the Department of Education be directed to (1) return deaf students enrolled at the schools for the deaf to local deaf programs if such programs are within commuting distance of the student's home, and (2) submit a report on the progress of this project to the Joint Legislative Budget Committee by November 1, 1972.

The Department of Education states that the special schools are to serve students who do not have local programs available because their residence is in a sparsely populated area or because of the severity of their handicap. In the 1971-72 analysis, we presented enrollment data which suggested that the schools for the deaf were not conforming to this policy. This data showed that 541 out of 542 students resided in counties in which deaf programs were offered either by local school districts or county superintendents. We therefore recommended last year that the Department of Education report on the feasibility of transferring deaf students presently enrolled at the schools for the deaf to local programs. We have not received this report to date.

We believe that returning deaf students to local programs is feasible. In the past five years, the number of classes provided by local school districts for normal deaf students has more than doubled. In addition, the majority of county superintendents in the state provide deaf pro-

INSTRUCTION—Continued

grams. We believe that students enrolled in the schools for the deaf who have suitable deaf programs available within commuting distance of their residence should be transferred to the local program.

We also believe that the growing availability of local programs for normal deaf students should encourage the schools for the deaf to change their emphasis from providing programs for normal deaf students to providing programs for the multihandicapped deaf who have few local services available. Such a program change has been successfully implemented at the School for the Blind, Berkeley. Normal blind students have been returned to local programs until, at present, more than 90 percent of the enrollment consists of multihandicapped blind. We recommend that a similar shift in enrollment be implemented at the schools for the deaf.

At present, the School for the Deaf, Riverside contains a multihandicapped deaf unit of 60 students housed in portable classrooms and dorms. Future plans include the construction of a permanent \$2 million facility for the multihandicapped deaf. We believe that if the program emphasis is changed at Riverside to permit normal deaf students to be returned to local programs, it might be possible to meet the needs of multihandicapped deaf pupils by utilizing existing facilities rather than constructing an additional permanent facility for such students in the future.

**Diagnostic Schools for Neurologically Handicapped Children
Northern and Southern California**

The Diagnostic Schools for Neurologically Handicapped Children provide (1) diagnoses of orthopedic and neurological disorders and prescriptions for appropriate educational and medical placement, (2) a program of education and treatment to children for whom no local services are available, and (3) service as a resource facility and demonstration laboratory for the training of teachers, therapists, and other professional personnel concerned with neurological disorders. The Department of Education estimates that the 1972-73 enrollment at each diagnostic school will be 250 students. However, less than 40 students ever attend the school simultaneously.

The four principal components to the operation of each of the diagnostic schools are: (1) a short-term diagnostic program, (2) a long-term education and treatment program, (3) professional personnel training, and (4) special projects.

1. *Short-term Diagnostic Program.* An extensive program of medical and educational diagnosis is available to neurologically handicapped residents of California between 3 and 18 years old provided that no appropriate local services are available. Once a child is referred to one of the diagnostic schools (usually by his local school district, and public health authority, or a private physician) and determined eligible by the admission and discharge committee, he is placed

on a waiting list until services become available (often a year or more).

The diagnostic evaluation requires two to five days depending on the complexity of the disorder. Five children are evaluated weekly at each school with at least one of each child's parents in attendance. The child is examined by a pediatrician, a psychologist, a psychiatric social worker, and other professional personnel who prescribe an educational and medical program. 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 (1) a special education program in his home community, (2) an appropriate public or private agency, or (3) the long-term educational program of the diagnostic schools.

2. *Long-term Education and Treatment Program.* Children who cannot receive appropriate services in their districts of residence 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 three months to a maximum of nine months depending upon the specific needs of the child. Special facilities and personnel are available to provide individualized occupational, physical and speech therapy.

Classes are primarily concerned with the remediation of aphasia (inability to understand or speak language) and/or dyslexia (inability to read). A program is 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 interested in the diagnosis, treatment and education of neurologically handicapped children. The schools also receive assistance on a part-time basis from students and teachers studying at nearby colleges and universities.

4. *Special Projects.* ESEA Title I research and development projects in progress at the two schools include (a) an Educational Prescription Program partially supported by the state for the purpose of identifying and correcting language-learning disabilities among neurologically handicapped children, and transmitting successful techniques to teachers in the public schools, (b) a reading laboratory, and (c) a Deaf-Blind Diagnostic Project partially supported by the state to examine and recommend placement for children who are deaf and blind due to maternal rubella. ESEA Title VI projects include (a) a demonstration class of three deaf-blind children, and (b) a followup project.

INSTRUCTION—Continued**Followup Project and Evaluation of Diagnostic Schools**

We recommend that the budget for the special schools be augmented by \$28,660 by utilizing the \$28,660 reduction in the master tape library budget (see page 852) to enable the state to assume support of the followup project at the Diagnostic School for Neurologically Handicapped Children, Southern California. We further recommend that the Department of Education be directed to submit a report to the Joint Legislative Budget Committee by November 1, 1972, on the effectiveness of services provided by both Diagnostic Schools for Neurologically Handicapped Children.

Federal ESEA Title VI-B funds presently support a followup project at both of the diagnostic schools. The followup project at the southern diagnostic school will reach its three year federal funding limit on June 30, 1972. The project contract stipulates that a teacher coordinator shall (1) personally explain the diagnostic reports to the student's home teacher and staff, (2) assist the home teacher in implementing remedial techniques developed for the student at the diagnostic schools, and (3) determine the effectiveness of the diagnostic and remedial services provided by the schools.

Two surveys conducted by the Department of Education indicate that participating local school district teachers consider the followup project a valuable service. However, the Department of Education did not request General Fund support for the project in 1972-73.

We believe that the southern followup project should be continued. A survey of local special education administrators indicates that prior to the followup project teachers encountered difficulties in interpreting the complex diagnostic reports which accompanied a student discharged from the diagnostic schools. We believe that the importance and high cost of the diagnostic and remedial services provided by the diagnostic schools makes it imperative that these reports be given full attention and widespread dissemination by local school districts. The followup project helps to accomplish this by providing a teacher coordinator who personally explains the diagnostic reports to local school teachers and staff and conducts full-day demonstrations of remedial teaching techniques.

We recommend that the teacher coordinator collect sufficient classroom data for the Department of Education to evaluate fully, and report on the effectiveness of, the services provided by the diagnostic schools. Such an evaluation should include (1) the definition of measurable performance objectives, (2) the collection of standardized data, and (3) the comparison of the progress rates of discharged students with a control group.

Continued state support of the southern followup project beginning in 1973-74 (including the salary of a teacher coordinator and half-time secretary, travel expenses, and prorated administrative costs) would

result in an annual General Fund cost of approximately \$30,000.

California School for the Blind, Berkeley

The California School for the Blind provides comprehensive education, residential and auxiliary services to blind and multihandicapped blind children in California for whom no appropriate local services are available. The present enrollment at the California School for the Blind is 142, of which less than 10 percent are normal blind students with no other handicap.

The school for the blind operates three major programs: (1) an educational program, (2) special projects, and (3) a residential program.

1. *Educational Program.* As enrollment becomes increasingly multihandicapped, the educational program at the school for the blind has begun to emphasize the tutorial approach to the teaching of basic self-help skills, physical mobility, and crafts. Academic subjects are provided for students of promising ability, and regular classes at a nearby public high school are available to blind students who progress beyond the K-9 program offered at the special school.

2. *Special Projects.* ESEA Title I projects currently conducted by the school for the blind include: (a) a social worker to contact parents for information that will assist in counseling children at the school, (b) home counseling for preschool blind children, and (c) psychiatric services for children and staff of the school. ESEA Title VI-C funds currently support blind class of three children. In addition, the state supports a deaf-blind program consisting of 10 classes of three children each.

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.

E. Occupational Preparation (Vocational Education)

The objective of the occupational preparation program element as stated in the budget "is to ensure every youth and adult enrolled in such programs an opportunity for satisfactory employment." The program serves 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 (Public Law 90-576) and the Manpower Development and Training Act (Public Law 87-415). Federal funds are also authorized for teacher training under the Education Professions Development Act (Public Law 90-35). Table 47 shows the funding by source of the occupational preparation element.

The proposed 1972-73 budget indicates that more than \$50 million will be available for occupational training. The federal Vocational

INSTRUCTION—Continued

Table 47
Support for Occupational Preparation

Support:	<i>Actual 1970-71</i>	<i>Estimated 1971-72</i>	<i>Proposed 1972-73</i>
Federal funds -----	\$4,066,383	\$4,734,477	\$6,032,979
Reimbursements -----	106,768	110,000	119,700
Local Assistance:			
General Fund -----	—	—	550,000 ¹
Federal funds -----	22,864,732	22,661,495	43,484,239
Totals -----	\$27,037,883	\$27,505,972	\$50,186,918 ²

¹ State matching funds for Manpower Development Training Act. The 1972-73 budget reflects the transfer of this program to the vocational education program.

² Part of these funds plus an additional \$2,102,318 of federal vocational education funds are budgeted under instruction for special education students and instruction for disadvantaged for a total budget of \$52,289,236.

Education Act will provide \$37 million, a \$10 million increase over the current year, and the federal Manpower Development Training Act (MDTA) will provide \$13 million.

Federal funds for the Vocational Education Training Act are allocated to all districts in accordance with an entitlement formula that takes into account district size, number of identified handicapped and disadvantaged students, and district financial ability and effort.

Funds from MDTA are used to pay for institutional or classroom type training for unemployed or underemployed persons who cannot be expected to secure full-time employment without special training. These funds are also used to pay the trainee an allowance during his training period. The state provides funds in those instances where districts do not have the ability to meet the matching requirement of the training act. The \$550,000 in the proposed 1972-73 budget earmarked for this purpose is the same level of funding as the current year.

The proposed 1972-73 vocational education program budget estimates that the state will provide \$150 million through regular apportionments to public schools for vocational training. The \$50 million of federal funds and the \$150 million of state funds provides a total of \$200 million to local educational agencies for vocational training. In addition, an undetermined amount of local funds is provided by each school district for vocational training programs.

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 programs and an opportunity for paid employment. The program was renewed by the Legislature through June 1972. In our 1970-71 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, (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.

Our recommendation was incorporated in the 1970-71 supplementary report of the conference committee on the budget. In response to the conference committee's request, the Department of Education issued a report entitled *An Evaluation of 1970 Summer Work Study Program*. However, this report failed to provide the necessary statistical information for an evaluation of the program. It merely evaluated the program in terms of opinions expressed by some program participants. The report made 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.

The 1971-72 supplementary report of the conference committee on the budget directed the Department of Education to resubmit the report to the Joint Legislative Budget Committee by November 1, 1971. As of this date, the Department of Education has failed to submit the report.

Program No. II

INSTRUCTIONAL SUPPORT

Budget p. 178 Program p. 999

Requested 1972-73.....	\$97,911,854
Estimated 1971-72	81,954,798
Actual 1970-71	83,031,252
Requested increase \$15,957,056 (19.5 percent)	

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS	Analysis page
1. Item 280. Recommend special review of proposed funding for teacher evaluation project.	864
2. Recommend no action be taken on proposed social science textbook adoption (grades 5 through 8) until accurate budget estimate is available.	872
3. Item 275. <i>Foreign Language Textbook Adoption. Reduce \$749,440.</i> Recommend elimination of foreign language textbook budget and study of current foreign language programs in elementary schools.	876
4. Recommend special legislative review of free textbook program and study by Department of Education to determine current and projected textbook needs.	878
5. Recommend Curriculum Development and Supplemental Materials Commission present alternate procedures for textbook evaluation and selection to State Board of Education and Legislature.	878

INSTRUCTIONAL SUPPORT—Continued

6. Recommend textbook funding other than basic and supplementary be limited to teacher editions. 880
7. Recommend legislation to require textbooks to be field tested and validated by publisher. 881
8. Recommend Department of General Services institute pilot program of open bidding for textbook printing. 882
9. Recommend State Printer report on all aspects of textbook production costs. 883
10. Recommend Superintendent of Public Instruction institute inventory control system for state adopted textbooks and report its effectiveness. 886
11. Recommend Department of Education determine eligibility of State School Fund allocations as matching funds and update schedule of federal expenditures for School Lunch Program. 893

Program Description

The function of the Instructional Support Program as stated in the budget document is "to provide an effective educational environment which takes into account the total needs of the child."

Table 48 shows the elements of the Instructional Support Program and its proposed expenditures.

Table 48
Instructional Support Program

<i>Program Element</i>	<i>Actual 1970-71</i>	<i>Estimated 1971-72</i>	<i>Proposed 1972-73</i>
A. Task forces for special projects -----	—	\$3,155	\$284,584
B. Direct instructional services -----	\$33,470,808	17,721,443	20,216,313
C. Pupil services -----	49,560,444	64,230,200	77,411,000
Totals -----	\$83,031,252	\$81,954,798	\$97,911,854

Table 49
Instructional Support Program Funding by Source

	<i>Actual 1970-71</i>	<i>Estimated 1971-72</i>	<i>Proposed 1972-73</i>
State Operations:			
General Fund -----	\$1,581,012	\$842,252	\$1,430,006
Surplus Property Revolving Fund -----	4,354,915	3,992,000	6,235,000
Federal funds -----	679,155	772,375	447,804
Reimbursements -----	1,167,009	768,300	715,035
Subtotals -----	\$7,782,091	\$6,371,927	\$8,827,845
Local Assistance:			
General Fund -----	\$18,304,478	\$11,724,071	\$11,937,909
Federal funds -----	50,688,909	63,805,800	76,996,100
State Construction Program Fund -----	6,000,000	—	—
Reimbursements -----	255,774	50,000	150,000
Subtotals -----	\$75,249,161	\$75,579,871	\$89,094,009
Totals -----	\$83,031,252	\$81,954,798	\$97,911,854
<i>General Fund -----</i>	<i>19,885,490</i>	<i>12,566,323</i>	<i>13,367,915</i>
<i>Surplus Property Revolving Fund -----</i>	<i>4,354,915</i>	<i>3,992,000</i>	<i>6,235,000</i>
<i>Federal funds -----</i>	<i>51,368,064</i>	<i>64,578,175</i>	<i>77,443,904</i>
<i>State Construction Program Fund -----</i>	<i>6,000,000</i>	<i>—</i>	<i>—</i>
<i>Reimbursements -----</i>	<i>1,422,783</i>	<i>818,300</i>	<i>865,035</i>

Table 49 shows the funding by source of the Instructional Support Program.

A. Task Forces or Special Projects

Three task forces and special projects will operate in the Instructional Support Program in 1972-73. Table 50 shows these task forces and projects and their proposed expenditures.

Table 50
Instructional Support Program Task Force and Project Expenditures

	<i>Actual 1970-71</i>	<i>Estimated 1971-72</i>	<i>Proposed 1972-73</i>
1. Teacher Evaluation Project -----	-	-	\$112,035
2. Guidance and Counseling Task Force--	-	-	72,043
3. Task Force to Prevent Intergroup Conflict in Secondary Schools -----	-	-	100,463
4. Textbook Selection Project -----	-	\$3,155	-
Totals -----	-	\$3,155	\$284,541

Table 51 shows the funding by source for the task forces and special projects.

Table 51
Funding by Source for Task Force and Special Projects

	<i>Actual 1970-71</i>	<i>Estimated 1971-72</i>	<i>Proposed 1972-73</i>
State Operations:			
General Fund -----	-	-	\$172,506
Federal funds -----	-	\$3,155	-
Reimbursements -----	-	-	112,035
Totals -----	-	\$3,155	\$284,541

1. Teacher Evaluation Project. The Teacher Evaluation Project is the top priority of the State Board of Education for 1972-73. Activities included in the project work plan are: (1) the development and dissemination of guidelines to assist school districts in developing procedures to evaluate teachers, (2) the development of a plan for inservice training to improve the instructional capabilities of teachers, and (3) the evaluation of the inservice training plan and the teacher evaluation guidelines.

The budget document states that the teacher evaluation project will be conducted on a cooperative basis with the Commission on Teacher Preparation and Licensing upon approval of the State Board of Education. The Department of Education requested General Fund support for the teacher evaluation project but this was denied by the Department of Finance.

The budget supplement indicates that the teacher evaluation

INSTRUCTIONAL SUPPORT—Continued

project is to be supported with federal funds from the Education Professions Development Act (PL 90-35). Budget Act Item 280 states that \$247,000 in Education Professions Development Act funds shall be appropriated from the account of the Education Professions Development Act of 1965 in the Special Deposit Fund to the Commission for Teacher Preparation and Licensing. \$112,035 of the \$247,000 is budgeted for the Department of Education's share of the teacher evaluation project.

Teacher Evaluation Project Funding

We recommend that the fiscal committees give special review to the proposed use of Education Professions Development Act funds for the joint teacher evaluation project of the Department of Education and the Commission for Teacher Preparation and Licensing.

We believe the proposed funding of the joint teacher evaluation project should not be approved until the following two issues are resolved:

(1) *The availability of Education Professions Development Act funds.* The Education Professions Development Act is divided into six parts. Part A has three sections: an independent National Advisory Council which reports to the President and the Congress, the U.S. Commissioner of Education's annual assessment of education manpower needs, and a national education professions recruitment program. Part B-1 is the Teacher Corps. Part B-2 is a state grants program to meet immediate critical shortages of classroom personnel. Parts C and D provide fellowships and training projects for prospective and experienced personnel of all kinds at the elementary and secondary school level. Part E provides for training higher education personnel, and Part F for training vocational education personnel.

Table 52 shows the funds California will receive under the Education Professions Development Act.

