

CALIFORNIA HOSPITAL COMMISSION—Continued

Fund should support the requests. It is solely in the interest of the individual nursing homes to be granted an exception to the Federal Price Commission ceilings. If they have a case they should provide a system of self-assessment to fund the research necessary to prove their case to the federal government. The request from the Federal Price Commission asked the Governor of each state to volunteer to appoint a state advisory board stating that, unfortunately, no federal supporting funds were presently available. We question the state interest at a General Fund cost of \$35,000.

CALIFORNIA HOSPITAL COMMISSION

Item 295 from the General Fund

Budget p. 189 Program p. II-507

Estimated 1972-73 (proposed deficiency appropriation)	\$10,000
Total recommended reduction	\$10,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATION	Analysis page
1. <i>Deficiency Appropriation. Delete \$10,000. Recommend deletion of proposed deficiency appropriation for review of exception requests to federal price limitations.</i>	677
See discussion under Items 293 and 294.	

EDUCATION

	Page
Summary of state expenditures for education	678
State and local support to public schools	679
Summary of federal aid to California schools	683
Department of Education.....	684
Budget Act items	684
Summary of major issues and recommendations	686
General program statement.....	687
Program No. I—Instruction	694
Program No. II—Instructional Support.....	723
Program No. III—School Administration Support	729
Program No. IV—School Finance and State Aid	732
Program No. V—Library Services	737
Program No. VI—Departmental Management and Special Services	741

SUMMARY OF STATE EXPENDITURES FOR EDUCATION

California's system of public education is composed of elementary, secondary and unified school districts; the community colleges; the California State University and 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 1973-74, 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 1973-74 more than \$3.5 billion will be spent by the State of California for all facets of education. Budget summaries indicate that such expenditures represent 46.0 percent of the proposed General Fund expenditures during the budget year and 37.9 percent of all expenditures. These amounts include (1) continuing support for the University of California, the California State University and Colleges, the public school system and state special schools, (2) support for special programs such as the Miller-Unruh Basic Reading Act, compensatory education, vocational education, debt service on public school bonds and (3) capital outlay expense for the university, the state colleges and the state-operated schools for handicapped children. Table 1 shows total state operational expenditures from the General Fund for the past fiscal year, estimated expenditures for the current year and the amounts proposed for 1973-74 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 \$3,480 million is estimated for the budget year, which is an increase of 23 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 1971-72 approximately \$241 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

EDUCATION GENERAL SUMMARY—Continued

amounts to the state's share of the total state and local expenditures would increase the state's percentage in 1971-72 from 31.1 percent to 36.1 percent.

Table 1
General Fund Expenditures for State Educational Operations

<i>State operations</i>	<i>Actual 1971-72</i>	<i>Estimated 1972-73</i>	<i>Proposed 1973-74</i>	<i>Change from 1972-73</i>	
				<i>Amount</i>	<i>Percent</i>
Department of Education	\$7,077,392	\$10,003,172	\$10,573,249	+\$570,077	+5.7
Special schools	8,275,829	9,775,328	10,109,153	+333,825	+3.4
University of California	335,578,066	384,781,688	398,900,000	+14,118,312	+3.7
California State University and Colleges	316,250,107	378,377,700	407,883,744	+29,506,044	+7.8
Hastings College of the Law Scholarship and Loan Com- mission	1,201,040	1,713,327	1,970,380	+257,053	+15.0
Board of Governors Cali- fornia Community Col- leges	19,433,011	30,965,545	38,570,680	+7,605,135	+24.6
Coordinating Council for Higher Education	912,272	1,062,139	1,087,839	+25,700	+2.4
Maritime Academy	422,860	496,975	608,000	+111,025	+22.3
	792,643	933,500	1,137,000	+203,500	+21.8
Totals	\$689,943,220	\$818,109,374	\$870,840,045	+\$52,730,671	+6.4

Table 2
Capital Outlay for Education

	<i>Actual 1971-72</i>	<i>Estimated 1972-73</i>	<i>Proposed 1973-74</i>	<i>Change from 1972-73</i>	
				<i>Amount</i>	<i>Percent</i>
University of California					
General Fund.....	—	\$7,900,000	—	-\$7,900,000	-100.0
Tideland oil revenues	-\$495,000	4,500,000	\$5,375,000	+875,000	+19.4
Educational fee funds	23,490,000	32,613,000	14,965,000	-17,648,000	-54.1
Health science bond funds.....	—	18,002,000	54,651,000	+36,649,000	+203.6
Construction bond funds.....	-60,000	—	—	—	—
Withholding tax revenues.....	—	5,226,000	11,878,000	+6,652,000	+127.3
State University and Colleges					
General Fund.....	232,700	22,048	—	-22,048	-100.0
Tideland oil revenues	19,317,797	42,139,401	24,093,000	-18,046,401	-42.8
Construction bond funds.....	789,541	2,269,171	—	-2,269,171	-100.0
Withholding tax revenues.....	—	—	24,003,000	+24,003,000	—
Community Colleges					
General Fund.....	—	—	—	—	—
Construction bond funds.....	36,822,098	45,426,114	35,990,100	-9,436,014	-20.8
Special Schools					
General Fund.....	43,000	—	—	—	—
Tideland oil revenues	—	—	20,000,000	+20,000,000	—
Construction bond funds.....	—	85,000	—	-85,000	-100.0
Totals	\$80,140,136	\$158,182,734	\$190,955,100	+\$32,772,366	+20.7
General Fund.....	275,700	7,922,048	—	-7,922,048	-100.0
Tideland oil revenues	18,822,797	46,639,401	49,468,000	+2,828,599	+5.7
Educational fee funds	23,490,000	32,613,000	14,965,000	-17,648,000	-54.1
Health science bond funds....	—	18,002,000	54,651,000	+36,649,000	+203.6
Construction bond funds.....	37,551,639	47,780,285	35,990,100	-11,790,185	-24.7
Withholding tax revenues.....	—	5,226,000	35,881,000	+30,655,000	+586.6
	\$80,140,136	\$158,182,734	\$190,955,100	+\$32,772,366	+20.7

Table 3
General Fund Subventions for Education

	<i>Actual 1971-72</i>	<i>Estimated 1972-73</i>	<i>Proposed 1973-74</i>	<i>Change from 1972-73</i>	
				<i>Amount</i>	<i>Percent</i>
Apportionments	\$1,474,389,672	\$1,601,920,978	\$2,157,207,320	+\$555,286,342	+34.7
Loans to school districts	-199,037	-200,419	-147,952	+52,467	+26.2
Bilingual-bicultural programs	—	141,665	141,665	—	—
Indian education program	—	100,000	400,000	+300,000	+300.0
Project SEED	—	500,000	—	-500,000	-100.0
Instructional television	567,204	604,000	604,000	—	—
Compensatory education	10,838,200	10,518,000	10,670,000	+152,000	+1.4
Special elementary school reading program	17,885,000	18,899,625	18,799,625	-100,000	-.5
Children's centers	10,249,720	11,094,522	10,961,250	-133,272	-1.2
Grants to teachers of handicapped children	146,103	150,000	—	-150,000	-100.0
Free textbooks	17,338,860	13,012,083	24,334,100	+11,322,017	+87.0
Assistance to public libraries	800,000	800,000	800,000	—	—
Vocational education	550,000	550,000	550,000	—	—
Assistance to new community colleges	1,149,846	—	750,000	+750,000	—
Subtotals, local assistance	\$1,533,715,568	\$1,658,090,454	\$2,225,070,008	+\$566,979,554	+34.2
Contributions to Teachers' Retirement Fund	20,000,000	135,000,000	135,000,000	—	—
Debt service on public school building bonds	53,433,512	55,081,883	52,701,954	-2,379,929	-4.3
State School Building Safety Program	30,000,000	—	—	—	—
Community colleges extended opportunity program	3,350,000	4,850,000	5,114,500	+264,500	+5.5
Totals	\$1,640,499,080	\$1,853,022,337	\$2,417,886,462	+\$564,864,125	+30.5

Table 4
Total State Expenditures for Education

	<i>Actual 1971-72</i>	<i>Estimated 1972-73</i>	<i>Proposed 1973-74</i>	<i>Change from 1972-73</i>	
				<i>Amount</i>	<i>Percent</i>
State operations	\$689,943,220	\$818,109,374	\$870,840,045	+\$52,730,671	+6.4
Capital outlay	80,140,136	158,182,734	190,955,100	+32,772,366	+20.7
Local assistance	1,640,499,080	1,853,022,337	2,417,886,462	+564,864,125	+30.5
Totals	\$2,410,582,436	\$2,829,314,445	\$3,479,681,607	+\$650,367,162	+23.0
General Fund	\$2,330,718,000	\$2,679,053,759	\$3,288,726,507	+\$609,672,748	+22.8
Tideland oil revenues	18,822,797	46,639,401	49,468,000	+2,828,599	+5.7
Educational fee funds	23,490,000	32,613,000	14,965,000	-17,648,000	-54.1
Health science bond funds	—	18,002,000	54,651,000	+36,649,000	+203.6
Construction bond funds	37,551,639	47,780,285	35,990,100	-11,790,185	-24.7
Withholding tax revenues	—	5,226,000	35,881,000	+30,655,000	+586.6

EDUCATION GENERAL SUMMARY—Continued

Table 5
General Fund Revenues of School Districts From State School
Fund and Local Sources
1930-31 to 1971-72 (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>
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.....	656,308,835	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	1,312,219,000	35.5
1969-70.....	4,067,690,000	1,432,997,000	35.2
1970-71.....	4,491,956,000	1,518,899,000	33.8
1971-72.....	4,829,150,000	1,500,341,000	31.1

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>1968-69</i>	<i>1969-70</i>	<i>1970-71</i>	<i>1971-72</i>
State School Fund apportionment				
Regular apportionments.....	\$1,315,158	\$1,420,023	\$1,518,899	\$1,500,341
Miller-Unruh Reading Program				
School Fund apportionment	—	7,974	—	—
Educational Improvement Act				
State School Fund apportionment.....	—	5,000	—	—
Subtotal State School Fund apportionments.....	\$1,315,158	\$1,432,997	\$1,518,899	\$1,500,341
Total other local assistance	189,810	201,851	212,991	240,794
Total state subventions	1,504,968	1,634,848	1,731,890	1,741,135
Total General Fund revenue of school districts from				
local sources ¹	2,194,592	2,432,842	2,760,066	3,088,015
Total school districts' revenue (state subventions				
plus local sources)	3,699,560	4,067,690	4,491,956	4,829,150
Percent of total state subventions to total school dis-				
tricts' revenue (state subventions plus local				
sources)	40.69%	40.19%	38.6%	36.1%

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

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 7 identifies the major programs and subprograms of federal assistance and indicates the anticipated amounts California will receive under each. The table demonstrates that \$392.8 million is anticipated in the budget year from all programs.