Table 52
Education Professions Development Act Funds

	<i>Actual 1970-71</i>	<i>Estimated 1971-72</i>	<i>Proposed 1972-73</i>
State Operations:			
Part B-2: Department of Education			
Professional development			
Bureau administrative costs	\$24,517	\$36,700	\$36,100
Part B-2: Preservice training for			
rural areas	31,185	37,800	41,646
Part B-1: Teacher Corps	1,948	6,300	6,660
Part D: Career opportunities	2,972	11,000	10,100
Part F: Vocational education	571,701	640,362	870,000
Totals, State Operations	\$632,323	\$732,162	\$964,506
Local Assistance:			
Part B-1: Teacher Corps	—	\$56,300	—
Part B-2: EPDA projects	\$897,885	256,894	—
Totals, Local Assistance	\$897,885	\$313,194	—

The table indicates that no Education Professions Development Act funds will be available for local assistance in 1972-73. The table also

shows that Education Professions Development Funds are earmarked for specific functions in accordance with the various sections of the act. Thus, we do not believe Educational Professions Development Funds will be available in 1972-73 for the teacher evaluation project.

(2) *The legality of using Education Professions Development Funds for the teacher evaluation project.* We believe the use of Education Professions Development Act funds for the teacher evaluation project might be a violation of federal law.

The description of the six parts of the Education Professions Development Act above indicates that the federal act provides funds only for (a) national projects, (b) the Teacher Corps, (c) grants to meet critical shortages of classroom personnel, (d) training projects and fellowships for personnel at the elementary and secondary school level, (e) training higher education personnel, and (f) training vocational education personnel. No funds are provided for projects such as the proposed joint teacher evaluation project.

We believe the proposed funding of the joint teacher evaluation project should not be approved by the fiscal committees until the above issues are clarified by the Department of Finance.

2. Guidance and Counseling Task Force

The objective of the Guidance and Counseling Task Force as stated in the budget document is "to provide better guidance and counseling services in public schools in California to meet the rising tide of social and personal pressures on youth and young adults." This task force proposes to use the results from a statewide school district survey to develop a master plan which will "establish objectives and recommendations for the organization, activities, evaluation and funding of guidance programs at the local level." This task force will be comprised of 2.5 positions.

3. Task Force to Prevent Intergroup Conflict in Secondary Schools

The Task Force to Prevent Intergroup Conflict in Secondary Schools is identified by the State Board of Education to have high priority in 1972-73. The task force is to meet a need demonstrated by an increasing number of violent conflicts in California senior and junior high schools. This task force plans to assist 22 school districts whose high schools have a history of conflict by identifying the causes of conflict and testing strategies which were used successfully in other districts to prevent and resolve conflict and tension.

This task force will be comprised of three professionals and necessary clerical support.

B. Direct Instructional Services

The Direct Instructional Services element of the Instructional Support Program is designed to supplement and support the instructional programs of public and private schools in California. Services include (1) school approvals, (2) intergroup relations, (3) textbook manage-

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ment, (4) surplus property, (5) credential commission, (6) audio-visual and school library education, and (7) educational assessment and evaluation.

Table 53 summarizes expenditures of the Direct Instructional Services Program. Table 54 reviews funding for state operations and local assistance.

1. School Approvals. The Bureau of School Approvals is responsible for reviewing and approving postsecondary professional, educational, and vocational programs offered to veterans and other eligible persons. The bureau examines programs and facilities of private schools and conducts periodic investigations to insure that approved schools maintain conformance to federal and state regulations.

The Bureau of School Approvals receives approximately 80 percent of its total support from Veteran Educational Assistance funds.

2. Intergroup Relations. The Bureau of Intergroup Relations works to reduce racial segregation, intergroup conflicts, and discriminatory practices in California school districts. The bureau provides assistance to local school districts in the preparation and implementation of desegregation plans and conducts inservice train-

Table 53
Expenditures for Direct Instructional Services

	<i>Actual</i> 1970-71	<i>Estimated</i> 1971-72	<i>Proposed</i> 1972-73
Direct Instructional Services:			
1. School approvals -----	\$487,612	\$515,800	\$551,900
2. Intergroup relations -----	269,799	480,772	470,255
3. Textbook management -----	18,850,962	12,142,571	12,415,409
4. Surplus property -----	4,354,915	4,320,000	6,778,749
5. Credentials Commission -----	2,808,546	262,800	-
6. Audio-visual -----	163,806	-	-
7. School libraries -----	6,535,168	-	-
Totals -----	\$33,470,808	\$17,721,443	\$20,216,313

Table 54
Funding for Direct Instructional Services

	<i>Actual</i> 1970-71	<i>Estimated</i> 1971-72	<i>Proposed</i> 1972-73
State Operations:			
General Fund -----	\$1,249,133	\$530,852	\$946,800
Federal funds -----	380,032	356,220	50,204
Surplus Property Revolving Fund -----	4,354,915	3,992,000	6,235,000
Reimbursements -----	1,166,935	768,300	581,400
Subtotals -----	\$7,151,015	\$5,647,372	\$7,813,404
Local Assistance:			
General Fund -----	\$18,304,478	\$11,724,071	\$11,937,909
Federal funds -----	7,759,541	300,000	315,000
Reimbursements -----	255,774	50,000	150,000
Subtotals -----	\$26,319,793	\$12,074,071	\$12,402,909
Totals -----	\$33,470,808	\$17,721,443	\$20,216,313

ing programs for certificated staff in working with multiracial groups. Chapter 1765, Statutes of 1971 (AB 724), requires school districts with imbalances to submit corrective plans and schedules to the Bureau of Intergroup Relations for review.

The Bureau of Intergroup Relations receives approximately 60 percent of its total support from federal Civil Rights Act Title IV funds.

3. *Textbook Management.* The 1972-73 textbook budget request of \$11,937,909 is \$5,890,091 less than the 1971-72 budget. The reduction in the budget year request is largely because (1) fewer books currently in adoption will be reprinted, (2) the estimated cost of the social science grades 5 through 8 is less than new adoptions for previous years, and (3) more accurate cost estimates were used in developing the budget than in previous years. Expenditures for state support and local assistance are shown in Table 55.

Table 55
Textbook Support

Support:	Actual 1970-71	Estimated 1971-72	Proposed 1972-73
General Fund -----	\$255,774	\$368,500	\$415,409
Local Assistance:			
General Fund -----	21,307,110	17,828,000	11,937,909
Reimbursements -----	290,710	50,000	150,000
Total -----	\$21,853,594	\$18,246,500	\$12,415,409

State adoption and acquisition of public elementary school textbooks is provided for by Article IV, Section 7.5, of the State Constitution which states:

"The State Board of Education shall adopt textbooks for use in grades one through eight throughout the states, to be furnished without cost as provided by statute."

The state textbook program is divided into three major activity areas: (1) selection and adoption, (2) production or acquisition, and (3) warehousing and distribution of textbooks. These activities are performed principally by the (1) State Board of Education, (2) the California State Curriculum Commission (renamed the Curriculum Development and Supplemental Materials Commission by Chapter 1188, Statutes of 1971), and (3) Bureau of Textbooks in the Division of School Administration and Finance of the Department of Education. The specific responsibilities of these organizations are listed below.

(1) *The State Board of Education* has the constitutional responsibility to adopt textbooks for grades 1 through 8 in public schools.

The board is required by statute to: (1) determine the length of an adoption period, which can be from four to eight years, and (2) establish distribution ratios for newly adopted textbooks. After an original adoption period, the board is authorized to extend textbook adoption periods up to a maximum of four years.

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(2) *The California State Curriculum Commission* was established by Chapter 208, Statutes of 1927, to assist the State Board of Education select and adopt textbooks. The primary functions of the commission are to (1) recommend to the board minimum standards for courses of study in kindergarten through grade 12, (2) recommend to the board specifications for textbooks, and (3) recommend textbooks to the board for adoption.

The Curriculum Commission was renamed the Curriculum Development and Supplemental Materials Commission by Chapter 1188, Statutes of 1971 (AB 2800). This legislation also authorized an increase in membership from 13 to 18 members and changed the membership composition to include representatives from the Legislature and the Governor's office. However, the function and mandated responsibilities of the new commission are essentially the same as the old commission.

(3) *The Bureau of Textbooks* provides administrative, statistical and fiscal support for the textbook program. The bureau is also responsible for (1) coordinating the textbook evaluation process, (2) preparing textbook cost estimates, (3) producing or acquiring new or currently adopted textbooks, and (4) warehousing and distributing textbooks to school districts.

The activity elements of the textbook program will be reviewed as follows:

1. Selection and Adoption
2. Production or Acquisition
3. Warehousing and Distribution

1. *Selection and Adoption.* The textbook selection and adoption process begins when the Curriculum Development and Supplemental Materials Commission (formerly the Curriculum Commission) recommends to the State Board of Education that a committee be appointed to develop a subject area framework for textbooks. Once the framework has been developed and approved by the commission and the State Board of Education, it is used as a guide to prepare the criteria for selecting new textbooks. Generally in March of each year publishers are notified of the proposed adoption, framework and criteria by a call for bids. Publishers submitting bids are required to provide a specified number of sample textbooks by June of each year for evaluation. Table 56 shows the six-year cycle in the selection and adoption process starting with the framework committee and ending with an adoption by subject area.

Initially several hundred textbooks are submitted by publishers to the commission for evaluation. 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. Text-

books surviving the first two screenings are submitted to the State Board of Education for tentative adoption.

The tentatively adopted textbooks, both basic and supplementary, are distributed to school districts for their evaluation and to public libraries for general display and review. Districts can select no more than one basic textbook per pupil from a maximum of four different books. Districts order supplementary books according to a textbook credit computed by the Department of Education.

If the tentatively adopted textbooks meet with approval by the general public and if the combined orders from school districts exceed a minimum of 25,000 copies per title, the State Board of Education will generally, upon recommendation of the commission, make a final adoption.

Table 56
Adoption Schedule

<i>(Grades K-8 unless specified)</i>	<i>Framework committees begin study</i>	<i>Criteria to be developed at Nov. meeting</i>	<i>Books to be submitted June 1</i>	<i>Adoption by board, July meeting¹</i>	<i>Adoption period begins July 1</i>
Social sciences, grades 5-8, ² foreign language.....	1966	1969	1970	1971	1972
Health, music, science ³	1966	1969	1971	1973	1974
English and related subjects, and English as a second language..	-----	1970	1972	1974	1975
Reading and literature.....	1970	1971	1973	1975	1976
Mathematics.....	1971	1972	1974	1976	1977
Social sciences, grades K-4.....	1972	1973	1975	1977	1978
Social sciences, grades 5-8, foreign languages.....	1973	1974	1976	1978	1979
Health, music, science.....	1974	1975	1977	1979	1980
English and related subjects, and English as a second language..	1975	1976	1978	1980	1981
Reading and literature.....	1976	1977	1979	1981	1982

¹ Textbooks adopted by the State Board of Education in July are scheduled for classroom delivery in September of the following year.

² The social science textbooks for grades five through eight scheduled for classroom delivery in September 1972 have been delayed.

³ The health, music and science adoption, originally scheduled for classroom delivery in September 1973, has been delayed one year because of the delay in the social science adoption.

Table 57 lists the number of textbook titles in adoption from 1940 to 1971. This table also illustrates the consistent growth in the number of titles.

Table 57
Textbook Titles in Adoption 1940-1971

Year	Number of ¹ titles	Year	Number of ¹ titles
1940	59	1956	220
1941	58	1957	223
1942	71	1958	224
1943	62	1959	303
1944	72	1960	305
1945	85	1961	360
1946	82	1962	359
1947	97	1963	391
1948	104	1964	392
1949	123	1965	437
1950	137	1966	438
1951	136	1967	561
1952	175	1968	654
1953	146	1969	731
1954	195	1970	753
1955	195	1971-72	802 ²

¹ Includes teacher editions.

² Estimated if the social science grades five through eight textbooks are adopted.

The proposed textbook budget for 1972-73 is presented in Table 58.

Table 58
Textbook Budget

Fixed Costs:	Actual 1970-71	Estimated 1971-72	Proposed 1972-73
Reprints:			
California government	\$6,786	--	--
Civics	14,268	--	--
English	636,876	\$125,237	\$121,378
English as a second language	198,188	196,505	179,378
Geography	81,923	--	--
Handwriting	--	31,536	--
Health	62,273	60,618	--
History	130,260	--	--
Literature and reading	1,731,144	621,628	705,083
Mathematics	3,297,533	2,226,180	1,504,560
Music	178,096	83,987	19,902
Related social sciences	1,972	--	--
Science	425,803	404,226	57,949
Social science (K-4)	--	1,403,683	63,641
Spelling	803,501	797,350	474,572
Large print and braille	8,815	95,000	60,000
Totals, reprints	\$7,577,438	\$6,045,950	\$3,187,053
Less estimated savings	--	—1,491,370	--
Adjusted reprint cost	\$7,577,438	\$4,554,580	\$3,187,053
Royalties	6,844,898	6,424,491	3,395,134
Warehouse operations	690,837	795,000	843,400
Totals, fixed costs	\$15,139,131	\$11,774,071	\$7,425,587

INSTRUCTIONAL SUPPORT—Continued**Table 58—Continued****Variable Costs:**

New Adoptions:			
Social science (K-4)	\$3,456,057	--	--
Social science (5-8)	--	--	\$3,662,882
Braille and large print (social science) (5-8)	--	--	50,000
Foreign language	--	--	717,520
Spanish mathematics	--	--	31,920
Samples for Future Adoptions:			
Science, health, and music	--	--	200,000
Totals, variable costs	\$3,456,057	--	\$4,662,322
Totals, textbook program cost	\$18,595,188	\$11,774,071	\$12,087,909
Unexpended balance	2,704,812¹	6,053,929	--
Totals, appropriated funds	\$21,300,000	\$17,828,000	--

¹ Excludes reimbursements and salary increase fund.

Table 59 shows an anticipated unexpended balance in the current year of \$6,053,929.

Table 59
Unexpended Balance in 1971-72 Textbook Budget

(1) Social science grades 5 through 8 were not adopted—unexpended balance	\$2,445,418
(2) Printing costs were less than estimated—unexpended balance	516,402
(3) Science, health and music textbook samples were not purchased—unexpended balance	100,000
(4) Sales tax on leased printing plates not imposed until October 1971—unexpended balance	429,582
(5) Reduced royalty payments resulting from fewer orders of textbooks and no social science adoption—unexpended balance	2,117,141
(6) Reduced expenditures for outside purchasing of completed textbooks and other materials—unexpended balance	445,386
Totals, estimated unexpended balance	\$6,053,929

The anticipated savings of \$2,445,418 for the social science grades 5 through 8 adoption is based on the assumption that these books will not be adopted by the State Board of Education anytime during the 1971-72 fiscal year. Part of the anticipated savings for printing, purchasing and royalty payments is also based on the same assumption. However, the State Board of Education and the Curriculum Commission are at present working under the assumption that there will be an adoption in the current year.

At the present time, both the current budget and the proposed 1972-73 budget either have funds available or request funds for the same social science grades 5 through 8 adoption.

Social Science Textbook Adoption

We recommend that the legislative subcommittees not act on the proposed 1972-73 budget of \$3,662,882 for the proposed social science grades 5 through 8 adoption until an accurate budget estimate can be made, based on orders from school districts for social science textbooks

that have been officially adopted by the State Board of Education.

We further recommend that in the event the State Board of Education makes a final adoption of the social science textbooks for grades 5 through 8 in fiscal year 1971-72 that the proposed textbook budget for 1972-73 (Item 275) be reduced by \$3,662,882 from \$11,937,909 to \$8,275,027.

At last year's budget hearings, the Curriculum Commission and the State Board of Education were required to list the proposed textbooks for the social science adoption in a priority ranking and furnish cost information for each priority in the 1971-72 budget. Table 60 lists the textbooks, priorities and estimated costs for each. The Legislature limited the funding of new adoptions to priority No. 4 with a budget amount of \$2,528,617. The total amount provided in the budget act was \$17,828,000. However, after fixed costs for purposes such as reprints, warehousing, etc., were deducted from the textbook budget, the amount remaining for new adoptions was \$1.7 million. This amount would fund basic textbooks only and no supplementary books.

The Curriculum Commission maintained that it was necessary to adopt both basic and supplementary books to have a complete social science program. As a result, it recommended to the State Board of Education an adoption of both supplementary and basic books for an estimated cost of \$2.8 million.

Table 60
Textbook Priorities

		<i>Priority No. 1</i>	<i>Priority No. 2</i>	<i>Priority No. 3</i>	<i>Priority No. 4</i>	<i>Priority No. 5</i>
Grade 5	Field ¹American Adventure.....	\$153,490	\$153,490	\$153,490	--	--
	Harcourt ²Social Science (purple).....	179,796	179,796	179,796	\$320,838	--
	Laidlaw ²Social Studies in Our Country.....	122,003	122,003	122,003	217,486	--
	Stone ³Voices of the Americans.....	208,157	208,157	208,157	--	--
	Harper, Row.....Story of Our Country.....	--	--	--	--	--
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
		\$663,446	\$663,446	\$663,446	\$538,324	--
Grade 6	Field ¹Story of Latin America.....	\$167,442	\$167,442	\$167,442	--	--
	Harcourt ²Social Sciences (brown).....	202,938	202,938	202,938	\$348,470	\$348,470
	Laidlaw ²Social Studies in Our World.....	134,833	134,833	134,833	237,417	237,417
	Stone ³Voices of Latin Cultures and Ancient Civilizations.....	154,029	154,029	154,029	--	--
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
		\$659,242	\$659,242	\$659,242	\$585,887	\$585,887
Grade 7	Field ¹Human Adventure.....	\$255,221	\$255,221	\$255,221	\$255,221	\$255,221
	Follett ²Exploring Regions.....	223,979	223,979	223,979	223,979	223,979
	Stone ²Voices of Emerging Nations.....	144,242	144,242	144,242	144,242	144,242
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
		\$623,442	\$623,442	\$623,442	\$623,442	\$623,442
Grade 8	Allyn & Bacon ¹People Make a Nation.....	\$211,319	\$211,319	\$211,319	--	--
	Field ²Quest for Liberty.....	197,712	197,712	197,712	\$348,549	--
	Heath ³We the People.....	177,740	177,740	177,740	--	--
	Holt ²The Americans.....	145,200	145,200	145,200	261,415	--
	Franklin.....Land of the Free.....	--	--	--	--	--
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
		\$731,971	\$731,971	\$731,971	\$609,964	--
Totals, social science basics.....		\$2,678,101	\$2,678,101	\$2,678,101	\$2,357,617	\$1,209,329
Totals, social science supplementary.....		2,261,000	1,026,000	209,000	171,000	--
Per student.....		1.19	0.54	0.11	0.09	--
Totals, social science.....		4,939,101	3,704,101	2,887,101	2,528,617	1,209,329
Totals, foreign language.....		555,000	500,000	450,000	450,000	450,000
New book costs.....		5,494,101	4,204,101	3,337,101	2,978,617	1,659,329
Additional budget allocation.....		3,813,252	2,523,252	1,656,252	1,297,768	--

¹ Average to fast. ² Basic. ³ Slow to average.