It is important to note, however, that preliminary reports on the 1973-74 federal budget indicate that federal support for various programs listed in Table 7 may be reduced or eliminated entirely. We believe such action would require the Department of Education to present to the Legislature a priority program listing and detailed justification statements for possible state replacement funding.

EDUCATION GENERAL SUMMARY—Continued

Table 7
Federal Support to California Public Schools

<i>Program</i>	<i>Actual 1971-72</i>	<i>Estimated 1972-73</i>	<i>Estimated 1973-74</i>
Elementary and Secondary Education Act:			
Title I: Compensatory education			
Disadvantaged	\$120,097,612	\$101,402,382	\$106,861,255
Migrant	7,904,829	8,501,500	8,501,500
Neglected and delinquent	1,672,015	—	—
Handicapped	1,349,565	1,349,565	1,349,565
State administration	1,444,932	1,651,050	1,643,708
Incentive grants	133,997	—	—
Special grants	1,067,197	—	—
Subtotals, Title I	\$133,670,147	\$112,904,497	\$118,356,028
Title II: School library resources	\$7,327,848	\$8,106,661	\$7,882,307
Title III: Supplementary centers and serv- ices	2,341,261	12,513,028	13,514,070
Title IV: Planning and evaluation	109,959	—	—
Title V: Strengthening state department	2,539,778	2,421,168	2,343,000
Title VI: Special education	2,692,438	3,000,969	3,000,000
Subtotals, ESEA	\$148,681,431	\$138,946,323	\$145,095,405
Economic Opportunity Act:			
Followthrough programs	6,076,405	6,213,333	6,213,333
National Defense Education Act:			
Title III: Critical subjects	3,695,962	3,618,423	3,894,885
Education Professions Development Act:			
Vocational—technical	1,217,860	957,934	763,662
Vocational Education Act:			
Occupational preparation	34,842,051	40,074,104	40,074,104
Adult Education Act (basic)	2,669,262	1,687,904	1,822,934
Manpower Development and Training Act:			
Occupational preparation	13,682,351	12,370,500	12,370,500
Economic Opportunity Act:			
Headstart	24,243,113	25,031,014	25,031,014
Aid to Federally Impacted Areas, PL 874	80,000,000	80,000,000	80,000,000
Construction Assistance, PL 815:			
Child Nutrition Act	787,430	315,000	450,000
Food and nutrition services payments to wel- fare agencies	63,217,561	77,078,700	77,078,700
Totals, federal aid	\$379,113,426	\$386,293,235	\$392,794,537

Department of Education
STATE OPERATIONS

General Fund

Requested 1973-74	\$19,788,980
Estimated 1972-73	17,975,298
Actual 1971-72	15,361,004
Requested increase \$1,813,682 (10.1 percent)	
Total recommended increase	\$8,232,662

*Budget
Act item*

296

Educational Commission of the States

*Budget
page*

194

*Program
page*

II-560

*Analysis
page*

745

Item 296-311

EDUCATION / 685

297	General activities	191	II-511	694
299	National defense education	192	II-511	704
300	Special schools	193	II-534	719
302	State Library	194	II-553	737

State School Building Aid Fund

Requested 1973-74	\$316,974
Estimated 1972-73.....	290,151
Actual 1971-72	221,100
Requested increase \$26,823 (9.2 percent)	
Total recommended reduction	None

<i>Budget Act item</i>		<i>Budget page</i>	<i>Program page</i>	<i>Analysis page</i>
298	School facilities planning.....	193	II-545	730

Surplus Educational Property
Revolving Fund

Requested 1973-74	\$6,639,438
Estimated 1972-73.....	6,235,000
Actual 1971-72	4,078,534
Requested increase \$404,438 (6.5 percent)	
Total recommended reduction	None

<i>Budget Act item</i>		<i>Budget page</i>	<i>Program page</i>	<i>Analysis page</i>
301	Educational Agency for Surplus Property	193	II-541	724

Department of Education
LOCAL ASSISTANCEGeneral Fund (Budget Act
items only)

Requested 1973-74	\$65,792,250
Estimated 1972-73.....	\$247,812,605
Actual 1971-72	\$146,850,087

<i>Budget Act Item</i>		<i>Budget page</i>	<i>Program page</i>	<i>Analysis page</i>
303	Inflation factor.....	L-55	II-547	735
304	Physically handicapped students in community colleges	L-57	II-533	735
305	Master teachers' program.....	L-57	II-623	735
306	Instructional television	L-54	II-541	703
307	Compensatory education	L-53	II-522	708

DEPARTMENT OF EDUCATION—Continued

308	Special reading programs.....	L-52	II-525	705
309	Children's and development centers, preschool education.....	L-52	II-523	712
310	Public libraries.....	L-56	II-553	737
311	Vocational education.....	L-53	II-536	721

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**General Summary**

1. Recommend Department of Education (1) budget according to statewide priorities and (2) submit preliminary 1974-75 budget by October 15, 1973.
2. Recommend fiscal committees withhold approval of Department of Education's budget until department submits line item detail.
3. Recommend Department of Education submit reorganization implementation plans.
4. Recommend legislation to repeal Education Code sections restricting consultants to special areas.

Program I—Instruction

Analysis
page

1. Item 297. *Curriculum Framework and Instructional Materials Selection Unit. Reduce \$195,709.* Recommend framework development activities not be funded. 697
2. Recommend continuation of Reading Task Force in 1973-74. 698
3. Item 297. *Mathematics Task Force. Increase \$195,709.* Recommend continuation and expansion of task force for specified purposes. 699
4. Recommend continuation of career education task force in 1973-74. 701
5. Recommend that maximum percentage of California allocation of ESEA Title III funds reserved for incentive grants be increased from 5 to 10 percent. 705
6. Recommend optional use of Miller-Unruh funds in grades 4 through 6. 706
7. Item 307. *Professional Development Centers. Augment \$268,000.* Recommend professional development centers budget be augmented to maintain current level of state support for training teachers of disadvantaged. 710
8. Recommend Department of Education submit management plan for the Child Development program. 713
9. Recommend Department of Education submit claim for additional children eligible for federal funding under Children's Centers program. 713
10. Recommend Department of Education simplify reporting procedures for gifted minors program and submit annual summary report. 718
11. Item 300. *Special Schools. Augment \$28,410.* Recommend special schools budget be augmented to allow continuation of followup project at diagnostic school. 720
12. Item 311. *Manpower Development and Training.* Recommend additional budget item language to restrict expenditure of this appropriation. 722

Program II—Instructional Support

1. Item 297. *Educational Technology. Recommend that \$63,- 727*
748 budget augmentation be denied.
2. Recommend Department of Education report on potential 727
savings of expanded use of educational technology in the
schools.

Program III—School Administration Support

1. Recommend legislation to eliminate Bureau of School Plan- 730
ning's approval authority.

Program IV—School Finance and State Aid

1. Item 303. *Inflation allowance. Augment \$8 million. 735*
Recommend increased inflation allowance for community
colleges and defined adult programs.

Program V—Library Services

1. Recommend State Librarian develop new funding formula 738
for cooperative library systems.

Program VI—Departmental Management and Special Services

1. Recommend Department of Education submit breakdown 742
of indirect costs.
2. Recommend organizational redirection and development 742
task force be continued.
3. Recommend all planning functions be assigned to Office of 743
Program Planning.

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 8 compares Budget Act General Fund appropriations for state operations with current and prior year expenditures.

Table 8
State Operations—Department of Education

<i>Budget Act item</i>	<i>Purpose</i>	<i>Actual 1971-72</i>	<i>Estimated 1972-73</i>	<i>Proposed 1973-74</i>
296	Educational Commission of the States	\$23,653	\$24,000	\$24,000
297	General activities	5,065,000	5,980,938	7,414,617
299	National defense education	166,764	178,103	184,450
300	Special schools.....	8,275,829	9,775,328	10,109,153
302	State Library	1,829,758	2,016,929	2,056,760
	Totals	\$15,361,004	\$17,975,298	\$19,788,980

The Department of Education is also responsible for the administration of over \$2.2 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 9 compares Budget Act General Fund appropriations for local assistance with current and prior year expenditures.

The balance of state appropriations to functions under the Department of Education is represented by an appropriation of \$6,639,438 (Item 301) from the Surplus Property Revolving Fund to support the distribution of federal surplus property and \$316,974 (Item 298) from the State School

DEPARTMENT OF EDUCATION—Continued

Building Aid Fund to support the review of school construction plans.

Table 9
Local Assistance—Department of Education

<i>Budget Act item</i>	<i>Actual 1971-1972</i>	<i>Estimated 1972-73</i>	<i>Proposed 1972-73</i>
303-305 School apportionments.....	\$88,000,000 ¹	\$191,806,000 ¹	\$22,929,000 ¹
306 Instructional television.....	567,204	604,000	604,000
307 Compensatory education.....	10,838,200	10,518,000	10,670,000
308 Special elementary reading program.....	18,360,000	19,278,000	19,278,000
309 Children's centers	10,249,720	11,094,522	10,961,250
—Grants to teachers.....	146,103	150,000	—
310 Assistance to public libraries	800,000	800,000	800,000
311 Vocational education	550,000	550,000	550,000
—Free textbooks	17,338,860	13,012,083	—
Totals	\$146,850,087	\$247,812,605	\$65,792,250

¹ Figures include Budget Act items only. Continuing appropriations for state school funds apportionments are: \$1,386,389,672, 1971-72; \$1,409,914,559, 1972-73; and \$1,573,880,368, 1973-74. An additional \$561,000,000 for 1973-74 is provided for by SB 90.

Table 10
Expenditures for Programs—Department of Education

<i>Program</i>	<i>Actual 1971-72</i>	<i>Estimated 1972-73</i>	<i>Proposed 1973-74</i>
I. Instruction	\$317,202,389	\$319,595,522	\$347,958,093
II. Instructional support.....	87,747,814	98,926,991	111,170,576
III. School administration support	1,231,825	1,477,393	1,564,246
IV. School finance and state aid	1,500,985,071	1,614,686,142	2,163,737,322
V. Library services	7,240,728	9,605,496	9,671,730
VI. Departmental management and special services—			
distributed	—	(3,055,545)	(4,133,233)
undistributed.....	2,219,558	4,194,463	4,794,342
Totals.....	\$1,916,627,385	\$2,048,486,007	\$2,638,896,309
Reimbursements	—55,642,325	—54,206,947	—76,775,349
Totals.....	\$1,860,985,060	\$1,994,279,060	\$2,562,120,960

Table 11
Funding for Programs—Department of Education

	<i>Actual 1971-72</i>	<i>Estimated 1972-73</i>	<i>Proposed 1973-74</i>
General Fund.....	\$1,549,068,789	\$1,677,869,044	\$2,245,752,410
State School Fund	3,130,060	10,408,438	2,750,000
California Water Fund.....	295,880	75,611	75,000
Motor Vehicle Transportation Fund ..	20,029,708	—	—
Driver Training Penalty Assessment Fund	1,345,748	—	—
Surplus Property Revolving Fund	4,078,534	6,235,000	6,639,438
School Building Aid Fund.....	221,100	290,151	316,974
State Transportation Fund			
State Highway Account	—	1,880,000	2,500,000
Federal funds	282,815,241	297,520,816	304,087,138
Totals	\$1,860,985,060	\$1,994,279,060	\$2,562,120,960

The department's budget is summarized in program terms beginning on page 191 of the Governor's Budget document and detailed beginning on page 511 of Volume II of the Program Budget supplement. Table 10 outlines the program budget format and proposed expenditures of the

1973-74 budget presentation. Table 11 shows all funding sources, corrected for minor interprogram transfers.

ANALYSIS AND RECOMMENDATION

The relationships between amounts proposed for appropriation in the Budget Act of 1973 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 12 summarizes Budget Act support appropriation items and relates them to the six-program format for the budget year.

1974-75 BUDGET SUBMISSION

We recommend (1) that the Department of Education be directed to budget for 1974-75 according to systematically identified statewide priorities approved by the State Board of Education and (2) that the Legislature direct the Department of Education to present a preliminary 1974-75 budget to the Department of Finance and the Joint Legislative Budget Committee by October 15, 1973. 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.

The 1971-72 and 1972-73 budget documents emphasized education priorities established by the State Board of Education. There is no similar list of priorities in the 1973-74 Governor's Budget. We believe that budgeting by priorities is a desirable method of allocating limited state resources because the systematic identification of special needs permits the concentration of resources in critical problem areas. We believe that the Department of Education's 1974-75 budget submission should be presented in terms of budget priorities based on a systematic assessment of statewide needs.

Last year the Legislature required the Department of Education to present to the Joint Legislative Budget Committee a preliminary 1973-74 budget by October 1, 1972. We believe this procedure should be continued because it provides both the Department of Finance and our office a common budget base and enables us to obtain detailed information about program changes proposed by the Department of Education before they are acted upon by the Governor.

Budget Deficiencies

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 is presented in the same six-program format as the last budget presentation. This program continuity permits a better comparison of proposed and current expenditures and facilitates tracking of program development.

However, the budget presentation still has the following deficiencies:

1. Work Plans and Objectives

The budget presentation includes some program status reports and work plans which can be used during the budget year to evaluate progress of the department in accomplishing its objectives. However, there is still a need in most areas of the budget for clear statements of measurable outputs and relationships between prior year work plans and final accomplishments.

DEPARTMENT OF EDUCATION—Continued

Table 12
Crossover Between Program Budget and Budget Act

<i>Budget Act item number</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>
296 Educational Commission	—	—	—	—	—	\$24,000	\$24,000
297 General activities	\$2,968,928	\$1,279,148	\$659,909	\$602,954	—	1,903,678	7,414,617
299 National defense education	184,450	—	—	—	—	—	184,450
300 Special schools.....	10,109,153	—	—	—	—	—	10,109,153
302 State Library	—	—	—	—	\$2,056,760	—	2,056,760
303 Apportionment for public schools	—	—	—	21,100,000	—	—	21,100,000
304 Apportionment for public schools	—	—	—	1,629,000	—	—	1,629,000
305 Apportionment for public schools	—	—	—	200,000	—	—	200,000
306 Instructional TV	604,000	—	—	—	—	—	604,000
307 Compensatory education	10,670,000	—	—	—	—	—	10,670,000 ¹
308 Special elementary reading program	19,278,000	—	—	—	—	—	19,278,000
309 Children's centers	10,961,250	—	—	—	—	—	10,961,250
310 Assistance to public libraries..	—	—	—	—	800,000	—	800,000
311 Vocational education	550,000	—	—	—	—	—	550,000
Subtotal	55,325,781	\$1,279,148	\$659,909	\$23,531,954	\$2,856,760	\$1,927,678	\$85,581,230
Miscellaneous legislation.....	856,712	—	—	—	—	100,000	956,712 ²
Total.....	\$56,182,493	\$1,279,148 ⁴	\$659,909	\$23,531,954 ³	\$2,856,760	\$2,027,678	\$86,537,942

¹ Plus \$11,868,550 transferred as state matching requirements for federal funds for preschool programs.

² Includes Chapter 1521, Statutes of 1971; Chapters 930, 1052 and 1147, Statutes of 1972; and Education Code Section 17305 (a).

³ Does not include statutory General Fund transfers to State School Fund of \$2,134,880,368.

⁴ Does not include \$24,334,100 for free textbooks authorized by Chapter 929, Statutes of 1972.

Internal Management Information System. One activity which may eliminate part of this problem in future budgets is the development of an internal management information unit in the Office of Program Evaluation. The purpose of this proposed unit is to provide the department current management information which compares the actual progress on each program with the program manager's stated goals, objectives and time table of accomplishment. We believe the development of this information could improve internal program accountability and management.

2. Relationship of Resources to Program

The budget document states that most of the task forces will terminate June 30, 1973, to become part of the Education Program Administration and Services unit (EPAS). However, the document continues to budget each task force as a separate unit. We believe that in order to provide the Legislature an accurate description of proposed program costs these resources should be shown as part of the program element or administrative unit to which they are being redirected.

3. Technical Deficiencies

The department's budget is deficient from a technical standpoint in that there are accounting inconsistencies which neither the Department of Education nor the Department of Finance can reconcile. For example, the expenditures for handicapped and gifted students are reported on page 535 of the Program Budget supplement to be \$16,100,101. However, the breakdown of these expenditures provided for us by the Department of Education and presented in Table 34 on page 718 shows a total budgeted expenditure of \$16,505,419, a difference of \$405,318.

In addition, there are instances in the budget document where no expenditures are shown for operating units. For example, the input table on page 561 of the Program Budget shows *no* expenditures for the State Board of Education in either the current or budget years. The salaries and wages schedule on page 578 lists one consultant and related clerical and temporary help under the State Board of Education. We believe this method of budgeting distorts the actual cost of program operations.

Lack of Line Item Detail

We recommend that the fiscal committees withhold approval of the Department of Education's budget until the department submits line item detail to the Joint Legislative Budget Committee.

The Department of Education has failed as of this writing to make available the line item budget detail required by the State Accounting Manual. Without this detail we are unable to report to the Legislature reasons for significant changes from year to year in department operating expenses. For example, the budget shows an increase of 185.5 percent in out-of-state travel expenditures from 1971-72 to 1972-73 and proposes an increase of 22.2 percent for in-state travel expenses from the current year to the budget year. We will be unable to analyze these changes until the department provides us with line item justifications. We believe the Legislature should withhold approval of the department's budget until we have completed this analysis.

In our opinion, the deficiencies listed above point to a basic weakness in the department's budgeting system. We believe that a meaningful budget for both legislative decision making and administrative management should begin with a prior-year base line budget which is document-

DEPARTMENT OF EDUCATION—Continued

ed by line item detail and summarized in program terms. If a firm, clearly documented, base line budget is established, the line item and program fiscal data need only be modified in subsequent years for price adjustments and program changes. Such an approach would provide all parties involved in the budget review process a clear picture of proposed program and line item changes.

Departmental Reorganization

We recommend that the Department of Education submit detailed implementation plans for its proposed reorganization at the time the department's budget is considered by Senate Finance and Assembly Ways and Means Committees.

The 1973-74 budget submission indicates that by July 1, 1973, the Department of Education will have established a matrix management organizational structure to coordinate the administration of all educational programs. The department states this reorganization will be accomplished within existing resources. In reviewing the budget document and the department's program support data we found that some of the reorganization proposals have been changed since the preliminary budget submission in October 1972. Furthermore, it is not clear from the budget document how certain reorganization proposals are to be implemented. For example, the department stated in October 1972 that a time accounting system was being designed for implementation in the budget year to account for the use of every employee's time by fund source, activity performed and the district receiving the service. The department now reports it has dropped this proposal due to manpower and fiscal restraints. In addition, information gleaned from the budget and from discussions with task force managers indicates that there is some confusion as to how task forces will be integrated within the ongoing organizational structure of the department.

We appreciate the difficulty the department is having in developing an organizational plan capable of integrating diverse state and federal programs and resources. However, we believe the Legislature has been patient while the reorganization of the department has been studied, discussed, committed and "task forced" for over six years. If it is the intent of the department that the reorganization be accountable as is stated in the budget, then we believe a first step toward accountability would be the submission of a detailed plan to the legislative committees which identifies the critical events and organizational changes that have occurred and will occur to meet the projected implementation on July 1, 1973.

Specialized Consultants

We recommend that legislation be enacted to repeal existing Education Code sections which restrict educational consultants to specialized areas.

The Department of Education reorganization plan proposes to utilize consultants as generalists in a variety of related program and subject areas instead of confining them to narrow areas of specialization. However, the following Education Code sections require consultants in the Divisions of Special Education and Compensatory Education to "devote their entire time" to their respective specialist areas: Sections 264 (hard of hearing), 6434 (compensatory education), 6759 (educationally handicapped), 6803.1

(multihandicapped), 6907 (mentally retarded), and 6880.5 (development centers).

We believe that the restrictions imposed by these code sections directly conflict with the generalist goals of the reorganization plan and prevent full implementation of the plan in the Divisions of Special Education and Compensatory Education. We believe these code sections should be repealed.

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. Table 13 shows estimated expenditures for the current year by function. The Department of Education was unable to provide a breakdown of the proposed 1973-74 \$2.3 million expenditure at the time this analysis was completed.

Table 13
ESEA Title V Estimated Expenditures 1972-73
by Departmental Function

<i>Function</i>			
Program planning and development	\$399,427	\$131,549	\$530,976
Program evaluation	276,912	227,100	504,012
Organizational redirection and development	140,990	37,200	178,190
Management information system	322,984	214,027	537,011
Management systems development	210,842	30,100	240,942
Urban education task force	34,927	4,183	39,110
Career education task force	81,008	24,992	106,000
Bilingual-crosscultural task force	88,189	22,925	111,114
Intergroup conflict task force	14,221	—	14,221
Guidance counseling task force	—	30,000	30,000
Year-round schools task force	23,540	12,360	35,900
Curriculum planning and development	18,265	49,735	68,000
School district management assistance teams	208,592	76,254	284,846
	<u>\$1,819,897</u>	<u>\$860,425</u>	<u>\$2,680,322</u>

Approximately 92 professional and clerical positions are funded under ESEA Title V. It is anticipated that this title will not be funded by Congress in the budget year. If Congress does not fund this title the Legislature would need to consider whether to assume the support of some of these positions.