The budget authorization for the social science adoption was based on the assumption that the State Board of Education would make a final adoption in July 1971 and that the books would be produced and delivered to the classrooms in September 1972. However, the social science adoption has been delayed because it was reported to the board in open hearings that the textbooks recommended by the Curriculum Commission for adoption were deficient in subject matter and in many cases were in violation of Education Code Section 9305. This code section required an accurate portrayal of the contributions made by various ethnic groups in American history.

As a result of these deficiencies and in response to public criticisms, the board appointed a special task force in October 1971 to reevaluate the proposed social science textbooks and recommend the changes necessary to remove the deficiencies and Education Code noncompliance features.

The task force presented its findings to the State Board of Education on December 9, 1971. Fifteen basic and 45 supplemental textbooks were evaluated by the task force. All basic textbooks were declared unacceptable by the task force because they contained a "superabundance of factual errors" and were "offensive and injurious" to the various ethnic groups. Only 16 supplementary textbooks were acceptable in their present form. The task force reported that 9 of the 45 supplementary books would require moderate revisions and 20 would need major revisions or a complete rewrite before they would be acceptable. The task force also reported that the most flagrant violations were found in teachers' manuals and editions.

It should be noted that if major revisions are made to the social science textbooks, assuming the publishers and authors would agree to make changes and it would be economically feasible to make major changes, the revised books must repeat part of the textbook selection and evaluation process. The revised books would have to be placed on public display for a minimum of 60 days and redistributed to school districts for their examination to determine which of the revised books they wish to order. The Department of Education estimates that the earliest date these textbooks could be revised, displayed, ordered, produced and distributed to school districts would be March or April of 1973. However, the probability is very high that these textbooks will not reach the classrooms during the 1972-73 school year. Even if the books were distributed to the classrooms in April 1973, we would question the educational value of introducing a new textbook in the classroom so late in the school year.

We believe the legislative subcommittees should not act on the social science grades 5 through 8 adoption until we have a firm basis from which to estimate the cost of the adoption.

The 1972-73 budget request of \$3,662,882 is \$860,000 above the estimated cost for the same books recommended to the State Board of

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Education in November 1971. These books are in the process of revisions, and as of January 4, 1972, the board has postponed any adoption until the revisions are complete. As a result we cannot determine which books will eventually be adopted by the board. Neither can we determine which books and what quantity will be ordered by school districts. Thus, we have no basis from which to estimate the appropriate budget for the social science adoption.

In the event the State Board of Education adopts the revised social science textbooks in the 1971-72 fiscal year, there will be no need for these funds in 1972-73 and the requested budget of \$11,937,909 should be reduced by \$3,662,882 to \$8,275,027.

Foreign Language Textbook Adoption

We recommend that the proposed funding of \$749,440 for the foreign language and Spanish mathematics textbooks be eliminated from the 1972-73 textbook budget.

We further recommend that the State Board of Education and the Department of Education conduct a study of the current foreign language program for elementary schools to determine: (1) the progress of school districts toward meeting the state mandation that foreign language instruction be included in the curriculum no later than July 1, 1973, (2) the reasons fewer than 50 percent of the state's elementary school districts offer foreign language instruction, and (3) the appropriate foreign language program to meet the needs of elementary school pupils throughout the state. A report of this study including recommendations for possible legislative action should be presented to the Legislature no later than the fifth legislative day of the 1973 session.

Foreign language is a subject area required by Education Code Section 8571 beginning no later than the seventh grade. The code also permits districts to be exempted from offering foreign language instruction until July 1, 1973. Although the Education Code requires districts to offer foreign language instruction, existing law does not require the adoption of foreign language textbooks by the State Board of Education.

The Department of Education reports that preliminary results from a recent survey indicate that enrollments in foreign languages are declining. For example, seventh grade Spanish enrollments have declined from 37,000 to 32,000. Eighth grade Spanish enrollments have declined from 33,000 to 26,000. Comparing these enrollments to statewide enrollments indicates that while the number of pupils in the seventh grade increased in 1970, seventh grade foreign language enrollments declined. Also the rate of decline of eighth grade foreign language enrollments exceeded the rate of decline in eighth grade enrollments statewide.

Table 61 shows the enrollment and number of teachers in foreign

language programs in 1970.

Table 61
Foreign Language Actual Enrollments in 1970

	<i>French</i>	<i>German</i>	<i>Spanish</i>	<i>Latin</i>
Grade 3 -----	300	300	1,487	---
Teachers -----	30	30	144	---
Grade 4 -----	325	300	3,000	---
Teachers -----	31	30	175	---
Grade 5 -----	409	350	5,627	---
Teachers -----	34	32	260	---
Grade 6 -----	5,839	2,108	4,451	---
Teachers -----	200	68	223	---
Grade 7 -----	7,681	2,367	37,450	120
Teachers -----	200	100	335	7
Grade 8 -----	7,000	2,342	33,663	120
Teachers -----	100	100	335	7

The table illustrates that the highest foreign language enrollment is in Spanish. Enrollments in all other languages are so small that even if textbooks were distributed on a 1:1 ratio there would be insufficient quantities to meet the minimum order requirement for a textbook adoption of 25,000 copies.

When school districts were given the opportunity to order foreign language textbooks, only 400 out of 950 elementary and unified school districts responded. All of the textbooks for French, German and Latin failed to receive sufficient orders to qualify for adoption. Only a few Spanish books exceeded the minimum order requirement; one of these, a Spanish song book, received 112,000 orders.

Even though most orders for foreign language textbooks were less than the required 25,000 minimum, the department submitted a 1971-72 budget request for priority one of \$555,000 and a low of \$450,000 in priority four. In the 1972-73 proposed budget, the same foreign language adoption and the same books have a budget request of \$717,520 plus an additional \$31,920 for Spanish mathematics textbooks for a total increase over 1971-72 of \$194,000.

We believe there is insufficient justification to support the 1972-73 foreign language budget request for the following reasons:

(1) Only a few of the foreign language textbooks had sufficient orders to qualify for adoption. The types of books that did qualify, such as the Spanish song book, do not constitute a complete foreign language program adoption.

(2) The small quantity of foreign language textbooks ordered by school districts is insufficient justification to support a budget request of \$717,520.

(3) The budget amount of \$31,920 for the Spanish mathematics textbooks is not based on orders received from school districts. The Department of Education reports that it has not requested school

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districts to order these textbooks.

We believe the State Board of Education should reassess its foreign language program objectives and supporting textbook program. This reassessment should include a determination of the reasons or causes school districts are not offering courses in foreign languages. This reassessment is of particular importance because school district exemptions for not offering foreign language instruction terminate July 1, 1973.

Special Legislative Textbook Review

We recommend that the 1972-73 textbook program budget be the subject of a special legislative review for the purpose of determining the appropriate funding level of the free textbook program for nonpublic schools under the provisions of Chapter 1813, Statutes of 1971.

We further recommend that the Department of Education immediately conduct a study to determine: (1) the number of nonpublic school children eligible to receive free textbooks, (2) the title and number of books each nonpublic school will be ordering, (3) the current inventories of books available for distribution, and (4) the total cost estimate for the expanded program.

Chapter 1813, Statutes of 1971, requires the State Board of Education to make available to nonpublic school children state-adopted textbooks free of charge beginning in 1972-73. However, funds were not provided by statute for this program nor were funds requested by the Department of Education in the 1972-73 budget.

It is estimated there are approximately 320,000 nonpublic school pupils throughout the state. Current enrollment statistics are not in sufficient detail to determine how many of these pupils are eligible to participate in the free textbook program. Assuming all of the 320,000 pupils would be eligible, the estimated increase in annual textbook costs would be \$2,166,400 based on the average expenditure per pupil of \$6.77 over the past five years.

There are approximately 800 different textbooks currently in adoption. Nonpublic schools are now authorized to select and order these textbooks to the same extent that textbooks are made available to public schools. However, we do not have estimates of the number of books nonpublic schools will order.

We believe the Department of Education should conduct a survey immediately to determine the potential cost of providing textbooks for private school pupils and submit its findings to the Legislature for consideration.

Textbook Evaluation

We recommend that the new Curriculum Development and Supplemental Materials Commission investigate and develop alternative procedures in the textbook evaluation and selection process that will

(1) reduce the length of time and expense in the evaluation and selection of textbooks and (2) improve the utilization of state-adopted textbooks by teachers. These alternative procedures should be presented to the State Board of Education and the Legislature no later than the fifth legislative day of the 1973 session.

Under the best of conditions, the textbook selection and adoption process requires a minimum of two years before a newly adopted textbook reaches a classroom. These two years, plus a minimum of one year for the publisher to write and produce a book, means that most textbooks adopted in California are at least three years old when delivered to the classroom. We believe the time required to select textbooks under the current process is excessive because in certain subject areas, such as social science where the subject matter deals with contemporary as well as historical events, timeliness is critical.

The long, arduous and expensive process of evaluating and selecting textbooks is exemplified by the current social science grades 5 through 8 adoption.

Starting with the Social Science Framework Committee in 1968-69, the Curriculum Commission has devoted more than three years to the adoption of social science textbooks. The last two years have been devoted exclusively to the screening and evaluation process. In its *Recommendations to the California State Board of Education* on the social science grades 5 through 8 textbooks, the commission states: "Almost two years, approximately 5,000 persons with some knowledge, expertise and interest in social science instruction, and an estimated \$1.5 million have been spent in carrying out the screening process . . ." The disconcerting aspects of this long and expensive process are that there are no assurances that the textbooks selected by this process: (1) will meet the diverse educational needs of the children, (2) will be accepted and utilized by the teachers, (3) will be timely in their adoption, and (4) will comply with various statutory requirements.

A major concern of the Legislature has been the extent to which state textbooks are 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.

As of this date a summary has not been made of the conclusions of the study with recommendations concerning textbook utilization. However, the following tentative conclusions have been reached: (1) many of the adopted textbooks generally do not meet the different reading needs and abilities of pupils, particularly below average pupils; (2) the state should "adopt supplementary texts for the low average and below average pupil with the stipulation that such text-

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books 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 rated use).

The variation of textbook approval among teachers surveyed in the utilization study raises questions relative to the ability of the State Curriculum Commission to select textbooks which are suitable for all pupils. 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.

Teacher Editions

We recommend that funding for textbooks other than basic and supplementaries be limited to "teacher" editions. Provisions should be made for the adoption of specialized books only in the event that the books are identified in any budget request and are accompanied by justification for their adoptions.

Chapter 917, Statutes of 1968 (Education Code Section 9311), 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."

Chapter 795, Statutes of 1971, defines teacher's manual as a "book, the content of which has no direct relation to the basic or supplementary textbook, specifically designated to aid a teacher in the instruction of a subject."

Chapter 795 also defines a teacher's edition as "a book directly related to the specific content of the basic or supplementary textbook." The teacher's edition is ordinarily an annotated student text that includes text helps and ideas for the teacher, and is bound together in one volume.

Existing law prohibits the adoption of basic or supplementary textbooks if the total number of each selected textbook is less than 25,000 copies. However, existing law authorizes the combining of orders for teachers' manuals with orders for other basic or supplementary textbooks to meet the minimum order requirement of 25,000 copies for each book. A major reason for the minimum order requirement was to establish a minimum order quantity for each book that would be economically feasible for the State Printer to manufacture.

A trend is emerging in the textbook adoption process in which the term "teachers' manual" is becoming a catch-all for textbooks which

fail 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.

Table 62 demonstrates an increasing amount of funds budgeted for teachers' manuals in recent years.

Table 62
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	—	3,300	3,300
Social sciences (K-4) -----	—	—	—	971,037
Handwriting -----	31,584	2,160	2,160	19,088
Music -----	53,861	3,650	29,924	6,690
New adoptions -----	146,662 ¹	157,441 ²	825,523 ³	— ⁴
Totals -----	\$233,587	\$462,072	\$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.

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.

Textbook Validation

We recommend that legislation be enacted to require that all textbooks considered for adoption by the State Board of Education be field tested and validated by the textbook publisher commencing with the 1973-74 adoption.

Under the current textbook selection and adoption procedures, publishers are notified of an adoption by a call for bids which outlines the subject area framework and selection criteria. Publishers wishing to bid on the adoption must submit examination copies of their material to textbook evaluators appointed by the Curriculum Commission.

The primary guidelines used by the textbook evaluators are the subject area framework document and textbook selection criteria. Beyond these guidelines, evaluators examine textbooks on a subjective basis from a point of view that is consistent with their own educational background, philosophies, training and teaching experiences. The diverse backgrounds of the evaluators lead to almost as many different opinions about the adequacy of educational materials as there are evaluators. The Curriculum Commission fosters these diverse opinions in its policy and procedure statement which reads: "Each Cur-

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riculum Commission member is free to develop his own evaluation process, but experience has evolved a sequence that is more or less common to all." The result of these policies and procedures is an evaluation system where the textbook publisher submits educational materials and the evaluator tries to identify in his own way the objectives of the material and makes a subjective judgment whether the materials meet these objectives.

We believe that when publishers wish to bid on an adoption in California, they should be required to furnish the State Board of Education and the Curriculum Commission a statement of the educational objectives or skill areas which their textbooks or other proposed educational materials are designed to support or develop, as well as a description of the student population for whom the materials are designed, i.e., fast learners, slow learners, etc. In addition, the publisher should be required to demonstrate that these objectives have been met in the classroom by submitting the results of statistically validated sample field tests of pupil achievement. Some publishers already supply listings of educational objectives and skill areas for their materials and furnish information on the degree of pupil success that can be expected when the materials are used.

2. *Production or Acquisition.* State adopted textbooks are obtained through (1) direct purchase from the publisher, and (2) the State Printing Plant. The elements of the production and acquisition activity appear in the budget under the following categories:

- a. *Printing:* Textbook printing is divided between (1) reprints of books adopted in prior years, and (2) first-year printing of new adoptions.
- b. *Purchasing:* Textbooks are purchased directly from the publisher in cases where the right to print is withheld by the publisher or the cost of leasing film positives or printing plates is not competitive with the finished book purchase price.
- c. *Royalties:* Textbooks are produced by the State Printing Plant by leasing printing plates or film positives from the publisher in return for a royalty charge on a per copy basis at the time the books are distributed.

Textbook Bidding

We recommend that the Department of General Services with the cooperation of the Bureau of Textbooks conduct a feasibility study and institute a one-year pilot program of open bidding where commercial printing firms would have an equal opportunity to compete with the State Printer on the production of all state-adopted textbooks and other educational materials. The results of this study and pilot program should be presented to the Legislature no later than June 1, 1973.

California's textbook adoption system is unique among the states because of the manufacture of textbooks by the State Printer. In our

Analysis of the Budget 1968-69, we compared costs for the various methods of acquiring textbooks for a number of books in adoption at that time. Of the examples reviewed, the cost of production by the State Printer was 39.2 percent less than direct purchase of textbooks from the publisher. However, this same survey revealed that only a minor saving of 4.7 percent is achieved by printing books in the State Printing Plant as opposed to permitting private printers to produce the books using the publisher's plates. Because of this minor difference, there is a strong possibility that the current state policy of retaining the bulk of the printing in the state plant rather than competitively bidding with private printers may actually be costing the state more money.

Under the current bidding procedures for newly adopted textbooks, the publisher of the textbook selected for adoption submits a finished book bid and the State Printer estimates the cost of production in the State Printing Plant by leasing the publisher's printing plates or film positives.

In many cases, textbook publishers must rely upon specialized printing firms to manufacture their textbooks. Under our present bidding system, these specialized firms are not given an opportunity to bid on the production aspects of newly adopted textbooks. A limited number of private firms bid on reprints of currently adopted books only when the volume of textbook orders and time constraints on delivery exceed the capacity of the State Printing Plant.

Private printing firms currently bidding on the production of textbooks for the state are very few in number. As a result, previous bids submitted by these firms do not necessarily reflect the type of bids the printing industry as a whole would submit if they were given an equal opportunity to compete with the State Printer. In order to adequately evaluate open bidding and the impact it might have on the state printing operations, we believe a pilot program should be initiated immediately by the Department of General Services with the cooperation of the Bureau of Textbooks in which both private industry and the State Printer would bid on all textbooks with the lowest being accepted.

At the end of the pilot study a report should be submitted to the Legislature on (1) comparative costs between commercial firms and the State Printer, (2) the quality and timeliness of deliveries by the State Printer and commercial firms, (3) the potential impact on the State Printing Plant of open bidding. The report should include recommendations on the type of bidding procedures most efficient for the textbook program.

Reporting Textbook Costs

We recommend that the State Printer be required to include in his monthly report to the State Board of Education on the "status of textbooks on order in the Office of State Printer" the following items:

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(1) the estimated and actual cost by title of manufacturing textbooks; (2) a justification for production costs that differ by 5 percent from the estimated costs for newly adopted textbooks and by 1 percent from the cost of reprints for currently adopted textbooks; (3) the estimated and actual cost of textbooks partially or wholly manufactured outside the State Printing Plant; (4) a justification for wholly or partially manufacturing textbooks outside the State Printing Plant; (5) the place of outside manufacture; and (6) the additional cost and/or savings as a result of manufacturing textbooks outside the State Printing Plant.

We recommended in our *Analysis of the Budget Bill 1971-72* that the State Printer furnish us with certain cost information. The Legislature adopted this recommendation in the *Supplementary Report of the Committee on Conference Relating to the Budget Bill*. However, the State Printer has failed to report the requested information.

Table 63 lists estimated and actual production costs for selected textbook orders produced by the State Printing Plant and outside commercial firms. The orders listed in the table represent only 12 of the 258 textbook orders in 1970-71 and are orders where the actual production cost varied more than \$10,000 from the estimated cost. With one exception, all orders were for reprints of currently adopted textbooks. Four of the 12 textbook orders were wholly or partially manufactured by commercial firms. Variations between estimated and actual costs shown in Table 63 range from under estimating costs by 11.3 percent to over estimating costs by 101.2 percent.

In the aggregate the State Printer's estimated costs have exceeded actual costs over the past several years. The Bureau of Textbooks and the Department of Education have classified the difference between estimated and actual production cost of textbooks as a "savings." It has also been the practice of the bureau and department to reallocate these savings to other production or acquisition elements of the textbooks program.

Since a major part of the annual textbook budget request is based upon cost estimates by the State Printer that have been overstated the budgets presented to the Legislature have also been overstated. We believe that a system of reporting estimated and actual costs and the causes for variations between these costs will provide the Legislature with more accurate information to determine appropriate funding levels for textbook adoptions as well as a system to evaluate the effectiveness of the textbook production and acquisition program.

Table 63
Estimated and Actual Production Cost for Selected Textbooks 1970-71¹

<i>Textbook title</i>	<i>New or reprints</i>	<i>Quantity ordered</i>	<i>Quantity delivered</i>	<i>Estimated cost</i>	<i>Actual cost</i>	<i>Amount over (under) estimated cost</i>	<i>Percentage over (under) estimated cost</i>
Modern School Math Grade 1.....	Reprint	493,000	499,577	\$237,569	\$200,045	\$38,524	18.8
Modern School Math Grade 2.....	Reprint	484,000	488,740	233,543	186,598	46,945	25.2
Modern School Math Grade 3.....	Reprint ³	480,000	492,898	259,680	232,216	27,464	11.8
Basic Goals in Spelling Grade 2.....	Reprint	450,000	443,614	95,515	107,918	² (12,403)	² (11.3)
Modern School Math-Algebra 1-8....	Reprint	30,000	30,848	42,760	32,381	10,379	32.1
Math Structure and Skills 2-8.....	Reprint	43,500	44,064	44,202	33,775	10,427	30.9
The Atom and Earth Grade 8.....	Reprint	35,000	33,947	49,013	38,856	10,157	26.1
Health for All Grade 7.....	Reprint	48,000	47,458	53,238	41,558	11,680	28.1
Sets and Numbers Grade 3.....	Reprint ³	103,000	106,522	61,089	50,652	10,437	20.6
Mirror Magic.....	Reprint ³	136,000	136,800	85,146	57,972	27,174	46.9
How Far? Grade 3.....	Reprint ³	81,000	81,791	47,805	23,760	24,045	101.2
Early Childhood Series Grade K.....	New	390,000	406,482	149,721	89,187	60,534	67.9
Totals.....		2,773,500	2,812,741	\$1,359,281	\$1,094,918	\$264,363	²24.1

¹ Production orders for this table were selected on basis of under or overestimating production costs by \$10,000.

² Cost was underestimated.

³ These orders were wholly or partially manufactured outside the State Printing Plant.

⁴ This is a teacher's manual and was overrun by 16,482 books or 4.2 percent.

⁵ Average overestimation of costs.

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3. *Warehousing and Distribution.* Completed textbooks are delivered by publishers or the State Printing Plant to a 126,000-square-foot state warehouse in Sacramento for shipment to school districts. Between 85 and 90 percent of the year's total textbook shipments to school districts are made from May to August to insure that books will be available when schools open in the fall.

Table 64 lists the enrollments, number of books distributed, and the number of books distributed per pupil from 1960 to 1971. This table illustrates the overall growth of the textbook program and the increased quantity of textbooks distributed by the warehouse to school districts.

Table 64
Distribution of Textbooks to K-8 Enrollment

Year	K-8 Enrollment	Number of Textbooks Distributed	Number of Textbooks Distributed Per Pupil K-8
1970-71	3,168,439	20,594,843	6.5
1969-70	3,178,358	20,774,724	6.5
1968-69	3,186,181	18,210,080	5.7
1967-68	3,145,569	21,113,675	6.7
1966-67	3,087,335	7,525,788	2.4
1965-66	3,010,929	11,335,771	3.8
1964-65	2,928,366	10,404,140	3.6
1963-64	2,823,581	9,412,060	3.3
1962-63	2,720,122	7,422,300	2.7
1961-62	2,621,103	14,113,439	5.4
1960-61	2,519,241	8,740,366	3.5

Textbook Inventory Control

We recommend that the Superintendent of Public Instruction develop and implement an inventory control system for ordering, producing, purchasing and storing state-adopted textbooks and other educational materials. This system should become operative on July 1, 1972, and a report on the effectiveness of the system must be submitted to the Legislature on the fifth legislative day of the 1973 session. This report should include but not be limited to the following: (1) the reduction of current inventories to a level economically consistent with the cost of production, purchasing quantity discounts and cost of storage, and (2) the reduction in the number of books declared surplus or obsolete at the end of an adoption period.

We believe that the inventory level of educational materials being maintained at the state warehouse is excessive. For example, as of October 1971 the textbook warehouse had in inventory 17,581,505 books. It is important to note that these books were still in inventory after all shipments had been made to school districts to start the school year. A few shipments are made to school districts after the start of the school year to cover unusual circumstances, but the quantity is rela-

tively small.

The causes for this excessively large inventory is the result of (1) the Bureau of Textbooks overordering new textbooks and reprints, (2) the number of different book titles the state is required to maintain (approximately 800), and (3) the existing inventory policy of having all titles in stock at all times irrespective of district usage rates.

A result of maintaining a large textbook inventory irrespective of actual district orders is that substantial quantities of books in inventory at the warehouse have been declared obsolete. Over the past 10 years, 1.4 million books have been declared obsolete, resulting in a direct loss to the state for the production costs of these books plus an additional loss for storage and handling. Table 65 lists the number of textbooks acquired by subject areas, the number of books distributed to districts, and the number of books in inventory declared obsolete from 1961 to 1971. We were unable to determine the total loss to the state from declaring these books obsolete because hundreds of different books are involved. However, we did determine that the direct loss for one social science book with 92,000 copies in inventory when it was declared obsolete was \$94,760 excluding costs for storage and handling.

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Table 65
Number of Textbooks Acquired, Distributed and Declared Obsolete
at the End of Adoption Period
July 1, 1961–June 30, 1971

<i>Adoption period expiration date (June 30)</i>	<i>Subject</i>	<i>Total acquired (thousands)</i>	<i>Total distributed (thousands)</i>	<i>Number of obsolete textbooks (thousands)</i>
1971	Social Sciences (K-4) ¹	5,568	5,346	222
1970	Arithmetic.....	14,554	14,489	65
1969	Reading and Literature.....	15,343	15,105	238
1968	English.....	3,880	3,842	38
	Spelling.....	19,137	19,125	12
	Handwriting.....	4,678	4,630	48
	Music.....	4,817	4,587	230
1967	Science.....	5,830	5,772	58
	Social Science.....	2,589	2,562	27
	Health.....	3,301	3,111	190
1966	None.....	--	--	--
1965	Arithmetic.....	3,870	3,850	20
	Social Science.....	1,820	1,801	20
1964	Arithmetic.....	5,922	5,773	149
	Social Science.....	4,867	4,845	22
1963	Social Science.....	2,740	2,720	20
1962	None.....	--	--	--
1961	Reading.....	1,852	1,840	12

¹ Also includes two titles in the 5th grade, and one title in the 8th grade on which the adoption ended 6-30-71.

We believe the Superintendent of Public Instruction should take immediate steps to establish effective controls on the ordering and reordering of textbooks at the state and local levels to reduce the state warehouse inventory levels and the number of books declared obsolete or surplus.

4. 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.

Tables 66 shows expenditures in terms of state operations and local assistance and indicated funding sources.

Table 66
Surplus Property

	<i>Actual 1970-71</i>	<i>Estimated 1971-72</i>	<i>Proposed 1972-73</i>
State operations:			
Surplus Property Revolving Fund -----	\$3,397,784	\$3,992,000	\$6,235,000
Reimbursements -----	99,500	28,000	29,500
Local assistance (federal funds) -----	456,975	300,000	315,000
Totals -----	\$3,954,259	\$4,320,000	\$6,579,500

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 1972-73 has a fair market value of approximately \$50 million and food commodities have a wholesale value of an additional \$55 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 \$6,235,000 is proposed for expenditure in 1972-73 from the Surplus Property Revolving Fund, an increase of \$2,243,000 over the 1971-72 level of \$3,992,000. This increase in expenditures from the Surplus Property Revolving Fund for 1972-73 is based upon an anticipated increase in the availability of surplus property due to armed forces being returned from Vietnam.

5. Credentials Commission

The credentialing function was transferred from the Department of Education to the new Commission on Teacher Preparation and Lic-

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ensing on August 1, 1971. The budget of the new commission is discussed on page 930.

6. Audiovisual and School Library Education

In the current year the activities of this element are in the process of being consolidated with the educational program administration services component. The proposed 1972-73 budget reflects this organizational change by consolidating budget requests and expenditure items under the program administration services component. The only identifiable budget item for this element is \$7,298,432 of federal funds to be used for local assistance to school libraries. Table 67 shows expenditures for state operations, local assistance and funding sources.

Table 67
Audiovisual and School Library Education

	<i>Actual 1970-71</i>	<i>Estimated 1971-72</i>	<i>Proposed 1972-73</i>
State Operations			
General Fund -----	\$106,298	\$129,806	— ¹
Federal funds -----	174,398	34,055	— ¹
Reimbursements -----	25,642	26,386	— ¹
Local Assistance			
Federal funds -----	\$6,535,168	\$7,298,432	\$7,298,432

¹ Budget request consolidated with Educational Program Administration Services.

The objectives of this element are to assist local educational agencies develop, improve, expand and utilize media resources. The 1972-73 program budget statement indicates that these objectives will be accomplished through assistance to local districts in planning, installing, operating and evaluating instructional media programs in school districts throughout the state.

c. Pupil Services

Table 68 reviews pupil services estimated expenditures by program component.

Table 68
Pupil Services Estimated Expenditures by Program Component

	<i>Actual 1970-71</i>	<i>Estimated 1971-72</i>	<i>Proposed 1972-73</i>
1. Food Services -----	\$48,283,273	\$64,230,200	\$77,411,000
2. Pupil Personnel Services -----	1,277,171	—	—
Totals -----	\$49,560,444	\$64,230,200	\$77,411,000

1. *Food Services.* The Bureau of Food Services is responsible for administering six federal programs of food supplementation for pupils while they are attending school, as well as the Duffy-Moscone Family Nutritional Education and Services Act of 1970. Federal and state funds are allocated to school districts on the basis of income poverty guidelines prescribed by the U.S. Secretary of Agriculture so that priority in providing free meals is given to the neediest children.

Table 69 lists expenditure estimates for state operations and local

assistance for food services by fund source.

Table 69
Estimated Expenditures for Food Services by Fund Source

	<i>Actual 1970-71</i>	<i>Estimated 1971-72</i>	<i>Proposed 1972-73</i>
State Operations:			
General Fund -----	\$254,275	\$311,400	\$310,700
Federal funds -----	114,245	150,000	397,600
Reimbursements -----	74	--	21,600
Subtotal -----	\$368,594	\$461,400	\$729,900
Local Assistance:			
Federal funds -----	41,914,679	63,768,800	76,681,100
State Construction Program Fund (Duffy-Mosccone Act of 1970) -----	3,500,000	2,500,000	--
Subtotal -----	\$45,414,679	\$66,268,800	\$76,681,100
Total -----	\$45,783,273	\$66,730,200	\$77,411,000

The budget proposes an increase of 10 positions in the Bureau of Food Services staff, including five child nutrition consultants plus clerical support in conjunction with the expanded federal programs of food supplementation. These positions will be supported by federal funds.

Table 70 compares participation in the food services programs in November 1970 and November 1971.

Table 70
Comparison of Food Services Participation by Program
November 1970 and November 1971

	<i>Number of schools</i>	<i>Average daily attendance</i>	<i>Average daily participation</i>	<i>Daily free and reduced price meals</i>
School Lunch				
November 1971 -----	5,463	3,356,508	1,258,330	538,570
November 1970 -----	5,155	2,880,355	1,103,427	410,968
Percent increase -----	6%	16.5%	14%	31%
School Breakfast				
November 1971 -----	287	218,632	58,387	57,926
November 1970 -----	230	183,803	53,210	52,347
Percent increase -----	24.8%	18.9%	9.7%	10.7%
Special Food Services				
November 1971 -----	120	6,765	13,246	13,128
November 1970 -----	72	3,085	6,666	6,561
Percent increase -----	66.7%	119.2%	98.7%	100.0%

Table 71 indicates the Department of Education estimate of budget year federal local assistance expenditures by program.

Table 71
Estimated 1972-73 Federal Local Assistance
Food Services Expenditures by Program

	<i>Estimated 1972-73</i>
Federal program:	
School lunch -----	\$15,120,000
Special milk -----	8,100,000
School breakfast -----	1,686,100
Special Assistance to needy children -----	49,500,000
Special food services -----	1,000,000
Nonfood assistance (equipment) -----	1,275,000
Total -----	\$76,681,100

INSTRUCTIONAL SUPPORT—Continued

The federal programs administered by the Bureau of Food Services are the following:

(a) *The School Lunch Program* is to provide a nourishing lunch to a maximum number of pupils of high school grade or under. A revision in federal regulations in November 1971, retroactive to July 1, 1971, increased federal participation in the School Lunch Program from \$0.04 to \$0.06 per lunch at the elementary level, the same amount of federal funds as provided at the secondary level. Based on the Department of Education's stated objective that in the budget year 1,750,000 children will be served, we estimate a federal subsidy of \$18.9 million, or \$3.8 million more than the \$15.1 million estimated by the department at this time. The difference in estimates is because the department did not consider the full increase in the rate of federal subsidy in making its estimate.

(b) *The Special Milk Program* is to provide midmorning or midafternoon nourishment for kindergarten pupils and pupils who bring lunch from home.

(c) *The School Breakfast Program* is to provide low cost, nutritious breakfasts to children from low-income economic areas. The federal subsidy is \$0.15 per breakfast.

(d) *The Special Assistance to Needy Children Program* is to provide free or reduced price meals for needy pupils of high school grade or under. Federal regulations were revised in November 1971 retroactive to July 1, 1971, to increase from \$0.30 to \$0.40, the maximum federal allowance per school lunch in this program. This subsidy is in addition to the \$0.06 subsidy provided under the School Lunch Program.

Based on the Department of Education's stated objective that in the budget year 750,000 children will be provided free lunches and 250,000 children will be provided reduced price lunches, we estimate the federal subsidy at \$63 million, or \$13.5 million more than is estimated by the department at this time. The difference in estimates is because the department did not consider the full increase in the federal subsidy in preparing its estimate.

(e) *The Special Food Services Program* is to provide food services for children in day care centers, settlement houses, or recreation centers which offer day and/or other child care.

(f) *The Nonfood Assistance Program* is to provide financially distressed districts funds to purchase equipment for food services in order to extend the benefits of the School Lunch Program to additional children.

School Lunch Matching Requirements

We recommend that before the Senate Finance and Assembly Ways and Means subcommittees review the food services budget, (1) a written determination be obtained from the U.S. Office of Education as to whether apportionments from the State School Fund to school districts qualify as state matching funds for the School Lunch Program to the extent that they are utilized by districts for the program on a pro rata basis with locally generated revenues and (2) an updated schedule of federal expenditures for the School Lunch Program for the current year and the budget year be prepared by the Department of Education.

Federal law requires state and local education agencies to provide matching funds, including fees paid by pupils, of \$3 for every federal dollar allocated for the School Lunch Program. Table 72 reflects state and local matching requirements for each federal dollar allocated to the School Lunch Program.

Table 72
School Lunch Program
State and Local Matching Requirements

Period	Federal subsidy	State and Local Matching		
		State	Local	Total
1971-72 and 1972-73	\$1.00	\$0.12	\$2.88	\$3.00
1973-74 and 1974-75	1.00	0.18	2.82	3.00
1975-76 and 1976-77	1.00	0.24	2.76	3.00
1977-78 and after	1.00	0.30	2.70	3.00

This table indicates that the state matching share per federal dollar will increase from \$0.12 in 1971-72 to \$0.30 in 1977-78 and thereafter. These matching requirements were incorporated in the National School Lunch Act by 1970 amendments.

The Department of Education states that the estimated federal allocation for the School Lunch Program in 1971-72 is matched by the carryover of approximately \$2.5 million of the \$6 million appropriated by the Duffy-Moscone Act of 1970. Our estimated 1972-73 federal allocation of \$18.9 million for the School Lunch Program would require \$2.3 million in state funds to meet the federal matching requirement. Since no state funds are provided in the budget year for local assistance to the School Lunch Program, there is a potential violation of federal regulations which could result in the withdrawal of federal funds.

State apportionments to school districts are a possible source of state matching funds to satisfy federal requirements. However, present federal directives require separate identification of such apportionments as being exclusively for the School Lunch Program. U.S. Department of Agriculture Instruction 787-3 dated November 23, 1971, states in part:

"... any portion of state revenues made available to local schools under minimum foundation grants or other programs and transferred to the school's nonprofit lunch program are eligible to be

INSTRUCTIONAL SUPPORT—Continued

counted as state revenue matching. State agencies must insure that the accounts of the school district and the school lunch program are maintained in such a manner that transfers of *state revenues* can be distinguished from transfers of *local governmental revenues*. Such accounts shall also identify the date of such a transfer of state revenues . . .”