Program No. 1
INSTRUCTION

Budget p. 191 and L-52 Program p. II-512

Requested 1973-74	\$347,958,093
Estimated 1972-73	319,595,522
Actual 1971-72	317,202,389
<hr/> Requested increase \$28,362,571 (8.9 percent)	

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Item 297. *Curriculum Framework and Instructional Materials Selection Unit. Reduce \$195,709.* Recommend framework development activities not be funded. 697
2. Recommend continuation of Reading Task Force in 1973-74. 698
3. Item 297. *Mathematics Task Force. Increase \$195,709.* Recommend continuation and expansion of task force for specified purposes. 699
4. Recommend continuation of Career Education Task Force in 1973-74. 701
5. Recommend that maximum percentage of California allocation of ESEA Title III funds reserved for incentive grants be increased from 5 to 10 percent. 705
6. Recommend optional use of Miller-Unruh funds in grades 4 through 6. 706
7. Item 307. *Professional Development Centers. Augment \$268,000.* Recommend Professional Development Centers budget be augmented to maintain current level of state support for training teachers of disadvantaged. 710
8. Recommend Department of Education submit management plan for the Child Development Program. 713
9. Recommend Department of Education submit claim for additional children eligible for federal funding under Children's Centers program. 713
10. Recommend Department of Education simplify reporting procedures for gifted minors program and submit annual summary report. 718
11. Item 300. *Special Schools. Augment \$28,410.* Recommend special schools budget be augmented to allow continuation of followup project at diagnostic school. 720
12. Item 311. *Manpower Development and Training.* Recommend additional budget item language to restrict expenditure of this appropriation. 722

Program Description

The Instruction Program is composed of the eight elements shown in Table 14.

Table 14
Expenditures of the Instruction Program

<i>Program Elements</i>	<i>Actual 1971-72</i>	<i>Estimated 1972-73</i>	<i>Proposed 1973-74</i>
A. Task Forces or Special Programs	\$1,781,101	\$2,623,713	\$2,858,405
B. Early Childhood Education	—	100,000	150,000
C. Intermediate Education	—	—	—
D. Secondary/Adult Education	—	—	—
E. General Education	36,839,304	38,338,289	40,156,944
F. Instruction for Educationally Disadvantaged Students	200,809,843	193,316,130	216,885,582
G. Instruction for Special Education Students	24,765,348	24,108,595	27,494,078
H. Occupational Preparation (vocational education)	53,006,793	61,108,795	60,413,084
Total	\$317,202,389	\$319,595,522	\$347,958,093

Table 14 indicates that the budget does not reflect the proposed reorganization of the Department of Education as is shown by the almost complete lack of resources in elements, B, C and D.

Table 15 shows funding by source for the Instruction program.

Table 15
Funding for Instruction Program

	<i>Actual 1971-72</i>	<i>Estimated 1972-73</i>	<i>Proposed 1973-74</i>
State operations			
General Fund	\$11,209,098	\$13,942,961	\$14,055,953
School Building Aid Fund	—	20,600	26,728
Federal funds	10,512,665	13,562,939	14,556,168
Reimbursements	3,883,112	4,711,089	5,056,239
Subtotal	\$25,604,875	\$32,237,589	\$33,695,088
Local assistance			
General Fund	\$40,037,290	\$42,557,812	\$42,126,540
Federal funds	201,747,309	196,622,297	202,097,565
Reimbursements	49,812,915	48,177,824	70,038,900
Subtotal	\$291,597,514	\$287,357,933	\$314,263,005
Total	\$317,202,389	\$319,595,522	\$347,958,093
General Fund	\$51,246,388	\$56,500,773	\$56,182,493
Federal funds	212,259,974	210,185,236	216,653,733
School Building Aid Fund	—	20,600	26,728
Reimbursements	53,696,027	52,888,913	75,095,139

A. TASK FORCES OR SPECIAL PROGRAMS

The budget document identifies one task force and seven special programs in the Instruction program. The proposed expenditures of the task force and special programs are shown in Table 16. Table 17 summarizes funding sources for the task force and special programs in the Instruction program.

INSTRUCTION—Continued

Table 16
Expenditures for Task Forces or Special Programs

	<i>Actual</i> <i>1971-72</i>	<i>Estimated</i> <i>1972-73</i>	<i>Proposed</i> <i>1973-74</i>
1. Curriculum Framework and Instructional Materials Selection Program	\$86,484	\$145,054	\$299,712
2. Reading Program	596,976	508,550	267,880
3. Mathematics Program	95,198	56,272	96,495
4. Career Education Priority Program.....	110,131	283,246	308,521
5. School Health Education and Physical Education Programs.....	207,335	451,159	540,956
6. Venereal Disease	39,507	316,362	140,787
7. Bilingual-Crosscultural Programs	572,352	719,070	1,036,554
8. Urban Education Task Force.....	73,118	144,000	167,500
	<u>\$1,781,101</u>	<u>\$2,623,713</u>	<u>\$2,858,405</u>

Table 17
Funding for Task Forces and Special Programs

	<i>Actual</i> <i>1971-72</i>	<i>Estimated</i> <i>1972-73</i>	<i>Proposed</i> <i>1973-74</i>
State operations			
General Fund.....	\$515,593	\$839,047	\$778,244
Federal funds.....	1,169,428	1,499,666	1,577,661
Reimbursements	96,080	185,000	102,500
Subtotal	<u>\$1,781,101</u>	<u>\$2,523,713</u>	<u>\$2,458,405</u>
Local assistance			
General Fund.....	—	\$100,000	\$400,000
Subtotal	<u>—</u>	<u>\$100,000</u>	<u>\$400,000</u>
Total	<u>\$1,781,101</u>	<u>\$2,623,713</u>	<u>\$2,858,405</u>

1. Curriculum Frameworks and Instructional Materials Selection Unit

The Curriculum Frameworks and Instructional Materials Selection unit is composed of the framework development activities formerly performed by the Division of Instruction and the textbook selection, adoption and acquisition activities formerly performed by the Bureau of Textbooks. The Department of Education is requesting \$195,709 in the budget year to convert the framework development activities of this unit from ESEA Title V to General Fund support and proposes to redirect \$104,003 from the Bureau of Textbooks to support selection activities for a total proposed budget of \$299,712.

While Table 16 shows annual expenditures for this program we do not believe all of these figures are accurate. For example, the preliminary budget from the Department of Finance showed \$270,007 as actual expenditures, with no expenditures in the current year, and \$299,712 in the budget year. When the figures were revised as now shown in Table 16 several of the other program unit's actual and estimated expenditures were changed to absorb the revision while the totals remained the same. The distribution of expenditures by source of funds as shown in Table 17 also remained unchanged after the revision. We believe this is an example

of the budget document failing to reflect existing program operation and the failure of the department to use the budget document as a management tool. We question how the department can expect the Legislature to approve a budget that does not accurately reflect program operations.

The budget request proposes three new positions and the transfer of four existing positions from the Bureau of Textbooks for a total professional and clerical staff for this unit of seven positions (4.5 professional and 2.5 clerical).

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

Curriculum Framework Development

We recommend the \$195,709 General Fund request for curriculum framework development be denied (Reduce Item 297).

Chapter 929, Statutes of 1972 (AB 531) requires the Curriculum Development and Supplemental Materials Commission to recommend curriculum frameworks to the State Board of Education. This legislation formalized a process that historically was done by the Department of Education on a self-initiated basis. Chapter 929 defines curriculum frameworks as a means of outlining "the components of a given course of study designed to provide state direction to school districts in the provision of instructional programs." Criteria for the evaluation of textbooks and instructional materials are normally developed from the frameworks.

It is important to note that Chapter 929, Statutes of 1972, does not require the State Board of Education to adopt the recommended frameworks nor does it mandate use of statewide frameworks by school districts. The absence of a mandate that school districts use a statewide framework appears to be in harmony with the provisions of Chapter 183, Statutes of 1968 (SB 1) which gives local governing boards control over the "course of study" and the "educational program" within the basic curriculum guidelines established by the Legislature.

The Department of Education gave the following four "need" statements in its preliminary budget submission in October as partial justification for the \$195,709 budget request.

1. General. "There must be an established method for the organizing of resources necessary in the production, implementation, and evaluation of framework documents."
2. Production. "A framework must be produced during 1973-74 in mathematics and social science, since the Education Code requires the adoption of materials in these subjects the following year."
3. Implementation. "There has never been a planned program of implementation for the constructive use of frameworks. Their use has been totally dependent upon the interests and attitudes of personnel, local school districts must have implementation [sic] of the framework to plan an instructional program and thus to have an

INSTRUCTION—Continued

opportunity for necessary inservice and for necessary selection of appropriate instructional materials so that classroom instruction will improve and the needs of children will be more efficiently met."

4. Evaluation. "A planned program of evaluation must be made so that subsequent revisions will improve in content and use and thereby have a more positive effect upon the instructional program in the classroom."

All of the above "need" statements assume that (1) frameworks are used by and are beneficial to teachers and consequently to pupils, and (2) frameworks are necessary for the selection of instructional materials. We do not believe either of these assumptions has been demonstrated to be true. In fact, the Department of Education reports that frameworks now in adoption have not been implemented or evaluated. Based on this admission we believe that the department's request for additional funds for framework development should be denied.

2. Reading Task Force

We recommend that the Reading Task Force be continued through 1973-74 at the same staffing level as the current year.

The Reading Task Force was initiated in 1971 and continued into 1972-73. The task force has as its goal the improvement of the reading skills of school children by eliminating deficiencies in California's reading programs. The task force is to be terminated at the end of 1972-73 and the staff assigned to the General Education support activity of the proposed new matrix organization.

The Reading Task Force has identified 20 schools with disadvantaged students who have demonstrated above-average achievement in reading based on state reading test scores and is using programs from these schools as models to improve reading in other schools which have the highest degrees of reading deficiencies. Schools are considered to be highly deficient in reading if 50 percent or more of their students placed in the lowest quarter in state reading test scores. The task force estimates there are 488 schools (out of approximately 4,500) in which at least 50 percent of third-grade students scored in the lowest quarter in reading in 1971.