The U.S. Department of Agriculture instruction is unclear as to whether California's foundation program support for school districts qualifies as state matching funds for the School Lunch Program. The Department of Education has failed to obtain an interpretation of this instruction. We have requested the U.S. Department of Agriculture, Food Nutrition Service, to provide a clarification of this instruction concerning the eligibility of California's foundation program as state matching funds.

If the U.S. Office of Education will recognize a proportionate utilization of state funds by a district in its school lunch program, the state matching requirement will be met for the budget year. Otherwise, the Legislature should consider an appropriation sufficient to satisfy the federal matching requirement. If a special appropriation is necessary, an updated schedule of federal school lunch expenditures for the current year and budget year is needed to determine the amount of the appropriation.

2. *Pupil Personnel Services.* Although the budget document lists pupil personnel services under this program, these services in the current year are a part of the Instructional Program Administration element of Program Instruction. In the budget year pupil personnel services are to be assigned to a Guidance and Counseling Task Force, which is discussed under Program I, Instruction.

Program No. III**SCHOOL ADMINISTRATION SUPPORT**

Budget p. 179 Program p. 1004

Requested 1972-73.....	\$1,388,500
Estimated 1971-72.....	1,317,900
Actual 1970-71	1,013,163
Requested increase \$70,600 (5.4 percent)	

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONSAnalysis
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1. Recommend Department of Education demonstrate compatibility of state and federal accounting manuals. 898

Program Description

The School Administration Support Program of the Department of Education consists of a variety of services provided to local school districts by the Division of Public School Administration and Finance. These services include assistance in (1) district organization, (2) school facilities planning, (3) attendance reporting, (4) pupil transportation and (5) administration. In addition, the division supervises a research program and the Management Revision and Assistance Task Force.

Table 73 shows the elements of the School Administration Support program and proposed expenditures.

Table 74 shows the funding sources of the School Administration Support program.

Table 73
Expenditures of the School Administration Support Program

	<i>Actual 1970-71</i>	<i>Estimated 1971-72</i>	<i>Proposed 1972-73</i>
A. Management review and assistance task force -----	--	\$215,800	\$298,700
B. Administrative service to local educational agencies			
1. District organization -----	\$57,577	65,500	68,000
2. School facilities planning -----	464,805	454,200	481,700
3. Attendance reporting systems --	50,291	49,396	--
4. Pupil transportation -----	136,708	247,304	176,300
5. Administrative services -----	168,244	164,600	237,000
C. Administrative research -----	135,538	121,100	126,800
Totals -----	\$1,013,163	\$1,317,900	\$1,388,500

Table 74
Funding for the School Administration Support Program

	<i>Actual 1970-71</i>	<i>Estimated 1971-72</i>	<i>Proposed 1972-73</i>
State Operations			
General Fund -----	\$554,231	\$570,500	\$579,700
School Building Aid Fund -----	169,857	202,000	257,300
Federal funds -----	236,279	450,400	475,000
Reimbursements -----	52,796	95,000	76,500
Totals -----	\$1,013,163	\$1,317,900	\$1,388,500

A. Management Review and Assistance Task Force

The School District Management Review and Assistance Task Force was established by the Department of Education in 1971-72 to review management practices in California public schools and to assist school districts in increasing management efficiency.

Problems which confront school districts include (1) deficit balances at the end of the school year, (2) attendance reporting errors in special education classes which result in the overpayment of state apportionments, and (3) inadequate accounting and management practices.

SCHOOL ADMINISTRATION SUPPORT—Continued

The task force is supported by federal ESEA Title V funds. The \$82,900 increase in expenditures for the budget year is caused by increased operating expenses and the addition of one clerical position.

The stated objective of the task force for 1972-73 is to improve the management skills of school administrators in at least 50 districts by (1) reducing deficit spending, (2) encouraging the adoption of improved management techniques, (3) eliminating incorrect attendance reporting and (4) increasing the efficiency and effectiveness of management operations.

B. Administrative Services to Local Education Agencies

1. *District Organization.* This component includes activities of the Department of Education which provide liaison between the State Board of Education and county committees on school district organization. The budget supplement indicates that a system of separate elementary and high school districts is educationally and economically inefficient. The Bureau of Administrative Research and District Organization assists districts to improve their organization through unification, transfers, annexations and the formation of new districts.

The budget indicates that General Fund expenditures will increase from \$65,500 to \$68,000 in 1972-73 to maintain the current level of service.

2. *School Facilities Planning.* Chapter 1057, Statutes of 1971 (AB 546), directs the Bureau of School Planning to provide school districts applying for state school building aid with (1) assistance in preparing the educational master plan required of state-aided districts, (2) a review and evaluation service to insure the development of effective school facilities, (3) educational planning information. In addition to these new functions, the Bureau of School Planning is required to review and approve school construction for small districts, districts without a city board, and districts requesting state school building aid.

Districts are charged a site review fee of \$25 for every 10 acres of land studied by the bureau, and a fee of one-twentieth of 1 percent of the construction project cost as estimated by the Office of Architecture and Construction for review of plans and specifications.

The bureau may extend its planning services to any district upon request. When such services are rendered, the bureau must collect a fee equal to the actual costs incurred, exclusive of the salaries of participating state employees. In recent years, approximately 80 percent of the school districts receiving Bureau of School Planning services have been required to do so by law. The remaining 20 percent have voluntarily requested school planning services provided by the bureau.

Table 75 presents funding sources for the Bureau of School Planning. Federal ESEA Title V funds for publication, graphic art, and research within the bureau were discontinued in 1971.

Table 75
Funding for the Bureau of School Planning

	<i>Actual 1970-71</i>	<i>Estimated 1971-72</i>	<i>Proposed 1972-73</i>
Support			
General Fund -----	\$205,649	\$157,200	\$147,900
School Building Aid Fund -----	169,857	202,000	257,300
Federal funds -----	36,503	--	--
Reimbursements -----	52,796	95,000	76,500
Totals -----	\$464,805	\$454,200	\$481,700

3. Attendance Reporting Systems. This component provides guidance and assistance to school administrators in the reporting of attendance data for regular and special education programs. Services include (1) in-service training and workshops for local school districts in the interpretation and administration of attendance laws, (2) consultation with local school districts on complex attendance problems, (3) review and approval of central attendance accounting systems and (4) auditing of school district attendance records.

4. Pupil Transportation. The Bureau of Administrative Services supervises state reimbursements to local school districts for pupil transportation costs. The bureau also regulates pupil transportation by (1) compiling rules for schoolbus operation and pupil transportation in California, (2) training schoolbus drivers, (3) conducting workshops on reporting procedures, schoolbus preventive maintenance and purchasing procedures and (4) monitoring records and reports from school districts relating to transportation reimbursements.

Table 76 presents funding for the support of pupil transportation. Federal support consists of National Highway Safety Act funds for a busdriver training program. In 1972-73, pupil transportation will be included under administrative services and thus no General Fund expenditures are indicated for that year.

Table 76
Support for Pupil Transportation

	<i>Actual 1970-71</i>	<i>Estimated 1971-72</i>	<i>Proposed 1972-73</i>
Administrative Service to Local Educational Agencies			
General Fund -----	\$43,433	\$42,704	--
Federal funds -----	93,275	204,600	\$176,300
Subtotals -----	\$136,708	\$247,304	\$176,300
Apportionments			
General Fund			
Special transportation -----	\$10,149,470	\$10,500,000	\$11,100,000
Regular transportation -----	26,113,514	29,000,000	32,000,000
Totals -----	\$36,399,692	\$39,747,304	\$43,276,300

The Legislature has shown concern in the past regarding 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. The Bureau of Administrative Services indicates that this study has been

SCHOOL ADMINISTRATION SUPPORT—Continued

completed and will be presented to the Legislature on February 1, 1972. Results of this study include a proposal to simplify transportation allowances by adopting a state reimbursement allowance of \$3 per eligible busdriver hour instead of the existing complicated equalization formula based on assessed valuation.

5. Administrative Services. Administrative services strive to upgrade administrative practices in local school districts by (1) conducting workshops on school finance and recent legislation, (2) providing consultation services, and (3) encouraging efficient purchasing and accounting procedures. Beginning in 1972-73, pupil transportation and attendance reporting systems will be included under the administrative services program element.

Accounting Manuals

We recommend that the Department of Education submit to the Joint Legislative Budget Committee by September 1, 1972, a report demonstrating the compatibility of the U.S. Office of Education Handbook No. 2 "Financial Accounting for Local and State School Systems" with the revised California School Accounting Manual account classifications and reporting requirements, together with a written statement from the U.S. Office of Education as to the acceptability of the revised school accounting manual account structure for federal reporting requirements.

The State Board of Education in December 1970 directed the Superintendent of Public Instruction to prepare a revised California School Accounting Manual which would be compatible with the newly adopted state program budget and accounting structure and would delineate state reporting requirements. A final draft of the revised School Accounting Manual is to be submitted to the State Board of Education in April 1972.

Federally subsidized education programs in California contain specific requirements for accounting and reporting expenditures of federal funds. Such reporting requirements necessitate compatibility between the U.S. Office of Education Accounting Manual and the California School Accounting Manual. The State Department of Education has not coordinated the revision of the California School Accounting Manual with the U.S. Office of Education. Our review of the proposed revised school accounting manual chart of accounts and program structure indicates that there is wide variance between the two accounting structures. There is the possibility of federal audit exceptions if the California School Accounting Manual does not provide for the collection and reporting of information necessary to meet federal program guidelines. The only alternative to making the California School Accounting Manual compatible with the U.S. Office of Education Accounting Manual would be for local education agencies to incur extra bookkeeping efforts and costs to prepare special reports

to meet federal requirements. We do not believe this alternative should be necessary.

C. Administrative Research

The administrative research program is designed to provide the data collection, evaluation, and distribution services necessary for making education policy decisions. Data gathered and published is used by administrative and advisory personnel at state and local levels. Priority is given to the collection and evaluation of data necessary for the publication of annual reports such as *California Public Schools, Selected Statistics*.

Table 77 presents a summary of funding sources for administrative research. Federal funds were discontinued in 1971 when the state assumed support of two federal projects: (1) a study to determine the use by teachers of state textbooks, and (2) a project designed to improve techniques for collecting data from local school districts.

Table 77
Administrative Research

	Actual 1970-71	Estimated 1971-72	Proposed 1972-73
General Fund -----	\$62,375	\$121,100	\$126,800
Federal funds -----	73,163	--	--
Totals -----	\$135,538	\$121,100	\$126,800

Program No. IV.

SCHOOL FINANCE AND STATE AID

Budget p. 179 Program p. 1010

Requested 1972-73.....	\$1,619,727,933
Estimated 1971-72	1,522,701,388
Actual 1970-71	1,519,415,440
Requested increase \$97,026,545 (6.4 percent)	

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
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1. Recommend Department of Education report on the development of a program budgeting system in school districts. 902
2. Item 267. Recommend special review of State School Fund apportionments when information from first principal apportionment is available. 906
3. Item 269. Recommend funds to offset inflation be limited to equalization aid districts. 907
4. Recommend legislation to increase State School Fund apportionments to offset costs due to inflation and changes in real purchasing power. 908

SCHOOL FINANCE AND STATE AID—Continued**Program Description**

The school finance and state aid to school districts program is the largest individual program of the Department of Education. This program includes the following two elements: (1) administration of state aid, and (2) apportionment of state aid. Table 78 summarizes expenditures for these program elements.

Table 78

	<i>Actual 1970-71</i>	<i>Estimated 1971-72</i>	<i>Proposed 1972-73</i>
A. Administration of State Aid -----	\$395,946	\$430,400	\$284,586
B. Apportionment of State Aid -----	\$1,519,019,994	\$1,521,953,988	\$1,619,443,347
Totals -----	\$1,519,715,440	\$1,522,384,388	\$1,619,727,933

The state operations and local assistance expenditures by funding source for the school finance and state aid to school districts are shown in Table 79.

Table 79
School Finance and State Aid to Local Schools Program
Funding by Source

	<i>Actual 1970-71</i>	<i>Estimated 1971-72</i>	<i>Proposed 1972-73</i>
State Operations			
General Fund -----	\$619,146	\$683,000	\$557,313
Subtotal -----	\$619,146	\$683,000	\$557,313
Local Assistance			
General Fund -----	\$1,450,893,190	\$1,497,183,900	\$1,596,193,300
General Fund (loan recoveries) -----	—102,678	—222,679	—222,680
State School Fund -----	3,057,225	2,800,000	2,800,000
California Water Fund -----	276,408	350,000	400,000
Motor Vehicle Transportation			
Tax Fund -----	18,000,000	20,000,000	20,000,000
Driver Training Penalty			
Assessment Fund -----	5,429,947	1,590,167	--
State Construction Program Fund -----	41,242,202	--	--
Subtotals -----	\$1,518,796,294	\$1,521,701,388	\$1,619,170,620
Totals -----	\$1,519,415,440	\$1,522,384,388	\$1,619,727,933
General Fund -----	\$1,451,512,336	\$1,497,866,900	\$1,596,750,613
General Fund (loan recoveries) -----	—102,678	—222,679	—222,680
State School Fund -----	3,057,225	2,800,000	2,800,000
California Water Fund -----	276,408	350,000	400,000
Motor Vehicle Transportation			
Tax Fund -----	18,000,000	20,000,000	20,000,000
Driver Training Penalty			
Assessment Fund -----	5,429,947	1,590,167	--
State Construction Program Fund -----	41,242,202	--	--
Totals -----	\$1,519,415,440	\$1,522,701,388	\$1,619,727,933

Table 80 summarizes General Fund support to the school finance and state aid to local schools program by Budget Act item.

**School Finance and State Aid to Local Schools Program
Funding by Budget Act Item**

<i>Budget Act item number</i>	<i>Purpose</i>	<i>Amount</i>
261	General activities, Department of Education	\$557,313
267	Apportionments to public schools	1,426,793,300
268	Apportionments to public schools	88,000,000
269	Apportionments to public schools	65,000,000

A. Administration of State Aid

This element provides administrative services related to the apportionment of state aid to local school districts. This element is also responsible for developing an accounting manual and reporting documents to implement a statewide accounting system based on a program structure recommended by the Advisory Commission on School District Budgeting and Accounting. Table 81 shows the funding of this element.

**Table 81
Administration of State Aid Element
Funding by Source**

	<i>Actual 1970-71</i>	<i>Estimated 1971-72</i>	<i>Proposed 1972-73</i>
State Operations			
General Fund	\$395,846	\$430,400	\$284,586

The proposed budget for this element is \$145,814 less than the current year. This reduction is primarily due to the elimination of the functions of the Advisory Commission on School District Budgeting and Accounting from this element.

School District Budgeting and Accounting. The Advisory Commission on School District Budgeting and Accounting was established in 1967 by the Legislature to (1) serve as an advisory body to the State Board of Education on the development of program budgeting and accounting systems for school districts, and (2) recommend to the State Board of Education procedures for the statewide implementation of a program budgeting and accounting system for school districts.

Table 82 summarizes the General Fund expenditures of the commission from its inception through 1971-72.

**Table 82
Advisory Commission on School District Budgeting and
Accounting Operating Expenses 1967-68 Through 1971-72**

<i>Year</i>	<i>Expenditures</i>
1967-68	\$30,390
1968-69	54,191
1969-70	352,971
1970-71	161,130
1971-72 (est.)	159,000

Fourteen school districts and one county superintendent of schools have been developing and testing program budgeting and accounting systems on a pilot basis during the last four years. Based on information provided by the pilot districts and various educational advisory bodies

SCHOOL FINANCE AND STATE AID—Continued

throughout the state, the advisory commission has developed a program budgeting and accounting system operating manual and has initiated an in-service training program on the implementation of program budgeting and accounting.

In November and December 1970 the State Board of Education reviewed the development of the program budgeting system. The board adopted a program structure for school district budgeting and accounting, but deferred endorsement of a timetable for statewide implementation of a program budgeting system.

The board reviewed the estimated cost to the school districts of implementing and operating the proposed program budgeting system and recommended that such costs for the first two years be funded by the state. Costs to school districts of implementing a program budgeting and accounting system were estimated to be \$1 per ADA during the first year and \$0.75 per ADA in each subsequent year. Thus, the total cost for statewide implementation of the system would be approximately \$5 million in the first year and \$3.5 million in each subsequent year.

Program Budgeting System

We recommend that the Department of Education submit to the Joint Legislative Budget Committee by September 1, 1972, a report on the present status of development of a program budgeting system for California school districts. The report should summarize (1) the development of the system to date, (2) problem areas which must be resolved, (3) an estimate of the state and local costs of implementing and operating the system statewide, with particular emphasis on the cost impact on various types of districts such as rural, urban, impoverished, etc., and (4) the benefits to be derived from statewide implementation of such a system.

The advisory commission has been developing a program budgeting system for school districts for the last five years with the intent of implementing the system statewide. However, no report on the development of the system has been submitted to the Legislature.

Based on the experiences of the pilot districts and on testimony from various educational organizations, we believe there are a number of problem areas which need to be reviewed before the Legislature can determine whether a program budgeting system should be mandated for statewide implementation. Among these problems are acceptance by school districts of a program budgeting system, the additional state and local costs of implementing and operating such a system, and the degree of uniformity which will be required of individual district systems in order to satisfy statewide goals and objectives and the reporting requirements of the Department of Education. In view of the potential state cost of a program budgeting system for California schools, we believe the Department of Education should submit a

comprehensive report on the proposed program budgeting system for legislative review.