Through a needs assessment process the task force has conducted a review of the reading programs in 75 of the identified underachieving schools, all of which receive ESEA Title I funds. The needs assessment process has consisted of:

1. A review of each of these schools' resources, teachers, teaching methods, pupil population, available staffing arrangements, and nature of reading deficiencies.
2. A program comparison with one or more of the 20 schools which have demonstrated above-average reading achievement.

Each school then adopts those strategies which it believes will be most effective in correcting its deficiencies. Followup consultation is provided by the task force to assist in implementing new program concepts. Statewide testing results are to be reviewed to determine the success of the revised reading programs.

We are advised that the team approach presently utilized by the Reading Task Force will not be continued within the matrix organizational structure. Instead, task force members will be assigned other duties which will not be concerned with correcting reading problems in individual schools. We believe such efforts should be continued for another year. At the end of 1973-74 a final review should be made of reading achievement in the schools which have adopted revised reading programs to determine the effectiveness of the task force efforts. If test results show significant improvement in reading scores in those schools, the process should be incorporated in the general education and compensatory education support activities of the department on a continuing basis. We do not believe this task force should be discontinued without a determination of the effectiveness of the program improvement process it has developed.

3. Mathematics Task Force

The Mathematics Task Force was established by the Superintendent of Public Instruction in the 1971-72 fiscal year as part of his stated commitment to improve pupil performance in basic skills. The efforts of the task force in 1971-72 as stated in the department's budget justification were to be toward "devising more effective ways of working with the delivery system to gather data, define problems, determine effective and ineffective programs, and measure accomplishments of the department in enhancing the mathematics program." The Legislature endorsed the objectives of the Mathematics Task Force and approved the department's proposed budget for this activity, including 12.7 positions.

The proposed 1973-74 budget indicates the Mathematics Task Force will terminate June 30, 1973 and that two of the programs initiated by the task force will be carried on by the Educational Program Administration and Services Unit (EPAS). These two programs are (1) "the identification of exemplary mathematics programs in California schools," and (2) the review and analysis of State of California Inventory of Mathematical Achievement Test (SCIMA) data. The SCIMA test was specifically designed in 1968-69 at a cost of \$100,000 to determine the effectiveness of California's mathematics textbooks and curricula and the proficiency of California pupils in a number of categories of mathematics education.

Task Force Staffing

We recommend that (1) the Mathematics Task Force be expanded and continued in 1973-74 to work with the Office of Program Evaluation in implementing corrective mathematics programs in selected school districts; (2) the Office of Program Evaluation submit to the fiscal subcommittees by April 1, 1973, a report which specifies (a) the grade level at which major deficiencies in basic computational and measurement skills first appear, (b) precise content areas and skills in which major deficiencies appear, i.e., fractions, division, subtraction, etc. and (c) possible reasons for pupil deficiencies in basic computational and measurement skills including the impact of the current state adopted textbooks and curriculum, (d) districts and schools which report exceptionally high achievement in basic computational skills and districts

INSTRUCTION—Continued

and schools which report exceptionally low achievement in these basic skills; (3) the Mathematics Task Force submit to the fiscal subcommittees by April 1, 1973, a work plan for 1973-74 based on information provided by the Office of Program Evaluation to improve mathematics education in selected districts. This work plan should specify how the task force will utilize personnel from school districts which operate exceptional mathematics education programs to work with low achieving districts; and (4) the budget of the Mathematics Task Force be augmented by \$170,709 for a total of \$266,674 and the budget of the Office of Program Evaluation be augmented by \$25,000 for a total of \$1,112,737. We recommend these augmentations be funded by eliminating the \$195,709 proposed in Item 297 for curriculum framework development (page 697).

We do not believe the original objectives and work plans of the Mathematics Task Force have been accomplished. To date we have seen no systematic plan for working with school districts to attain increased pupil achievement in mathematics such as that currently being implemented by the Reading Task Force. We believe the primary reason the Mathematics Task Force has failed to develop a systematic plan for program improvement is inadequate staffing. For example, the Mathematics Task Force as originally approved by the Legislature was to consist of 12.7 positions in 1971-72. However, the proposed budget for 1973-74 shows that only 2.5 positions were actually allocated to the Mathematics Task Force in 1971-72. We believe this low level of staffing indicates a lack of commitment by the department to an important instructional area which it had stated in 1971-72 was of high priority.

The results of the statewide testing program shown in Table 18 indicate a general decline in mathematics achievement scores from 1970-71 to 1971-72. The raw scores of both 6th- and 12th-grade pupils declined in all percentile groups but the greatest decline was in the 6th-grade scores. It is important to note this is the second consecutive year the mathematics scores have dropped. The department's Office of Program Planning reports the primary area of student weakness as shown by the statewide test results is in basic computational and measurement skills. The Office of Program Evaluation also reports that this weakness in basic computation and measurement skills is further documented by the results from the SCIMA test discussed above.

Because of the importance of basic skills to future success we believe the Mathematics Task Force should be expanded and continued in 1973-74 for the purpose of working with the Office of Program Evaluation to improve mathematics education programs. We believe the Office of Program Evaluation should prepare by April 1, 1973, a report on current weaknesses in mathematics which can be used by the Mathematics Task Force in adopting a 1973-74 work plan to achieve program improvement in selected school districts. This plan should include measurable performance objectives.

To fund the efforts of the Mathematics Task Force and Office of Program Evaluation in program improvement we recommend the

\$195,709 proposed in Item 297 for curriculum framework development (page 697) be eliminated and transferred for allocation as follows (1) \$25,000 to the Office of Program Evaluation for research and data analysis, (2) \$100,000 to expand the Mathematics Task Force by three professional positions (project specialists) and one clerical position, and (3) \$70,709 to hire on a contract basis local district personnel (teachers and principals) who operate successful mathematics programs to work with the Mathematics Task Force in improving mathematics instruction in selected underachieving districts.

Table 18
Statewide Standardized Text Results in Mathematics

	Grade 6			Grade 12		
	1970-71	1971-72	Change	1970-71	1971-72	Change
75th percentile (State Q3)						
State raw score	83.2	81.5	-1.7	18.7	18.4	-0.3
Publisher's percentile rank.....	68	65	-3	77	74	-3
50th percentile (State Q2)						
State raw score	72.6	69.8	-2.8	12.9	12.8	-0.1
Publisher's percentile rank.....	43	38	-5	48	48	-0
25th Percentile (State Q1)						
State raw score	56.1	52.9	-3.2	8.6	8.5	-1
Publisher's percentile rank.....	21	18	-3	25	25	-0

4. Career Education Priority Program

The Career Education Priority Program is proposed in the budget year as a continuation of the Career Education Task Force, which is due to terminate June 30, 1973. Career education attempts to relate the education process to the development of salable job skills. 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.

Table 19 shows state support for the Career Education Priority Program in recent years.

Table 19
Career Education Program

	Actual 1971-72	Estimated 1972-73	Proposed 1973-74
State Operations:			
Federal funds	\$110,131	\$283,246	\$308,521

Career Education Task Force

We recommend that the Career Education Task Force be continued at the same staffing level in the budget year. We further recommend that the department develop a detailed plan for the integration of the Career Education Task Force goals and objectives into the department's instructional program.

Ten Career Education projects are supported from Vocational Education funds under 18-month contracts (March 1972-September 1973). With slight shifts in funds these projects are scheduled to be extended to the end of the budget year. Federal reporting requirements

INSTRUCTION—Continued

will necessitate a continued effort in monitoring the expenditure of these funds. Integration of the task force with the EPAS unit might dilute the task force efforts to develop a career education model. We believe the Career Education Task Force should be continued through the budget year to provide continuity to the career education research and development projects.

The program budget does not provide a clear statement as to how the career education program will be integrated with the ongoing organized structure of the Department of Education. The budget states the EPAS unit will be responsible for the Career Education Priority Program in the budget year and will provide leadership to incorporate the goals of career education in all departmental instructional programs. As of this writing the department has not completed its plans for the reorganization of the EPAS unit and has not demonstrated how the goals of career education would be incorporated in the instructional programs. We believe the department should develop a detailed plan that shows how the staff and goals of the Career Education Task Force will be integrated with the department's instructional programs.

5-6. Health and Safety Education

The Health and Safety Unit assists school districts to develop and improve local programs in health, physical and driver education. The unit presently consists of 18 consultants, one each in health, physical education, recreation, traffic safety, and conservation, three in civil defense, three in a special venereal disease education project and five in driver education. In addition, the Department of Education has established a drug education project consisting of four consultants outside the jurisdiction of the Health and Safety Unit.

The 1973-74 Governor's Budget indicates that the specialized subject assignments of the current Health and Safety Unit will be consolidated into a comprehensive general health program in 1973-74 under the EPAS unit. However, a survey of health and safety personnel indicates that no attempt has been made to begin consolidation nor has the department established retraining programs which would enable specialists to assume general assignments. Personnel also report that they expect their 1973-74 work assignments to be similar to the specialized assignments of the current year. This evidence leads us to question whether the Department of Education intends to fully integrate health and safety personnel into the EPAS unit in 1973-74 as the budget document indicates or if it intends to simply continue present specialized assignments under a new organization.

7. Bilingual-Crosscultural Programs

The Bilingual-Bicultural Task Force was established in fiscal year 1971-72 and is scheduled to terminate on June 30, 1973. A major effort of this task force was the development of a master plan for bilingual-bicultural programs. A tentative draft has been completed and is in the process of editing for final publication. Some of the recommendations of that report have been incorporated in the provisions

of Chapter 1258, Statutes of 1972 (AB 2284). This bill appropriated \$1 million for 1972-73 and \$4 million in 1973-74 for the establishment of bilingual education programs. The EPAS unit is to assume responsibility for the bilingual-crosscultural programs in the budget year.

AGE SPAN PROGRAM ELEMENTS

The budget document identifies the following age span categories as elements B, C, and D of Program I:

B. EARLY CHILDHOOD EDUCATION

C. INTERMEDIATE EDUCATION

D. SECONDARY/ADULT EDUCATION

These three categories are part of the Department of Education's proposed matrix reorganization.

E. GENERAL EDUCATION PROGRAMS

1. Education Program Administration and Services (EPAS)

The budget supplement states that in 1973-74 "the education program administration and services component will provide leadership and services to school districts for the general educational mandated programs of instruction and will administer selected categorical, supplementary, and apportionment programs, both state and federal." This unit is responsible for administering (1) state mandated general education programs, (2) federally funded programs under ESEA Titles II and III and NDEA Title III and (3) the Farr-Quimby Instructional Television Program.