Educational Management and Evaluation Commission. Chapter 1188, Statutes of 1971 (AB 2800) established the Educational Management and Evaluation Commission to replace the Advisory Commission on School District Budgeting and Accounting, as well as the Advisory Committee on Program Cost Effectiveness and the Advisory Committee on Integrated Data Processing. The new commission assumes the duties and responsibilities of the bodies it replaces. The Governor's Budget contains no identifiable amount for support of the activities of the new commission in the budget year. However, \$43,388 is included in the budget of the Bureau of School Apportionments for one consultant and one secretary plus operating expenses to continue departmental participation in the development of the program budgeting and accounting system. Responsibilities of the consultant include:

1. Attending meetings as division and bureau representative related to school finance matters with particular attention to program budgeting and accounting systems.

2. Developing manuals, training materials and related items for implementation of the program budgeting and accounting system.

3. Training school district and county superintendent of schools business personnel in the use of the new accounting manual procedures.

4. Developing methods of evaluation to determine the effectiveness of training.

5. Consulting upon request with those districts which have severe problems with implementation.

6. Serving as a liaison between local districts and county offices to bring their fiscal problems at the local level to the attention of the State Department of Education.

B. Apportionment of State Aid

The largest portion of state support to public education is composed

Table 83
Apportionment of State Aid

	<i>Actual</i> 1970-71	<i>Estimated</i> 1971-72	<i>Proposed</i> 1972-73
State Operations:			
General Fund -----	\$223,200	\$252,600	\$272,727
Local Assistance:			
General Fund -----	1,450,893,190	1,497,183,900	1,596,193,300
General Fund loan recoveries --	-102,678	-222,679	-222,680
State School Fund -----	3,057,225	2,800,000	2,800,000
California Water Fund -----	276,408	350,000	400,000
Driver Training Penalty			
Assessment Fund -----	5,429,947	1,590,167	-
Motor Vehicle Transportation			
Tax Fund -----	18,000,000	20,000,000	20,000,000
State Construction			
Program Fund -----	41,242,202	-	-
Total -----	\$1,519,019,494	\$1,521,953,988	\$1,619,443,347

SCHOOL FINANCE AND STATE AID—Continued

of transfers made from the General Fund to the State School Fund for apportionment to local school districts. It is anticipated that approximately \$1.6 billion will be expended for this purpose in the budget year.

Table 83 shows the funding sources of this element.

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 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 84.

Table 84
Summary of Statutory Derivation Formula Elements

<i>Item</i>	<i>Education Code authorization</i>	<i>Statutory unit rate</i>	<i>ADA factor</i>	<i>Total</i>
A. Statutory minimum.....	17301(a)	\$180.00	5,285,445	\$951,380,100
B. Plus additional funds as needed	17301(b)	98.92	5,285,445	522,836,219
Subtotal.....		\$278.92	5,285,445	\$1,474,216,319
C. Adjustments				
1. Difference between derivation rate and estimated apportionment needs.....	--	--	--	-\$66,623,019
2. Repayment of school district loans.....	--	--	--	-222,680
D. Equalization aid cost adjustment				
1. Continued cost adjustment.....	--	--	--	88,000,000
2. 1972-73 proposed cost adjustment.....	--	--	--	65,000,000
E. Teachers' Retirement—Chapter 1305, Statutes of 1971 (AB 543).....	--	--	--	42,000,000
F. Driver training.....	17305	--	--	16,400,000
G. Project-connected pupils.....	17307	--	--	400,000
Total State School Fund derivation.....	--	--	--	\$1,619,170,620

The addition to the derivation formula of an inflation factor was 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."

The 1971-72 budget provided \$88 million for distribution in accordance with this section. The 1972-73 budget proposes to continue this \$88 million. The budget also contains \$65 million "to further assist in offsetting cost increases due to inflation."

The most recent addition to the derivation process is the provision of funds for teachers' retirement. Chapter 1305, Statutes of 1971 (AB 543), made major changes in the Teachers' Retirement System including the improvement of benefits and the revision of payment schedules. Beginning in 1972-73, school district contributions for teachers' retirement will be 3.2 percent of payroll. This is an increase of 1.05 percent from the current average district contribution of 2.15 percent of payroll. The contribution schedule for districts will increase from 3.2 percent in 1972-73 to 8 percent of payroll in 1978-79. Chapter 1305, Statutes of 1971, authorizes the transfer of funds from the General Fund to the State School Fund for apportionment to districts for the cost of teachers' retirement. The budget includes \$42 million to help low wealth districts meet the increased cost of teachers' retirement in 1972-73 under the provisions of Chapter 1305, Statutes of 1971.

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.

The Budget Act of 1969 established the practice of controlling the distribution rates by provisions of the Budget Act. This practice, in effect, results in the annual budgeting of State School Fund apportionments to public schools. The Budget Act of 1971-72 as introduced contained an item to control the distribution of state school funds in reduced unit amounts but this item was eliminated by the Legislature in favor of the higher statutory derivation formula rate.

The 1972-73 budget document and Budget Bill Item 267 reflect the

Table 85
Proposed Distribution Rate for 1972-73

	<i>Education Code authorization</i>	<i>Budget Act adjustment</i>	<i>Total proposed authorization</i>
1. Basic, equalization and supplemental aid -----	\$240.92	-\$17.02	\$223.90
2. County School Service Fund -----	3.76	+.01	3.77
3. Pupil transportation -----	4.40	+1.65	6.05
4. Special education -----	19.52	+1.31	20.83
5. Mentally gifted -----	1.67	+.01	1.68
6. Educationally handicapped -----	8.65	+1.36	10.01
Total -----	\$278.92	-\$12.68	\$266.24

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SCHOOL FINANCE AND STATE AID—Continued

intent of the administration to reintroduce the practice of determining the amount from the General Fund available to the State School Fund through budgetary action. Table 85 reviews the distribution amounts proposed in the Budget Act.

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 addition, special state apportionments are made for cost increases due to inflation when funds are appropriated by the Legislature.

School Apportionments Review

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 1971-72 State School Fund apportionment of \$1,521,701,388. This amount consists of \$1,433,701,388 for the apportionment formulas and a continuation of the \$88 million inflation adjustment first provided by the Legislature in the Budget Act of 1970.

The proposed total apportionment for 1972-73 is \$1,619,170,620, an increase of \$97,469,232 over 1971-72. As shown in Table 86, this amount is comprised of (a) \$1,424,170,620 for the apportionment formulas, (b) \$88 million to continue the inflation adjustment first provided by the Legislature in 1970, (c) \$65 million for additional aid to offset cost increases due to inflation, and (d) \$42 million for teachers' retirement.

Table 86
Apportionments

	1971-72	1972-73	Change
Apportionment formulas -----	\$1,433,701,388	\$1,424,170,620	\$-9,530,768
Continuing inflation aid -----	88,000,000	88,000,000	—
Additional inflation aid -----	—	65,000,000	+65,000,000
Teachers' retirement -----	—	42,000,000	+42,000,000
Totals -----	\$1,521,701,388	\$1,619,170,620	\$+97,469,232

To make a more accurate projection of State School Fund apportionments for the budget year, data are required from the first principal

State School Fund apportionment which will not be available until February of the current year. Consequently, we believe consideration of the amount budgeted for apportionments to public schools should be held for special consideration when sufficient information is available to project demand more accurately.

It is important to note that the derivation formula of \$266.24 proposed in the Budget Act is \$12.68 less than the statutory derivation formula of \$278.92. The difference in these amounts is because the Department of Finance estimates that the apportionment demand in 1972-73 will be less than the amount guaranteed by statute. While we would concur that because of slippage (see discussion on page 786) the full amount guaranteed by statute will not be necessary to meet apportionment demands, we do not believe the 1972-73 apportionment demand can be precisely estimated at this time. It should also be noted that reliance on the statutory derivation formula guarantees the apportionment demand will be met. Also, no allowance is made in the budget for apportionments to cover the costs of vocational education and science instruction to private school pupils as provided under Chapter 1813, Statutes of 1971.

Inflation Offset for Equalization Aid Districts

We recommend that control language be added to Item 269 of the Budget Act to distribute the \$65 million proposed in the item to equalization aid districts.

The budget document states that \$65 million is available "to further assist in offsetting cost increases due to inflation." However, the Budget Act, in Item 269, does not earmark these funds for offsetting inflation costs or for any other specific use. Item 269 states \$65 million is "For transfer by the State Controller upon order of the Department of Finance from the General Fund to the State School Fund for allocation as provided by law with emphasis to assist those districts with the most serious and immediate needs."

This language does not specify what provisions of law are to be applied in distributing the \$65 million. If control language specifying the statutory basis for the distribution of the funds is not amended into Item 269, the \$65 million in that item will not be expended.

We recommend control language be added to Item 269 to distribute the \$65 million to equalization aid districts pursuant to Education Code Section 17668 on the same basis as the \$88 million contained in Budget Act Item 268.

It is important to note that the appropriation to equalization aid districts of the \$88 million and \$65 million provided in the budget for inflation is a stopgap measure which, in itself, does not contribute toward a solution to the basic problems in the present school finance system pointed out in *Serrano v. Priest*. We believe more effective use could be made of these funds by including them in a proposal for total school finance reform.

SCHOOL FINANCE AND STATE AID—Continued**Inflation Adjustments for School Apportionments**

We recommend that legislation be adopted to increase State School Fund apportionments to public schools to reflect costs due to inflation and changes in real purchasing power.

The existing system of state school support does not have sufficient flexibility to adapt to changes in the economy. These changes (as discussed in the section of this analysis dealing with California Public School Finance) are basically of two types (a) changes due to inflation, and (b) changes in real purchasing power.

(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 87 shows that the California Consumer Price Index (CPI) increased by 4.07 percent during 1970-71 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 goods and services. It is not a direct reflection of the increased cost of education because most of the cost for schools consists of services (i.e., teacher salaries) which typically grow faster than general consumer prices.

Table 87
Comparison of Increases in School District General Fund
Current Expense to Increases in the California Consumer Price Index
and National Real Purchasing Power

Year	(1) Change in current expense of education	(2) Change in consumer price index	(3) Change in real purchasing power ¹	(4) Program expansion 1—(2 + 3)
1966-67-----	8.62%	1.66%	2.52%	4.44%
1967-68-----	7.43	4.99	2.20	0.24
1968-69-----	11.85	4.66	1.70	5.49
1969-70-----	8.58	4.82	-0.60	4.36
1970-71 (est.)-----	8.38	4.07	2.66	1.65

¹ Monthly Labor Review, U.S. Department of Labor. This index refers to private nonfarm employees.

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. If no funds are appropriated the full impact of inflation must be borne by the local property taxpayer.

(b) *Increase in Real Purchasing Power.* During the 1960's real (constant dollar) 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 through wage negotiations. California school districts partially recognize the need to adjust the real purchasing power of teachers by granting annual merit salary increases.

However, the state school financial structure does not recognize changes in real purchasing power. Thus, if no special legislative appropriations are made, the cost of attempting to keep the purchasing power of teachers at parity with the labor force must be borne entirely by the local property taxpayer.

We believe that foundation program support should be increased to reflect these changes. We propose the adjustment factors be computed in the following manner.

(a) *Cost Changes Due to Inflation.* We believe state support for the public schools should be adjusted annually by the Consumer Price Index reported for the period from 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 1971 to March 1972 is estimated to be 4.0 percent.

(b) *Changes in Real Purchasing Power.* We believe state support should be adjusted to compensate for changes in the real purchasing power of the economy. The adjustment formula should take into account the wide variations which occur from year to year in the national productivity factor or measure of real purchasing power. 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 for 1972-73 is estimated to be:

Consumer Price Index (March 1971 to March 1972, est.)		Change in real purchasing power		Total adjustment factor
4.0%	+	2.75%	=	6.75%

When the 1971-72 apportionment for foundation program support as reflected in the budget document of \$1,208,455,500 is multiplied by the estimated adjustment factor of 4.0 percent for the Consumer Price Index and 2.75 percent for changes in real purchasing power an augmentation of approximately \$48.3 million is required for the cost of living and \$33.2 million for changes in real purchasing power, or a total cost of approximately \$81.5 million to the General Fund in 1972-73.

This amount is \$16.5 million more than the \$65 million proposed in the Governor's Budget. It should be noted that the proposed \$65 million adjustment in the budget is not tied to a formula or index which would enable an annual adjustment in state school support. In essence, the proposed \$65 million adjustment would simply reimburse districts for the estimated \$66 million loss in state aid they will incur from 1970-71 through 1972-73 due to growth in their assessed valuation. Thus, there is in no real sense any new money for schools to reduce the local taxpayer's share. In the Analysis of the Budget Bill for

SCHOOL FINANCE AND STATE AID—Continued

1971-72 we noted that the 1971-72 budget failed to provide additional school funds for inflation between 1970-71 and 1971-72. We recommended at that time that funds be provided for inflation and changes in real purchasing power as part of school finance reform. However, no school finance legislation was passed in 1971 nor were provisions made for additional school funds in the tax increase enacted. As a result, the full cost of inflation and changes in real purchasing power fell on the local property taxpayer.

We believe adjustments to school support for cost increases due to inflation and changes in real purchasing power in the current year and the budget year should be considered in the context of major school finance reform discussed in the General Summary section of this Analysis beginning on page 785. This consideration of school finance should not only include cost adjustments for inflation and changes in real purchasing power but should deal with the definition of an adequate foundation program, the optimization of the size of school districts, the most efficient use of statewide property tax resources, and the evaluation of state supported education programs.

Program No. V
LIBRARY SERVICES

Budget p. 179 Program p. p. 1016

Requested 1972-73.....	\$9,799,697
Estimated 1971-72	9,929,096
Actual 1970-71	6,289,047
Requested decrease \$129,399 (1.4 percent)	

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

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1. Recommend no action on the advisory and research elements of Library Services Program until State Librarian submits program statement and work plan. 912

Program Description

The Library Services program is composed of those activities of the Department of Education which provide general library services to the public, basic reference services to the Legislature and the executive branch of government and the maintenance of historical material relating to California. The department 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 their costs in Table 88.

Table 88
Library Services

	<i>Actual 1970-71</i>	<i>Estimated 1971-72</i>	<i>Proposed 1972-73</i>
A. Resources and services ¹ -----	\$1,989,132	\$2,233,812	\$2,261,754
B. Advisory and research ¹ -----	205,264	250,925	930,587
C. Administration -----	4,094,651	7,444,359	6,607,356
Totals -----	\$6,289,047	\$9,929,096	\$9,799,697

¹ Library Services and Construction Act administration shown in resources and services for 1971-72 and in advisory and research for 1972-73.

Table 89 shows program expenditures in terms of state operations and local assistance by funding source.

Table 89
State Operations and Local Assistance

	<i>Actual 1970-71</i>	<i>Estimated 1971-72</i>	<i>Proposed 1972-73</i>
State operations			
General Fund -----	\$1,867,953	\$2,038,100	\$2,324,193
Federal funds -----	3,225,667	6,860,845	6,219,686
Reimbursements -----	225,234	230,151	455,818
Subtotal -----	\$5,318,854	\$9,129,096	\$8,999,697
Local assistance			
General Fund -----	970,193	800,000	800,000
Totals -----	\$6,289,047	\$9,929,096	\$9,799,697

Table 90 shows General Fund support by budget item for the library services program.

Table 90
Budget Act Appropriations for Library Services

<i>Item No.</i>	<i>Title</i>	<i>Amount</i>
State operations		
(Item 266) State Library -----		\$1,915,687
(Item 264) General Activities, Department of Education -----		408,506
Subtotal -----		\$2,324,193
Local assistance		
(Item 276) Assistance to public libraries -----		\$800,000
Total -----		\$3,124,196

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

LIBRARY SERVICES—Continued

the physically handicapped.

Table 91 provides a breakdown of expenditures by year as well as sources of funding for this element.

Table 91
Library Services Actual and Estimated Expenditures

	<i>Actual 1970-71</i>	<i>Estimated 1971-72</i>	<i>Proposed 1972-73</i>
Support			
General Fund	\$1,405,182	\$1,460,133	\$1,777,972
Federal funds	358,716	543,528	27,964
Reimbursements	225,234	230,151	455,818
Totals	\$1,989,132	\$2,233,812	\$2,261,754

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 92 provides expenditures by year as well as source for this element.

Table 92
Advisory and Research Support

	<i>Actual 1970-71</i>	<i>Estimated 1971-72</i>	<i>Proposed 1972-73</i>
Support			
General Fund	\$123,148	\$150,808	\$186,953
Federal funds	82,116	100,117	743,634
Totals	\$205,264	\$250,925	\$930,587

Library Services Program

We recommend that the legislative fiscal subcommittees not act on the proposed 1972-73 budget for the advisory and research element of the Library Services Program until the State Librarian submits a complete program statement and work plan for this element. The proposed 1972-73 budget for the advisory and research element reflects an increase of \$643,517 in federal funds and \$36,145 in state funds for a total increase of \$679,662. However, the program budget does not provide adequate justification for these increases. The program statement fails to identify (1) the current output level and the amount it will increase, and (2) the need for increased state and federal funding.

The budget proposes an increase of 29.4 authorized positions in 1972-73. However, the program statement contains no justification for these increases. Because of deficiencies in the program budget state-

ment we asked the State Librarian to provide a more detailed justification. We believe the State Librarian should furnish adequate detail for the sizable increase in the budget request before the Legislature acts on the item.

The programs coordinated and supervised by the advisory and research 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 defray partially the cost of improved services provided by the regional library systems. Chapter 95, Statutes of 1966, 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 increased in annual increments from 6 percent in 1967-68 to 10 percent in 1969-70. Currently, in California, there are 21 library systems, composed of 15 multiple library systems, serving an estimated population of 18,864,685 in 1971-72.

A sum of \$800,000 is proposed for subventions to local libraries for establishment and per capita grants in 1972-73 which is the same level as the current year. Table 93 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 1972-73.