Table 20 shows the proposed funding of the Educational Program Administration and Services unit.

Table 20
Educational Program Administration and Services
Expenditures by Fund Source

	<i>Actual 1971-72</i>	<i>Estimated 1972-73</i>	<i>Proposed 1973-74</i>
State Operations			
General Fund.....	\$621,422	\$841,915	\$852,957
Federal funds.....	1,108,031	1,737,091	2,029,961
Reimbursements.....	148,314	595,405	535,465
Subtotal	<u>\$1,877,767</u>	<u>\$3,174,411</u>	<u>\$3,418,383</u>
Local Assistance			
General Fund.....	\$18,927,204	\$1,245,665	\$745,665
Federal funds.....	16,034,333	25,039,513	27,114,196
Reimbursements.....	—	8,878,700	8,878,700
Subtotal	<u>\$34,961,537</u>	<u>\$35,163,878</u>	<u>\$36,738,561</u>
Total	<u>\$36,839,304</u>	<u>\$38,338,289</u>	<u>\$40,156,944</u>

The proposed budget reflects the transfer of the Miller-Unruh Reading Program from the EPAS unit to Compensatory Education in the current fiscal year. The EPAS unit intends to absorb some of the activities of the Reading Task Force, the Mathematics Task Force, the Career Education

INSTRUCTION—Continued

Task Force, the Drug Education Task Force, the Bilingual-Bicultural Task Force and the Guidance and Counseling Task Force, all of which are scheduled to terminate June 30, 1973.

The EPAS unit was established in 1971-72 to consolidate the administration of programs which formerly were administered by seven separate bureaus. Under the former bureau structure considerable duplication of effort resulted at the state level in project approval and administration, data collection, reporting and evaluation, and consultant services. For example, under the bureau system it was possible for districts to be visited by an ESEA Title II consultant, and ESEA Title III and an NDEA Title III consultant at the same time. The EPAS unit intends to eliminate this duplication by using consultants as generalists rather than specialists.

It is the intent of the Department of Education to further reorganize the EPAS unit in the budget year. The proposed reorganization would be a matrix organization model operated on a geographical-functional program basis. Three regions would be established with program teams assigned to each region. The program teams would be composed of approximately five generalist consultants. Last year we endorsed the concept of a conversion to generalist consultants and we believe the intentions of the department to further reorganize the EPAS unit along regional lines could result in increased program efficiency.

2. Statewide Testing Program

Information on public school 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 should be noted that Chapter 930, Statutes of 1972, will make major changes in the statewide testing program beginning in the 1973-74 school year.

The results of the 1971-72 statewide testing program for grades 1 through 3 are reported on pages 526 and 527 of Program Budget Supplement, Volume II. The results indicate that California pupils scored at about the same median level as the national norm group. The results also indicate that the median achievement level of California pupils in these grades has increased steadily over the period during which these tests have been given.

However, the results of the 1971-72 testing program for grades 6 and 12, which are reported on page 528 of Program Budget Supplement, Volume II, indicate that the performance of California pupils in the subject areas tested is below that of the national norm group. Sixth-grade test results indicate that the median achievement level of California pupils has declined in all subject areas over the three-year period during which these tests have been given.

3. ESEA Title III

Title III of the Elementary and Secondary Education Act of 1965 (Public Law 89-10) provides funds for allocation to local education agencies to develop imaginative solutions to educational problems and to utilize research findings more effectively. 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 21 reviews the funding for Title III.

Table 21
Title III ESEA Funds

	<i>Estimated allocation 1972-73</i>
State operations	\$873,002
Local assistance	9,894,022
Total	\$10,767,024 ¹

¹ 1973-74 funding has not been authorized by Congress.

ESEA Title III Incentive Grants..

We recommend that the Legislature increase from 5 percent to 10 percent the maximum percentage of California's allocation of Title III federal funds which may be reserved for incentive grants to school districts which have operated exemplary projects during the preceding year.

In 1971-72, 10 outstanding Title III projects were selected and awarded incentive grants to stimulate and promote local expansion and statewide adoption.

The Department of Education assisted each project staff in producing printed and audiovisual materials which described the projects. The department also designed, developed and managed a traveling seminar that provided visibility for each project.

We believe that increasing from 5 percent to 10 percent the maximum allowance for incentive grants for exemplary projects could result in greater dissemination of successful program components to other school districts which are having educational problems similar to those which were addressed by the Title III exemplary projects. Disseminating information about successful programs could thus reduce local research and program development costs.

4. 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 90 percent of the total program allocation is spent for salaries of these specialists. The Miller-Unruh program also provides incentives for specialist teachers in

INSTRUCTION—Continued

the form of additional salary allowance, teacher training through reading scholarships, and allowances for staffing school libraries. Budget Act Item 308 proposes an appropriation of \$19,278,000 for the Miller-Unruh Reading Program in 1973-74, the same as the current year appropriation.

The annual evaluation of the Miller-Unruh program for 1970-71 based on reading test scores derived from state mandated tests disclosed the following:

Findings by District

- (1) Miller-Unruh districts showed more improvement in raw score averages from grade 1 (1969-70) to grade 2 (1970-71) than non-Miller-Unruh districts.
- (2) Miller-Unruh districts showed more improvement in raw score averages from grade 2 (1969-70) to grade 3 (1970-71) than non-Miller-Unruh districts.
- (3) The longer period of time which districts participated in the Miller-Unruh Specialist Teacher program, the more improvement in reading performance.

Findings by School

- (1) Miller-Unruh schools showed more improvement in raw score averages from grade 1 (1969-70) to grade 2 (1970-71) than non-Miller-Unruh schools.
- (2) Miller-Unruh schools showed more improvement in raw score averages from grade 2 (1969-70) to grade 3 (1970-71) than non-Miller-Unruh schools.

Optional Use of Miller-Unruh Funds

We recommend that the Legislature authorize the optional use of Miller-Unruh funds in grades 4 through 6 and direct the State Department of Education to provide assistance to school districts to initiate remedial reading programs in grades 4 through 6 where deficiencies are indicated by the statewide test results.

In discussing the statewide testing program on Analysis page 704, we indicate that the performance of California pupils in grades 6 and 12 as measured by the test results is below that of the national norm group and in grade 6 the median achievement level of California pupils has declined in all subject areas in the last three years. We contrast this with the performance of pupils in grades 1 through 3 which is about equivalent to the national norm group level and has been consistently improving over the past six years. It is important to note that the major effort of existing federal and state categorical programs is directed at the primary grades. Moreover, recently enacted state legislation is also concentrated on the primary grades. For example, Chapter 1147, Statutes of 1972 (SB 1302), is directed entirely at improvement of the educational program in grades K-3 and will be funded at \$25 million in 1973-74 and \$40 million in subsequent years. Chapter 1406, Statutes of 1972 (SB 90), includes an appropriation of \$82 million in 1973-74 and subsequent years for educationally disadvantaged pupils of which a substantial portion will

probably be allocated to the primary grades. Chapter 1258, Statutes of 1972 (AB 2284), appropriates \$1 million in 1972-73 and \$4 million in 1973-74 for a bilingual program which also will probably be directed at the primary grades. Because of the demonstrated need for remedial reading instruction in grades 4 through 6 and the lack of categorical programs directed at these grade levels, we believe the optional extension of the Miller-Unruh program to grades 4 through 6 could improve the reading achievement of these pupils.

F. 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.

Table 22 summarizes expenditures for this program.

Table 22
Instruction for Educationally Disadvantaged Students
Expenditures by Components

	<i>Actual</i> 1971-72	<i>Estimated</i> 1972-73	<i>Proposed</i> 1973-74
1. Socioeconomically disadvantaged	\$147,149,417	\$136,583,363	\$138,925,786
2. Migrant education	9,808,303	10,624,600	10,717,143
3. Preschool education	43,852,123	46,108,167	67,242,653
Total	\$200,809,843	\$193,316,130	\$216,885,582

Table 23 lists state operations and local assistance by fund source.

Table 23
Instruction for Educationally Disadvantaged Students
Expenditures by Fund Source

	<i>Actual</i> 1971-1972	<i>Estimated</i> 1972-73	<i>Proposed</i> 1973-74
State Operations:			
General Fund	\$646,341	\$946,044	\$813,829
School Building Aid Fund	—	20,600	26,728
Federal funds	1,237,452	2,263,546	2,419,950
Reimbursements	2,115,790	2,095,172	3,004,250
Subtotal	\$3,999,583	\$5,325,362	\$6,264,757
Local Assistance:			
General Fund	\$15,913,983	\$35,787,147	\$35,469,625
Federal funds	131,083,362	112,904,497	113,991,000
Reimbursements	49,812,915	39,299,124	61,160,200
Subtotal	\$196,810,260	\$187,990,768	\$210,620,825
Total	\$200,809,843	\$193,316,130	\$216,885,582

Table 24 summarizes General Fund support by Budget Act item.

INSTRUCTION—Continued

Table 24

Budget Act Appropriations for Educationally Disadvantaged Students

<i>Budget Act item:</i>	<i>Purpose</i>	<i>Amount</i>
<i>State operations</i>		
297	Department of education general activities.....	\$813,829
<i>Local assistance</i>		
307	Compensatory education for disadvantaged students	10,670,000
309	Children's centers	6,000,000
Total.....		\$17,483,829

1. Socioeconomically Disadvantaged Students

(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. Title I, 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 1971-72.

Table 25
Title I Elementary and Secondary Education Act
Funds by Component 1971-72

<i>Component</i>	<i>Amount</i>	<i>Percentage</i>
School districts	\$120,909,695	90.5%
Children of migrant agricultural workers.....	8,285,802	6.2
Handicapped children in state schools and hospitals.....	1,477,445	1.1
Neglected and delinquent youths in local institutions	1,114,636	.8
Delinquent youths in California Youth Authority institutions	1,847,592	1.4
Total	\$133,635,170	100.0%

The total allocation of \$133.6 million represents a 22-percent increase over 1971-72.

(b) *State Compensatory Education.* Item 307 contains \$10,670,000 for three state programs for disadvantaged students discussed below. This amount is an increase of four percent over the current year appropriation, less \$268,000 utilized in the current year for three Research and Teacher Education projects which will be terminated.

(1) *Special Teacher Employment Program.* The Special Teacher Employment program provides funds to facilitate the reduction of class size (pupil-teacher ratio) in the most concentrated areas of poverty and social tension in the state. Current year funding is \$6.5 million.

(2) *Demonstration Projects in Reading and Mathematics.* 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 year is \$3 million.

(3) *State Projects in Research and Teacher Education (RATE).* 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.