Table 93
Number of Library Systems, Amount of State Subventions, Population Served by the Library System and State Support per Capita for Fiscal Years 1967-68 Through 1972-73

Year	Number of library systems	State subventions	Population served by the library systems	State support per capita
1967-68-----	20	\$800,000	14,921,059	\$0.0536
1968-69-----	21	1,200,000	16,412,331	.0731
1969-70-----	21	1,251,616	17,656,407	.0709
1970-71-----	21	1,000,000	18,547,668	.0539
1971-72-----	21	800,000	18,880,574	.0424
1972-73-----	21	800,000	19,230,734 (est)	.0416

Under the proposed budget state support per capita would decrease slightly from the current level of \$0.0424 to \$0.0416. The number of library systems is projected to remain the same in 1972-73. The population served by the library systems shows an estimated increase of 350,160 during 1972-73 mainly due to independent public libraries joining existing library systems.

LIBRARY SERVICES—Continued

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

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 and materials and for state level administration. In 1971-72 it is estimated that California will receive \$3,694,797 for Title I projects. This amount includes funds formerly provided under Title IV-a and IV-b. The 91st Congress in 1970 amended the Library Services and Construction Act to transfer funds formerly provided under Titles IV-a and IV-b to Title I for the following purposes.

a. *Institutional Library Services*. Funds are used to promote cooperation among state institutions, to provide improved library services and to provide consultative services to state institutions.

b. *Services for Physically Handicapped*. Funds are used to improve the State Library's collection of material for the blind and physically handicapped and to establish a pilot program in a local library to demonstrate the need for adequate library programs for the handicapped.

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. California will receive \$508,399 in 1971-72 for this program. It is not known at this time whether California will receive any funds in the budget year for this program.

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. California will receive \$90,372 for the program in 1971-72. It is not known at this time whether California will receive any Title III funds for this program in 1972-73.

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 local jurisdictions.

Table 94 provides expenditures by support and local assistance as well as by source.

Table 94
Library Administration and Local Assistance

	<i>Actual 1970-71</i>	<i>Estimated 1971-72</i>	<i>Proposed 1972-73</i>
Support			
General Fund -----	\$339,623	\$427,159	\$359,268
Federal funds -----	2,784,835	6,217,200	5,448,088
Local Assistance			
General Fund -----	970,193	800,000	800,000
Total -----	\$4,094,651	\$7,444,359	\$6,607,356

Program No. VI

DEPARTMENTAL MANAGEMENT AND SPECIAL SERVICES

Budget p. 179 Program p. 1017

Requested 1972-73.....	\$6,087,667
Estimated 1971-72	5,656,967
Actual 1970-71	3,734,023
Requested increase \$430,700 (7.6 percent)	

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

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- | | |
|---|-----|
| 1. Recommend Department of Education develop alternate statewide testing program based on lot sampling. | 918 |
| 2. Recommend superintendent of Public Instruction consolidate all program evaluation functions in the Office of Program Evaluation. | 920 |
| 3. Recommend Grants and Funds Office be eliminated and program and fiscal management functions be transferred to existing organizational units. | 921 |
| 4. Recommend review of educational information system requirements. | 924 |

Program Description

The stated objectives of the Departmental Management and Special Services Program are:

1. To develop and implement by June 30, 1973, an organization that reflects management's goals and that facilitates administrative and program management which is responsive to changing educational needs.
2. To develop and implement by June 30, 1973, a system for the continuing reevaluation and modification of the organization to meet changing needs.
3. To maintain at least the present level of management services while reorganization and redirection are being implemented.

DEPARTMENTAL MANAGEMENT AND SPECIAL SERVICES—Continued

The Departmental Management and Special Services program is comprised of the three components shown with their proposed expenditures in Table 95.

Table 95
Departmental Management and Special Services
Expenditures by Component

	<i>Actual 1970-71</i>	<i>Estimated 1971-72</i>	<i>Proposed 1972-73</i>
A. Task Forces or Special Projects ----	---	\$336,200	\$292,900
B. Departmental Management ----	\$3,666,767	5,236,167	5,708,567
C. Special Services ----	67,256	84,600	86,200
Total -----	\$3,734,023	\$5,656,967	\$6,087,667

Table 96 lists estimated expenditures by fund source.

Table 96
Departmental Management and Special Services
Expenditures by Fund Source

	<i>Actual 1970-71</i>	<i>Estimated 1971-72</i>	<i>Proposed 1972-73</i>
State Operations:			
General Fund ----	\$1,418,493	\$77,567	\$193,967
Federal funds ----	1,098,361	2,116,900	1,828,300
Reimbursements—indirect ----	801,305	2,812,100	3,198,200
Reimbursements—direct ----	415,864	650,400	867,200
Total -----	\$3,734,023	\$5,656,967	\$6,087,667

Table 97 lists expenditures reimbursed by other programs.

Table 97
Departmental Management and Special Services
Expenditures Reimbursed by Other Programs

	<i>Estimated 1971-72</i>	<i>Proposed 1972-73</i>
Reimbursements—indirect:		
I. Instruction ----	\$1,254,358	\$1,668,711
II. Instructional support ----	787,292	577,879
III. School administration support ----	155,800	138,164
IV. School finance and state aid ----	120,500	37,963
V. Library services ----	292,000	625,183
VI. Departmental management and special services	202,150	150,300
Total -----	\$2,812,100	\$3,198,200

A. Task Forces or Special Projects

The task forces or special projects component consists of the Departmental Reorganization Task Force which is to develop a plan to:

- (a) Centralize fiscal activities
- (b) Implement a new departmental organization structure

- (c) Draft a departmental administrative manual
- (d) Develop a management information system
- (e) Establish a management analysis unit.

There are 13 positions assigned to this activity in the budget year.

B. Departmental Management

The Departmental Management component is comprised of three elements: executive, divisional administration and management services. Table 98 summarizes estimated expenditures for these elements.

Table 98
Departmental Management
Expenditures by Element

	<i>Actual 1970-71</i>	<i>Estimated 1971-72</i>	<i>Proposed 1972-73</i>
1. Executive -----	\$1,003,240	\$2,053,767	\$2,057,067
2. Divisional administration -----	642,716	663,300	632,600
3. Management services -----	2,020,811	2,519,100	3,018,900
Total -----	\$3,666,767	\$5,236,167	\$5,708,567

Table 99 lists estimated expenditures by fund source.

Table 99
Departmental Management
Expenditures by Fund Source

	<i>Actual 1970-71</i>	<i>Estimated 1971-72</i>	<i>Proposed 1972-73</i>
State Operations:			
General Fund -----	\$1,378,792	\$53,467	\$169,967
Federal funds -----	1,070,806	1,780,700	1,535,400
Reimbursements—indirect -----	801,305	2,751,600	3,136,000
Reimbursements—direct -----	415,864	650,400	867,200
Total -----	\$3,666,767	\$5,236,167	\$5,708,567

1. *Executive.* The executive element is comprised of six units as follows:

- (a) The office of the Superintendent of Public Instruction.
- (b) The legislative coordination unit. This unit is established as a separate activity in the budget year to provide analysis and information on legislation concerning education. There are 6.8 positions assigned to this unit in the Governor's Budget.

(c) The congressional liaison office in Washington, D.C. This unit is proposed in the budget year to improve communications with the federal government concerning federally funded programs in California. It will be staffed by a Deputy Director for Congressional Liaison and a secretary.

(d) The program planning unit. The major function of this unit is to develop a 10-year master plan for the department to focus resources on state educational goals, objectives and priorities. There are 22 positions assigned to this unit in the budget.

(e) The legal office. The function of this unit is to interpret legislation and regulations, and provide legal opinions concerning educa-

DEPARTMENTAL MANAGEMENT AND SPECIAL SERVICES—Continued

tional matters. The office will be comprised of six positions in the budget year.

(f) The program evaluation unit. In the budget year the program evaluation unit will: (1) provide technical assistance to all departmental activities, (2) review activities of the State Testing Program and develop recommendations for improving the services of this program, and (3) secure interim reports from each division, bureau and task force and evaluate program accomplishments.

Statewide Testing

We recommend that the Department of Education develop an alternate statewide testing program for application on a lot-sampling basis to identify achievement rates of the different geographical, ethnic, economic, and cultural pupil populations within the state. We further recommend that the department submit a report to the Joint Legislative Budget Committee by November 1, 1972, outlining such a program and comparing the costs of administering the alternative program with those of the present statewide testing program.

There are two required statewide programs for testing pupils in California public schools. They are: (1) the California School Testing Program and (2) the testing required under the Miller-Unruh Basic Reading Act of 1965. All school districts in the state are required to administer specified tests and report the scores to the State Department of Education and their local school boards. Under the Miller-Unruh testing program the state supplies the required tests to school districts, and under the State Testing Program school districts purchase the tests directly from publishers. No separate state funding for scoring or reporting test results is provided to school districts for either program.

The data from these tests are analyzed by the Superintendent of Public Instruction and reported to the State Board of Education. The State Board of Education reports its findings regarding the program together with any recommendations for program adjustments to the Legislature at each regular session.

The report must include, but is not limited to, an analysis of the following operational factors:

- a. Maximum and minimum teacher salaries.
- b. Average class size in grades 1 to 3, inclusive.
- c. Pupil-teacher ratio in grades 4 to 8, inclusive.
- d. Number of nonteaching certificated personnel per 100 full-time teachers.
- e. Total General Fund tax rate and total general purpose tax rate.
- f. Assessed valuation per unit of average daily attendance.
- g. Percentage of minority enrollment.
- h. Index of family poverty, derived from dividing funds received under Title I of the Elementary and Secondary Education Act of

1965 (Public Law 89-10) by the average daily attendance in the district.

- i. Average scholastic ability.
- j. Average transitory factors as derived from dividing the average daily attendance of the district or selected schools by the total annual enrollment of the district.
- k. Rate of staff turnover.

The Department of Education estimates the combined state and local annual cost of the statewide testing program to be \$1.4 million. A sample of school districts surveyed by this office indicates the cost may exceed the department's estimate.

The purpose of the statewide testing program is twofold: (1) to provide a statewide survey of the effectiveness of the public schools as measured by test score results in basic skills and content courses and (2) to make available test score results for utilization by the state and local education agencies in correcting deficiencies in the education program.

The first objective, i.e., providing a survey of statewide achievement as measured by test scores, is accomplished by the present testing system. However, we believe the same purpose could be achieved at a reduced cost and with greater variety of information by means of a statewide testing plan based on a lot sampling procedure.

We believe that the second objective, i.e., utilizing results from the statewide testing program to correct deficiencies in the education program, is not being accomplished. The test results and related information which are presently collected and published on a statewide basis do not provide school districts with evaluative data for use in correcting deficiencies in instructional programs or improving individual pupil achievement.

A study undertaken in 1971 by Educational Testing Service, at the request of the State Department of Education, appraised the feasibility of using scores from the sub-tests which comprise the cooperative primary reading test to diagnose individual pupil needs. Educational Testing Service found that performance on sub-tests of the reading test closely paralleled performance on the total reading test. Educational Testing Service also found that the number of available test items for any given sub-test was generally too small to yield reliable measurement criteria for evaluating the reading performance of individual pupils. They concluded that publishing reading subscores on the cooperative primary reading test on a statewide basis is not justified because the subscores do not reveal anything of a diagnostic nature.

The test instruments required by the present statewide testing program are designed to indicate the general level of the performance of the pupils in broad curricular areas. When scores are summarized at the state level, they indicate the overall level of proficiency of Cali-

DEPARTMENTAL MANAGEMENT AND SPECIAL SERVICES—Continued

fornia pupils in comparison with the pupils in the test publisher's norm group. However, they do not specify, or diagnose, the specific areas of strength and weakness within a curricular area, or the specific needs of a given pupil group. Without such information, individuals responsible for program planning are unable to design programs which focus on areas most in need of improvement. Neither are all the presently utilized test instruments correlated to the curricular material prescribed for California schools.

We believe that the Department of Education should develop an evaluation feedback process which would require (1) measurable performance objectives, (2) collection of standardized and comparable data at various program levels, (3) a plan for judging the effectiveness of individual districts, schools and/or classrooms in meeting program objectives and (4) a feedback mechanism for translating evaluation results into appropriate program changes.

Consolidation of Evaluation Functions

We recommend that the Superintendent of Public Instruction consolidate all department program evaluation functions in the Office of Program Evaluation.

The effectiveness of the evaluation function in the Department of Education is undermined by a lack of centralization and unity. There are separate evaluation staffs for most of the educational programs administered by the department, including ESEA Titles I, II and III, Vocational Education, NDEA Title III, EHA Title VI-B, Adult Basic Education, Special Education, Early Childhood Education, and Migrant Education, as well as a General Office of Program Evaluation. This results in an uncoordinated evaluation of the department's educational programs and does not provide the information necessary to judge the overall effectiveness of the department in meeting its objectives. In order to develop and administer a comprehensive statewide educational evaluation program, we believe that total evaluation responsibility should be assigned to one evaluation unit.

2. *Divisional Administration.* Table 100 lists positions and proposed expenditures in the budget year for each of the divisional managers and their immediate staff.

Table 100
Division Staff Expenditures

	Positions	Proposed expenditures 1972-73
Departmental Administration	2.0	\$36,200
School Administration and Finance.....	5.0	120,900
Instruction	7.2	136,000
Special Education	8.8	191,900
Compensatory Education	6.2	147,600
Total	29.2	\$632,600

The budget document is deficient in not correlating divisional administrative responsibilities with the proposed programs. The divisional administration element proposes an expenditure of over \$600,000 in the budget year for divisional administration but there is no indication in the budget as to how the expenditure of these funds will support the purposes of the six proposed programs.

3. *Management Services.* Table 101 lists estimated expenditures for management services by activity.

Table 101
Management Services
Estimated Expenditures by Activity

	Estimated 1971-72	Proposed 1972-73
a. Grants and Funds Office-----	\$37,000	\$82,900
b. Fiscal Office-----	1,457,700	1,746,100
c. Personnel and Training-----	176,400	185,600
d. Bureau of Publications-----	200,000	333,100
e. Management Analysis-----	--	78,900
f. Management Information Systems-----	648,000	548,300
g. Internal Audit-----	--	44,000
Total-----	\$2,519,100	\$3,018,900

a. *Grants and Funds Office.* This component is intended to centralize the management of state and federal categorical programs and to coordinate such programs for optimum use of resources.

The grants and funds office consists of two positions in the current year with estimated expenditures of \$37,000. Proposals for the budget year include two new positions and an increased cost of \$45,900.

Elimination of Grants and Funds Office

We recommend that (a) the grants and funds office be eliminated and its program management function be transferred to the educational program administration and services unit, (b) the financial management function of the grants and funds office, including the two existing positions, be transferred to the fiscal office, (c) the two additional positions proposed for the grants and funds office in the budget year be assigned to the fiscal office to perform contract services functions.

We believe the functions of the grants and funds office duplicate the functions assigned to the educational program administration and services unit (EPAS) discussed on page 824, and the proposed office for congressional liaison discussed on page 917. Both the grants and funds office and the EPAS unit have the stated responsibility of managing state and federal categorical programs. Both the grants and funds office and the deputy director for congressional liaison have the stated responsibility of establishing and maintaining effective liaison with all federal agencies and offices. We see no reason for duplicating these functions.

Federal program fiscal regulations and guidelines require specific fiscal records and reports and special servicing. We believe these

DEPARTMENTAL MANAGEMENT AND SPECIAL SERVICES—Continued

services should be provided by the department's fiscal office and that the two existing positions in the grants and funds office should be transferred to the fiscal office for that purpose.

The department has indicated a need for a centralized contract services unit to handle all contracts and agreements for procurement of equipment and services, including consultant and professional services. We believe the two additional positions proposed for the grants and funds office could be used for this purpose.

Consolidated Application Form

One of the primary functions of the grants and funds office is the development of a consolidated application form for federally funded programs. ACR 127, Resolutions Chapter 385, Statutes of 1969, and Chapter 1273, Statutes of 1970, directed the Superintendent of Public Instruction to establish a working committee composed of selected school district business officials for the following purposes: (1) to develop a consolidated application form for federal funds and (2) to develop improved administrative procedures for the acquisition and disbursement of federal categorical aid funds.

During 1971 the committee developed a consolidated application form which was field tested by 17 local educational agencies. The form was designed to be used either as a consolidated application or a standard application form for individual programs.

Based on the 1971 field testing the committee established programs for 1972-73 to:

- (1) expand to about 50 the number of districts that would submit consolidated applications for fiscal year 1972, and
- (2) use the application as a standard format for all districts that submit proposals for NDEA Title III projects and education for handicapped projects under EHA Title VI.

A problem concerning the implementation of a consolidated application form is that each federal program has its own objectives, guidelines and reporting requirements. We believe the federal constraints on individual programs will need to be modified if school districts are to have maximum latitude in utilizing federal funds to meet their priority needs. The consolidated application form will serve its ultimate purpose only when such latitude is established.

b. *Fiscal Office.* The stated objectives of the fiscal office include the development and control of a program budget, maintenance of a financial history of operations, preparation of financial reports for management and control agencies, and provision of administrative services to assist the department in reaching its program objectives. The Department of Education recognizes that the fiscal office needs to be reorganized and strengthened to accomplish these objectives. We concur that the operations of the fiscal office are inadequate, fragmented, and in need of a major revision.

The Governor's Budget proposes a reorganization of the fiscal office into three separate units: the budget and reports office, the accounting office, and the business services office. These three units will comprise the basic organizational framework into which the other fiscal activities, presently fragmented throughout the departmental organization, will be integrated. As systems and procedures are completed for discrete work packages, the personnel and activities involved will be transferred from their present organizational unit to the new consolidated fiscal unit.

The proposed increase in expenditures of \$273,400 in the budget year reflects increased operating expenses and 8.5 new positions consisting of additional accounting and clerical staff.

c. *Personnel and Training.* The personnel and training office is responsible for the department's personnel system. There are 14 positions assigned to this activity in the budget year.

One of the objectives of the personnel office in the budget year is to develop a position control system.

As discussed on page 810 we believe the lack of a position control system prevents the identification of existing positions and the identification of changes in positions in relation to the programs discussed in the Governor's Budget.