The Governor's Budget indicates that this activity, funded in the current year at \$268,000, will not be funded in the budget year.

We agree that the RATE program has not been measurably 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). 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. \$750,000 is allocated for the program in the current year.

Each PDC program develops training components which include: (1) improving the teaching of reading and mathematics, (2) improving diagnostic and prescriptive skills in reading and mathematics, and (3) improving the understanding of culturally different children. Each training component includes a listing of objectives, the activities planned to reach these objectives, and an evaluation procedure to determine the degree to which the objectives are met.

Table 26 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 26
Composite Grade Equivalent Gain Scores in Reading and
Mathematics for PDC's and Title I Big City Saturated
Schools in 1970-71 and 1971-72

<i>Reading</i> grade level	<i>1970-71</i>		<i>1971-72</i>	
	<i>PDC schools</i>	<i>Big city schools</i>	<i>PDC schools</i>	<i>Big city schools</i>
2.....	.8	.6	1.1	.6
3.....	.8	.5	.7	.7
4.....	.8	.7	.6	.6
5.....	.8	.7	1.2	.6
6.....	.9	.7	1.1	.7
<i>Mathematics</i>				
grade level				
2.....	.8	.9	1.0	1.0
3.....	1.0	1.0	1.3	1.0
4.....	1.3	.9	.7	.9
5.....	1.0	.8	.7	.9
6.....	1.0	.8	1.0	.8

The teachers of the PDC schools had all received training at professional development centers prior to the school year in which the tests were administered. The table indicates that the students in PDC schools registered consistently higher gains in reading and mathematics than the Title I schools except for mathematics in grades 2 and 3 in 1970-71 and grades 4 and 5 in 1971-72.

One of the major problems of disadvantaged schools is developing and

INSTRUCTION—Continued

maintaining a staff of competently trained administrative and instructional personnel. The retention of such personnel in Professional Development Centers and satellite schools is recognized as critical to the success of the PDC program. Table 27 indicates the percentages of staff members trained in the Professional Development Centers from 1969 to 1972 who returned to the target area.

Table 27
Percentage of Staff Members Trained in Professional Development Centers from 1969-72 Who Returned to the Target Area

Type of personnel	Number of personnel trained	Number of Personnel returning to target area positions	Percentage of trainees retained in the target area
Administrators and supervisors	53	39	73.6%
Classroom teachers	400	345	86.3
Replacement teachers.....	68	49	72.0
Instructional aides	187	151	80.7
Other	51	48	94.1
Total.....	759	632	83.3%

The table indicates that over 80 percent of administrative and instructional personnel trained in the Professional Development Centers returned to the target area schools.

PDC Budget Augmentation

We recommend that the budget of the Professional Development Centers (PDC) program within Item 307 be augmented by \$268,000 to maintain the current level of General Fund support for training teachers of the disadvantaged. We propose that the \$268,000 dropped from the budget for the Research and Teacher Education (RATE) Program be restored and used for the PDC program.

The data in Table 26 suggest that the PDC program has been successful in improving the capabilities of students in disadvantaged schools. Table 27 demonstrates a high retention rate for personnel who have had this training.

The Department of Education estimates that there are 750,000 disadvantaged students in California who are underachieving. Approximately 30,000 teachers and aides are directly involved in the education of these children. However, only 373 teachers and aides (less than 2 percent) are participating in the PDC training program in 1972-73. These statistics indicate a significant need for training teachers of the disadvantaged.

We believe that a \$268,000 augmentation of this program is necessary to provide training to additional teachers and extend this successful program to other regions of the state.

It is important to note the augmentation of the Professional Development Center program by \$268,000 would raise state support for compensatory education to \$10,938,000, the level of support in the current year plus a 4-percent increase for inflation.

2. Preschool Education and Children's Centers

A large variety of programs are available in California which provide child care and preschool instruction to 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 operate a statewide system of preschool programs for three- to five-year old children from low-income families. This legislation required all programs to follow program guidelines developed by the Department of Education. State 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.

(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 state appropriation which is matched in part by (1) federal funds on a 75-25 federal-state matching basis, (2) local support and (3) parent fees. In 1965 the Legislature added an educational component in order to extend the program beyond the function of child supervision.

(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 the Head Start Program as part of the Economic Opportunity Act. There is no direct state responsibility for implementation of the program since the Office of Economic Opportunity works directly through community action agencies.

Table 28 summarizes participation in these five programs.

Table 28
Child Care and Preschool Education Program Participation

	<i>Pupil Participation</i>	
	<i>1971-72</i>	<i>1972-73</i>
1. State Preschool Program	16,317	19,407
2. Children's centers.....	22,752	25,543
3. Title I ESEA Preschool Program	4,922	5,207
4. Migrant day care and preschool.....	1,023	1,100
5. Head start.....	15,371	16,000
Total	60,385	67,257

Table 29 reviews expenditures by source in 1971-72 for each of these programs.

INSTRUCTION—Continued

Table 29
Child Care and Preschool Education
Expenditures by Source—1971-72 (estimated)

	<i>Federal</i>	<i>State</i>	<i>Local</i>	<i>Fees</i>	<i>Total</i>
1. State Preschool Program	\$12,238,886	\$4,079,628	—	—	\$16,318,514
2. Children's centers..	18,348,701	9,323,313	\$10,240,038	\$6,061,232	43,973,284
3. Title I ESEA Preschool Program ..	3,802,938	—	—	—	3,802,938
4. Migrant day care....	1,297,000	349,000	—	—	1,646,000
5. Head start.....	26,418,771	—	—	—	26,418,771
Total	\$62,106,296	\$13,751,941	\$10,240,038	\$6,061,232	\$92,159,507

Item 309 of the Budget Act appropriates \$22,829,800 for the state preschool program, children's centers, and development centers for the handicapped.

Table 30 indicates the components of this appropriation.

Table 30
Components of Item 309 Appropriation

For Children's Centers:	
Apportionment to districts	\$6,000,000
Transfer of state matching requirement for federal support	6,040,000
Subtotal	\$12,040,000 ¹
For State Preschool Program:	
Transfer for state matching requirement for federal support	5,828,550
For development centers for handicapped	4,961,250
Total	\$22,829,800

¹ The portion of this amount which will qualify for federal matching funds will depend on the number of federally certified children.

Child Development Act

Chapter 670, Statutes of 1972 (AB 99), The Child Development Act, assigns the entire administrative responsibility for child care services to the State Department of Education, including those services previously administered by the State Department of Social Welfare. Services include preschool programs, day care for children of migrant families, children's centers, neighborhood day care facilities operated by school districts or other agencies, homemaker services to meet emergency conditions, experimental projects in child care, and related social and health services.

The Child Development Act requires the Department of Education to (1) formulate and promote a child development program in all California communities where the need exists; (2) adopt rules, regulations, and standards for neighborhood family day care homes; (3) establish rules for program eligibility and priority of service; (4) establish fee schedules; (5) prescribe minimum educational standards. The act authorizes the Department of Education to charge each public or private agency operating child care services up to \$0.02 per child care hour for the costs of administering the program. The Department of Education has established a Child Development Unit to administer on a regional basis all child development and preschool programs. However, a master plan for implementing the child care programs required by Chapter 670 has not yet been published.

Child Development Management Plan

We recommend that the Department of Education submit to the fiscal committees before the department's budget is approved, a management plan for the Child Development program authorized by Chapter 670, which includes: (1) a description of the proposed activities of the Child Development Unit and a timeline for program development; (2) an organizational structure which defines administrative functions and responsibilities; (3) a list of authorized positions including salary range, funding source, and proposed hiring date; and (4) a workload justification for each position.

The Governor's Budget indicates that 35 positions in the current year and an additional 6.8 positions in the budget year are all to be funded by the authorized administrative charge of 2 cents per child hour of participation. This is based on an estimated 45 million child hours in 1972-73 and 46 million in 1973-74. However, we believe these projected child hours are overestimated. For example, the average monthly child hours would have to increase by 35.5 percent in the last seven months of 1972-73 to reach the current year budget estimate. Considering the lack of program expansion to date, we do not foresee that either the current or budget year estimates will be attained. To this extent, funding will not be available for the positions included in the budget.

It is also important to note that, even if the department's projected hours of participation for 1973-74 are attained, the budget indicates only \$25,069 to finance the 6.8 additional positions proposed for the budget year. We believe this proposed staffing in excess of the amount of administrative funds generated by the program demonstrates a lack of planning by the department. Further, we have been unable to obtain workload justifications for the proposed positions. We believe the Department of Education should submit a comprehensive management plan before the fiscal committees approve the proposed administrative budget of the Child Development Unit.

Children's Centers Program

We recommend that the Legislature direct the Departments of Social Welfare and Education to (1) make a retroactive review of the status of all children who participated in the Children's Centers program in 1970-71 and 1971-72 to maximize the number of children who qualify for federal certification, (2) submit a claim for any additional federal matching funds, and (3) report to the Joint Legislative Budget Committee by June 30, 1973 the additional federally certified hours of attendance, the amount of additional federal funds obtained, and the allocation of these funds between local agencies and the State General Fund.

The Children's Centers appropriation of \$12,040,000 provides state support for an educational program for children from low-income families. Of this amount, an estimated \$6,040,000 will be matched on a 75-25 federal-state matching basis by \$18,120,000 of federal funds. This amount is allocated to federally certified low-income children of families receiving public assistance or who are former or potential recipients of public assistance. The estimated balance of \$6 million is allocated for

INSTRUCTION—Continued

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.

In last year's analysis we recommended that the State Department of Social Welfare and State Department of Education submit to the Joint Legislative Budget Committee a plan to identify and recertify the "state means test" children who could qualify for federal support as former or potential recipients of public aid. A recertification was initiated by these departments in March 1972. Table 31 compares hours of attendance in children's centers in October 1971 and October 1972.

Table 31
Children's Centers Participation

<i>Type of child</i>	<i>October 1971</i>		<i>October 1972</i>	
	<i>Hours</i>	<i>Percent</i>	<i>Hours</i>	<i>Percent</i>
State means test.....	1,013,954	33.9	642,847	19.7
Federally certified.....	1,950,616	65.2	2,597,709	79.7
Full cost	25,631	.9	18,702	.6
Total	2,990,201	100.0	3,259,258	100.0

The table demonstrates the effect of the recertification of "state means test" children to federally certified status. Hours of attendance of federally certified children increased from 65 percent in October 1971 to 80 percent in October 1972. The table also reflects a 9-percent increase in total hours of attendance.

Although Table 31 indicates a substantial increase in the hours of attendance qualifying for federal matching funds, a recent survey by the Division of Audits, Department of Finance, disclosed that additional "state means test" children are qualified for federal certification.