Broader Position Classifications

A Task Force on Recruitment, Hiring and Promotion for the California State Department of Education was appointed by the Superintendent of Public Instruction in 1971 to assess personnel practices and standards within the department. The task force was comprised of persons outside of the department skilled in personnel management. The task force recommended that: (a) a greater number of key positions should be exempted from civil service, (b) noncredentialed persons should be employed for consultant and management positions, (c) short-term assignments should be made more freely by direct contract, (d) statutory positions that are no longer needed should be eliminated, and (e) non-civil-service positions should be established for temporary staff assignments.

Based on task force recommendations, an objective of the personnel and training office in the budget year is to design and implement a plan for classification of positions for professional employees to reflect functional and organizational changes as they occur. The plan is to encourage the vertical and horizontal mobility in assignments, including short- and long-term temporary assignments.

We believe the department should have greater flexibility in utilization of resources with a reduction in the permanent managerial staff. Utilization by the department of outside skills and education technology on a temporary assignment basis would provide the department with a continuing input of field experience.

d. *Bureau of Publications.* The publications bureau prepares

DEPARTMENTAL MANAGEMENT AND SPECIAL SERVICES—Continued

manuscripts for publication and produces printed and multilithed material needed by the department. It operates on a direct reimbursement basis. There are 23 positions assigned to this activity in the budget year including a newly established bureau chief and secretary.

e. *Management Analysis.* According to the Governor's Budget, the management analysis office will assume administrative and management functions currently performed by task forces.

In our 1971-72 Analysis we were especially critical of the department data collection procedures and noted that there were 34 units in the Department of Education which send out 800 forms annually and collected 5,360 items of data. We also reported that the department's Advisory Committee on Integrated Data Processing stated that there was no control point within the department for collection or dissemination of data and that different bureaus made identical but separate requests for data from local districts.

Unfortunately, this situation continues and we have not been able to ascertain any progress during the current year toward solving the problem. This specific issue has a significant bearing on the following discussion concerning departmental information systems because any approach to an educational information system at the state level must start with a uniform and standardized data collection system.

f. *Management Information Systems.* This element is comprised of departmental business systems and the California Education Informations System (CEIS). The latter is a library of computer programs which consists of two primary subsystems to process business and pupil data for schools. The Governor's Budget states that the management analysis element will include an electronic data processing (EDP) management unit to provide technical assistance to program managers for developing and reviewing the operation of all activities relating to information systems.

Special Review of Information System Needs

We recommend special review by the fiscal committees of the issues concerned with the information system requirements of public education.

In particular this review should investigate: (1) the problems related to statewide collection of educational data, (2) the absence of an organizational structure within the department to coordinate the effective use of data processing and (3) the substantial amount of effort and funds required to develop a series of computer programs for schools (CEIS), and (4) the absence of policies, uniform requirements or a commitment on the part of local school districts to use the CEIS system when it is completed.

In previous analyses and special reports we have discussed and made recommendations regarding each of the above issues. Progress in resolving these issues continues to be extremely slow.

No Statewide Educational Data Base

The Department of Education does not have a coordinated program for the collection and storage of basic and timely data about the schools in California. The problems discussed under the management analysis element relative to this disjointed data collection system constitute the major portion of the problem. In addition, the department has been preoccupied with developing during the past ten years a series of computer programs for local school districts (CEIS) rather than stressing the development of a uniform and simplified reporting system which has as its primary goal the one-time collection of the most current data elements available from each local district.

To obtain a centralized data base for legislative committees evaluating the effects of the *Serrano v. Priest* court decision, it was necessary for the Legislature to extract data from numerous automated files within the department and merge this data into one central file. We understand the Department of Finance went through a similar procedure and that the Evaluation Office within the Department of Education (with the assistance of a private contractor) is also building a separate data base for research purposes.

To avoid a continuation of this situation, we believe that the Department of Education should assume responsibility for this program and that one data base should be developed and maintained for all qualified users, i.e., the Legislature, administration and the department.

Departmental Data Processing Uncoordinated

The department has not established a data processing coordination unit to serve as a liaison between program managers and the Department of General Services data processing service center which provides electronic computing services to the department. For fiscal year 1972-73, the department has budgeted \$1,045,770 for this service.

Although the Department of General Services has assigned project leaders to work on the various data processing applications such as school apportionments, testing, etc., an overall departmental coordinator is required to be responsible for an even flow of work to the service center, to consider new applications, and to resolve problems involving scheduling and costs. This kind of coordination is a requirement if the state service center approach (which is rapidly becoming a state EDP policy) is going to work effectively for the customer departments.

The Fate of CEIS

The Governor's Budget discusses in considerable detail the California Education Information System (CEIS) and includes a chart illustrating the business and pupil subsystems and their various application areas. The Governor's Budget also states that all applications in both subsystems except store's inventory and accounts payable will be individually tested by November 1, 1971. We understand that the

DEPARTMENTAL MANAGEMENT AND SPECIAL SERVICES—Continued

system will be field tested in March 1972 and will be available to school districts in July 1972. CEIS has been discussed with regularity in previous analyses including details regarding the design, development and potential implementation of this system. We believe that the State Department of Education should concentrate on statewide data collection and analysis instead of the development of computer systems and programs in local school districts. In fact, we question whether an expenditure of additional state funds to implement computer programs at the local school district level for district functions is in keeping with the role of the State Department of Education.

It is also apparent that CEIS has experienced considerable delay in becoming operational, the most recent occurring when the final operational date was moved from July 1, 1971, to July 1, 1972. To illustrate the continued paradox with regard to this system, we offer the following:

1. Numerous studies illustrate the proliferation of computers and costs of local district EDP. The Department of Finance Audits Division completed a survey of EDP in local schools and testified on this point before the fiscal committees last year. An August 1971 study by the Education Task Force on EDP reports that public schools spend \$27 million a year on data processing. The large users include 108 districts who operate their own computers and 593 districts who receive some type of service from 11 regional data processing centers. We believe a more efficient and effective program can be achieved by consolidating computer resources and developing a common library of computer systems and programs.

2. The state's policies with regard to CEIS are vague. We understand the Department of Education intends to limit its responsibility to financing those aspects of CEIS which are related to departmental needs (which are very few if any). This position is verified by the Governor's Budget which has reduced direct support from \$350,000 in the current year to \$36,000 in the budget year.

3. Similarly, local school districts and county school offices have shown a reluctance to support mutually the centrally coordinated effort necessary to maintain and disseminate this new library of computer programs, train school district personnel in its use and make computer program improvements as required. We understand that this effort would require about \$500 million in fiscal year 1972-73.

4. A similar reluctance is exhibited towards using the existing library of computer programs which have been developed by the state and are run on the 11 regional center computers. Although some of these centers have a low per pupil cost for data processing, almost three times as many pupils are served by dedicated district computers as by regional centers.

g. Internal Audit. This component will be established in the

budget year to (1) provide information regarding the reliability, accuracy, and completeness of accounting records and reports, (2) ensure that the department and school districts are complying with state laws, federal rules and regulations, and management policies, plans, and procedures, (3) review and appraise the department's effectiveness in carrying out management and fiscal policies, and (4) provide a means of conducting special fiscal-audit studies upon request.

The unit will have three positions and estimated expenditures of \$44,000 in the budget year.

C. Special Services

Special services within the Department of Education consists of (1) the State Board of Education, and (2) the Education Commission of the States. Table 102 presents a summary of expenditures and funding for these services.

1. *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. A high school student appointed by the California Association of Student Councils also sits on the board but has no voting power.

The state board is authorized 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, clerical assistance, and the travel and related expenses of the members of the board.

2. *Education Commission of the States (Item 260).* The Education Commission of the States was organized in 1965 to encourage inter-state 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 commission include the Superintendent of Public Instruction, a member from each legislative house, the Governor, a member of a local school board, and one representative each from 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, ex-

Table 102
Expenditures and Funding for Special Services

	<i>Actual 1970-71</i>	<i>Estimated 1971-72</i>	<i>Proposed 1972-73</i>
Expenditures:			
1. Board of Education	\$44,955	\$60,500	\$62,200
2. Education Commission of the States (Item 260)	22,301	24,100	24,000
Total	\$67,256	\$84,600	\$86,200
State Operations:			
<i>General Fund</i>	\$42,382	\$24,100	\$24,000
<i>Federal funds</i>	24,874	--	--
<i>Reimbursements—indirect</i>	--	60,500	62,200

DEPARTMENTAL MANAGEMENT AND SPECIAL SERVICES—Continued

tended state participation until December 31, 1973, and provides that the Legislature shall review participation in the Compact for Education at that time.

CONTRIBUTIONS TO TEACHERS' RETIREMENT FUND

Item 278 from the General
Fund

Budget p. L-52 Program p. 1055

Requested 1972-73.....	\$135,000,000
Estimated 1971-72.....	20,000,000
Actual 1970-71	91,000,000
Requested increase \$115,000,000 (575.0 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

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

Prior to the enactment of AB 543 (Chapter 1305, Statutes of 1971), teachers' contributions were based on a schedule which varied with the members' sex and age at entry into the system, averaging 7.4 percent of salary. The school districts contributed a maximum (limited by a tax base schedule) of 3 percent of teachers' salaries plus \$6 semiannually per teacher. The State General Fund contributed the annual difference between benefits due and payable and the combination of (a) annual school district contributions and (b) teacher contributions plus interest. The system was not actuarially funded because the employer (district) contributions were inadequate to cover the employer obligation for benefit payments. As a result, it is estimated that the unfunded accrued liability of the system exceeded \$5 billion in 1971.

Chapter 1305, which becomes operative July 1, 1972, places the system on a more nearly funded basis by (1) requiring, beginning in fiscal year 1972-73, an employer contribution rate of 3.2 percent of salary for certified employees, increasing by an additional 0.8 percent annually thereafter to a total of 8 percent in 1978-79 (it also increases the Basic Aid Program in the Department of Education in scheduled steps by \$8 per ADA in 1972-73 to \$20 in 1978-79 to assist low-wealth districts with their employer contribution), (2) establishing an em-

ployee contribution rate of 8 percent of salary, and (3) providing an annual General Fund appropriation of \$135 million for 30 years to finance the benefits of all members and beneficiaries on the retired roll as of July 1, 1972. After 30 years, direct General Fund support will no longer be required because the Retirement Fund should have sufficient assets to meet both current benefit payments and commitments to the then active members.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The \$135 million request is an essential part of the major overhaul of the Teachers' Retirement Fund authorized by Chapter 1305. Although this request is substantially higher than the \$20 million General Fund appropriation for the current year, it should be noted that the estimated difference between member and school district contributions and the cost of benefit payments in the current year is \$98 million which, based on traditional financing patterns, would have been a General Fund obligation. However, as a result of the Governor's veto action, \$78 million of that deficit was covered by assets which have accrued to the Teacher's Contingency Reserve Fund.

The contingency reserve consists of the interest earnings on teacher contributions which are not credited to teacher accounts (4 percent) and which is not applied to the costs of administering the system. Under Chapter 1305, the Contingency Reserve Fund will be abolished and its assets and all other revenues accruing to the system will be deposited in the Teachers' Retirement Fund.

COMMISSION FOR TEACHER PREPARATION AND LICENSING

Item 279 from the Teacher
Credentials Fund

Budget p. 181 Program p. 1061

Requested 1972-73.....	\$2,105,806
Estimated 1971-72.....	2,145,600
Actual 1970-71	000
Requested decrease -\$39,794 (1.9 percent)	
Total recommended reduction	None

COMMISSION FOR TEACHER PREPARATION AND LICENSING

Item 280 from the Special

Deposit Fund

Budget p. 181 Program p. 1061

Requested 1972-73.....	\$—
Estimated 1971-72	—
Actual 1970-71	—
Total recommended reduction	None

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS*Analysis
page*

1. Item 280. Teacher Evaluation Project. Recommend special review of proposed funding for teacher evaluation project and report by Department of Education and Commission for Teacher Preparation and Licensing on joint teacher evaluation project. 931

ANALYSIS AND RECOMMENDATIONS

The Commission for Teacher Preparation and Licensing was established by Chapter 557, Statutes of 1970, to develop broad minimum standards and guidelines for teacher preparation and licensing. Although existing law does not require the commission to assume responsibility for teacher preparation and licensing until July 1, 1973, the commission assumed the administrative functions of the Department of Education regarding teacher preparation and licensing on August 1, 1971. Table 1 indicates the expenditures of the commission and Table 2 shows the funding sources of the commission.

Table 1
Expenditures of the Commission for Teacher Preparation and Licensing

	<i>Actual 1970-71</i>	<i>Estimated 1971-72</i>	<i>Proposed 1972-73</i>
State operations:			
I. Approved programs.....	—	\$280,647	\$284,076
II. Examinations.....	—	124,640	456,590
III. Licensing	—	1,566,181	1,221,281
IV. Teacher standards	—	174,132	143,859
Total.....	—	\$2,145,600	\$2,105,806

Table 2
Funding for the Commission for Teacher Preparation and Licensing

	<i>Actual 1970-71</i>	<i>Estimated 1971-72</i>	<i>Proposed 1972-73</i>
State operations			
Teachers Credential Fund.....	—	\$2,145,600	\$2,105,806
Reimbursements, federal	—	—	247,000
Total	—	\$2,145,600	\$2,352,806

Commission Functions

The functions of the Commission for Teacher Preparation and Licensing in 1972-73 include: (1) approval of teacher education programs of higher education institutions, (2) development and administration of credential examinations, (3) issuing of teacher credentials, and (4) administration of professional standards.

Joint Teacher Evaluation Project

We recommend that (a) the proposed use of Education Professions Development Act funds for the joint teacher evaluation project of the Department of Education and the Commission for Teacher Preparation and Licensing be given special review by the fiscal committees, and (b) the Department of Education and Commission for Teacher Preparation and Licensing report to the fiscal committees specifying the objectives, responsibilities and functions of each agency in conducting the joint teacher evaluation study.

The budget of the Commission for Teacher Preparation and Licensing proposes a joint teacher evaluation project with the Department of Education to be financed with federal Education Professions Development Act funds.

In our discussion of the Department of Education budget proposal for the joint teacher evaluation project on page 864, we indicate two potential problems regarding the use of Education Professions Development Act funds for the joint teacher evaluation project: (a) funds may not be available for the project, and (b) it may be illegal to use such funds for the project. We believe these two issues should be clarified by the Department of Finance before the joint project is approved by the fiscal committees.

It is important to note that the budget supplement does not provide a detailed description of the proposed joint teacher evaluation study. We believe that before the project is authorized by the Legislature, a detailed description of the project should be provided to the fiscal committees for review.

Credential Automation Program Discontinued

Based on an evaluation of the automated teacher credentialing system completed by the Commission for Teacher Preparation and Licensing in December, 1971, the commission determined that it would discontinue operation of the automated system. This system had been designed and implemented by a private consulting firm and was in an operational mode in the Department of General Services EDP Service Center No. 2.

The principal reasons for this action based on the commission evaluation of the system are: (1) the cost per document processed of

TEACHER PREPARATION AND LICENSING—Continued

the fully automated system, (2) the "on-line" method of operation which contributes to the high costs and provides a computer capability in excess of actual requirements, (3) the decision to simplify existing processing procedures which have reduced the backlog, (4) the potential changes specified under the Teacher Preparation and Licensing Law of 1970, which will simplify the entire teacher credential process, and (5) a decreasing number of applicants applying for credentials.

A History of Problems. The problems associated with the timely review of applications and the issuance of credentials by the Bureau of Teacher Certification in the Department of Education have been apparent as far back as the 1964-65 fiscal year. At that time, the results of a study by the Department of Finance requested by the Superintendent of Public Instruction and the State Board of Education revealed that the time period between receipt of a credential application and notification of final action taken was approaching six months. A reasonable time limit for this process was determined to be three weeks.

Requests for substantial increases in funding and new positions coupled with a continued backlog led us to recommend a study to determine the possible application of automated procedures in our analysis for fiscal year 1965-66. After a considerable delay, the Department of Education contracted with General Services which in turn retained a private aerospace firm to conduct an initial study. The findings of this study resulted in retention of another private contractor for design and implementation of an improved system.

This entire project experienced problems which included changes in systems design approach, delays in meeting contract deadlines, the lack of a full-time project leader in the Department of Education, the procurement of a new departmental computer before it was required (against our recommendation) and the problems associated with operating the computer center in the Department of Education. Most recently, the Supplemental Report of the Committee on Conference (Budget Bill of 1971) recommended that immediate steps be taken to improve the efficiency of the automated teacher credential system and also to reduce existing multiple monitors resident in the General Services data-processing system (one of those was dedicated to the credential system).

The Future of Credentials Processing. From preliminary information supplied to us by the commission, it is apparent that drastic measures are being taken to streamline and simplify the credential process now that manual procedures have been reinstated. As an aid to this new process, the microfilm project to reduce the mass of paper to manageable proportions for filing and retrieving has been accelerated to the point where all manual files will be converted to microfilm in

the near future.

Because these new procedures have only been in progress since early January 1972, and because the eventual changes to the credentials process are not fully defined by the commission, it is premature to assess the efficiency of the new processes.

We concur with the decision to suspend operation of the automated system, particularly the on-line features which were "over designed" with respect to the actual time requirements for issuing a credential. However, there is a possibility that a file of credentialed teachers should be maintained and the current file converted from magnetic disk to magnetic tape. This tape file could be updated periodically if a need is demonstrated for such information, but we are not prepared at this time to make such a recommendation. We will monitor the new system of improved manual procedures and also determine any potential value to be derived from a magnetic tape file of credentialed teachers.

HIGHER EDUCATION

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SCOPE AND FUNCTION

California's system of public higher education is the largest in the nation and currently consists of 122 campuses serving over one million enrolled students. This system is separated into three distinct public segments—the University of California, the California State Colleges and the California Community Colleges. To provide a guideline for orderly and sound development of this system, the Master Plan for Higher Education in California 1960-75 was developed and largely incorporated into the Donahoe Higher Education Act of 1960. The purpose of the act was to define the functions and responsibilities of