The Division of Audits estimates there are approximately 5.5 million additional federally certifiable hours in 1970-71 which would generate an estimated \$3.3 million additional federal funds and approximately 4.1 million additional federally certifiable hours in 1971-72 which would generate an estimated \$2.5 million additional federal funds. We believe these additional federal hours and funds should be documented and claimed immediately.

Early Childhood Education

Chapter 1147, Statutes of 1972 (SB 1302) appropriated \$25 million in 1973-74 and \$40 million in 1974-75 and subsequent years for the development of Early Childhood Education programs in grades K through 3. These programs and the preschool and children's centers programs will be administered by the Early Childhood Education Manager, one of the three age span managers in the department's matrix organization discussed on page 692.

Chapter 1147 also appropriated \$250,000 to the State Department of Education for administration of the program. The Governor's Budget proposes to expend \$100,000 of this amount in the current year and \$150,000 in the budget year. However, no detail was provided. We will

obtain detail budgets for these funds for review by the fiscal subcommittees.

G. INSTRUCTION FOR SPECIAL EDUCATION STUDENTS

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

Table 32 summarizes expenditures and funding sources for all activities supervised by the Division.

Table 32
Expenditures and Funding Sources for the
Division of Special Education

	<i>Actual 1971-72</i>	<i>Estimated 1972-73</i>	<i>Proposed 1973-74</i>
Handicapped	\$15,041,822	\$13,026,792	\$16,010,120
Gifted minors	72,166	93,227	89,981
Special schools	9,651,360	10,988,576	11,393,977
Totals	\$24,765,348	\$24,108,595	\$27,494,078
State Operations:			
General Funds	\$9,425,742	\$11,215,955	\$11,460,923
Federal funds	1,340,874	1,859,240	2,002,978
Reimbursements	1,375,845	1,673,328	1,284,824
Subtotal	\$12,142,461	\$14,748,523	\$14,748,725
Local Assistance:			
General Fund	\$4,646,103	\$4,875,000	\$4,961,250
Federal funds	7,976,784	4,485,072	7,784,103
Subtotal	\$12,622,887	\$9,360,072	\$12,745,353
Total	\$24,765,348	\$24,108,595	\$27,494,078

Table 33 summarizes budget act items which appropriate General Fund support for special education programs.

Table 33
Budget Act Appropriations for Special Education

<i>Item</i>		
State-level Operations:		
297	Division of Special Education	\$1,351,770
300	Special schools	\$10,109,153
Local Assistance:		
309	Development centers	\$4,961,250
Totals		\$16,422,173

Master Plan for Special Education

In 1971, the Division of Special education conducted a series of conferences throughout the state with parents, teachers, and administrators to discuss every aspect of special education. Opinions gathered at these conferences were then developed into a tentative Master Plan for Special Education. The division is now in the process of

INSTRUCTION—Continued

presenting the master plan to the Advisory Commission on Special Education. To date, the commission has reviewed approximately half of the master plan and has suggested extensive revisions. Once the plan has been completely reviewed by the commission, it will be sent to all school districts in the state for field review. The Department of Education estimates that the master plan will be ready for presentation to the State Board of Education by May 1973.

The preliminary draft of the master plan proposes to eliminate existing diagnostic categories such as physically handicapped, mentally retarded, and educationally handicapped. Only one classification, "exceptional individual," would be utilized for all individuals whose educational needs cannot be met by modifications of the regular school program. State funds for special education would be allocated according to the actual educational needs of the student, not according to his diagnostic category as is the case under existing law.

The master plan proposes to provide an education to every exceptional individual in the state from the time he is first identified until he has achieved his "optimum life skills." School districts and county superintendents of schools which possess sufficient resources to provide comprehensive programs would be designated as "educational agencies" by the Division of Special Education. These agencies would be responsible for the coordination of all educational, social and medical resources available for exceptional children within their boundaries.

Areas of Concern Regarding Master Plan

Although the master plan is far from complete, our preliminary analysis has indicated the following general areas of concern which we feel require further study by the Division of Special Education.

1. The role of the state special schools is not fully developed in the master plan. The future of the state schools is of particular importance at this time because of the deterioration of the special school facilities. If the master plan is to ensure local and regional services for all exceptional children, it is questionable whether the state should authorize funds for the construction of a new special school complex.

2. The master plan does not provide for the statewide coordination of federal ESEA Title III, Title VI, and state research projects conducted by the Division of Special Education and local school districts.

3. Recent legislation will require certain school districts to develop comprehensive plans for early childhood education and the education of the disadvantaged. The master plan does not provide for the coordinated development and operation of the comprehensive plans for special education with these related plans.

4. The master plan does not include an organization plan for the state-level administration of the new program. We believe that the present administrative structure of the Division of Special Education (based on diagnostic categories) should be reorganized to reflect the noncategorical perspective of the master plan and the matrix organization of the Department of Education.

5. The master plan proposes to provide special education services to exceptional individuals until they have reached their "optimum life skills." This phrase is subject to a variety of interpretations and could conceivably obligate the state to provide education programs for exceptional children throughout their lives. We believe that this term should be given a precise operational definition.

Report on 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 1972-73 totaled \$249,697.

Existing law directs the Department of Education to submit a report to the Joint Legislative Budget Committee by November 1 of each year on the expenditures of these research funds. In the 1972-73 analysis, we noted the lack of a common research theme among the projects approved by the Division of Special Education. We also suggested that future projects should be designed to reflect such state priorities as the development of a master plan for special education.

This year the Department of Education has requested permission to delay the report until February 1, 1973. Preliminary material provided by the department promises that the final report will describe research projects which are "astonishing both in quality and volume" and not "more of the same esoteric, meaningless research which universities grind out for scholars."

1. 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 34 summarizes expenditures for the instruction of handicapped and gifted students. It is important to note that the budget-year total (\$16,505,419) in this table differs by \$405,318 from the combined handicapped and gifted program totals (\$16,100,101) presented in Table 32. The Department of Education reports that it is unable to reconcile the totals in these tables.

INSTRUCTION—Continued

Table 34

Support for the Instruction of Handicapped Students
(including gifted)

	Actual 1971-72	Estimated 1972-73	Proposed 1973-74
State Level:			
Administration	\$164,258	\$198,519	\$207,356
Mentally exceptional.....	622,038	600,878	694,581
Physically exceptional.....	1,171,125	1,805,454	1,768,217
Educational improvement of handicapped.....	697,938	875,240	1,089,912
Subtotal.....	\$2,655,359	\$3,480,091	\$3,760,066
Local Assistance:			
Development centers	4,500,000	4,725,000	4,961,250
Federal funds	7,976,784	4,485,072	7,784,103
Teacher grants	150,000	150,000	—
Subtotal.....	\$12,626,784	\$9,360,072	\$12,745,353
Total	\$15,282,143	\$12,840,163	\$16,505,419

2. Gifted Minors Program.

Chapter 883, Statutes of 1971, established a permissive program for mentally gifted minors in California. 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 1971-72, approximately 135,000 students were enrolled in two general categories of gifted programs. Ten percent of the total gifted enrollment attended special day classes consisting of advanced instruction certified as "qualitatively different" from regular classes. Ninety percent received special services, such as the use of advanced materials in the regular classroom, tutoring, correspondence courses, college courses, or special seminars.

Allowance Increases

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

Simplification of Reporting Procedures

We recommend that the Department of Education be directed to simplify current reporting procedures for the gifted minors program and submit a progress report to the Joint Legislative Budget Committee by November 1, 1973. We further recommend that the Department of Education be directed to submit an annual summary of gifted program reports to the Joint Legislative Budget Committee by November 1 of each year.

Chapter 1339, Statutes of 1969, authorizes the State Board of Education to establish minimum standards for gifted minors programs. Regulations adopted in 1969 (Title 5, Administrative Code, Section 3831) require school districts to submit annual reports to the Department of Education

demonstrating that their gifted programs are "qualitatively different" from the regular school program. All reports must be reviewed and approved by the department before school districts are eligible to receive state gifted allowances.

Although we fully support the concept of program accountability, we believe that current gifted program reports have become unnecessarily detailed and unwieldy. Report guidelines issued by the department now require an annual report on the following: current enrollment and projections, racial and ethnic distributions, proposed budgets, identification and placement procedures, general and specific program goals, program description highlighting those aspects which are "qualitatively different" from the regular program, curriculum content, facilities and special materials, special services, evaluation methods, pupil progress data and administrative procedures.

School districts have responded to these guidelines by submitting voluminous reports which in some cases exceed 150 pages in length. The department's two consultants in the gifted minors program report that this large volume of material prevents adequate review and precludes the preparation of an annual summary. We believe that the Department of Education should revise its reporting guidelines to reduce the amount of extraneous program material submitted for approval. Once gifted minors programs have been approved by the department, we believe that school districts should be required to submit annually only essential enrollment, budgetary and standardized pupil progress data unless major curriculum changes are implemented. We believe that this reduction in review workload would enable the Department of Education to prepare an annual statewide summary of essential data concerning the gifted minors program without necessitating an increase in staff. Such a summary is particularly important at this time due to the gradual increase in gifted allowances. A report of budgetary and pupil progress data would reveal where additional state funds are being utilized and to what extent increased program support affects pupil progress.

3. 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 35 summarizes support for the schools and per capita expenditures.

INSTRUCTION—Continued

Table 35

Estimated Support for Special Schools 1973-74

	General Fund	Reimbursement from districts	Total local and state support	Enrollment	Expenditure per capita
Special Schools:					
California School for Deaf, Berkeley	\$2,909,563	\$415,000	\$3,324,563	484	\$6,867
California School for Deaf, Riverside	4,041,763	417,575	4,459,338	650	6,860
California Schools for Neurologically Hand- icapped Children, Northern	880,963	57,980	938,943	250	3,756
Southern	851,099	84,295	935,394	250	3,742
California School for Blind, Berkeley	1,425,765	309,974	1,735,739	142	12,222
Totals	\$10,109,153	\$1,284,824	\$11,393,977	1,776	\$6,415

Followup Project

We recommend that the budget for the special schools (Item 300) be augmented by \$28,410 to enable the state to assume support of the followup project at the Diagnostic School for Neurologically Handicapped Children, Northern California.

The Department of Education utilized federal ESEA Title VI-B funds to initiate a followup project at each of the Diagnostic Schools for Neurologically Handicapped Children, Northern and Southern California. In 1972 the followup project at the Diagnostic School, Southern California, reached its three-year federal funding limit. Based on our recommendation in the 1972-73 analysis of the Budget Bill, the Legislature authorized the state to assume support of the project. As anticipated, the followup project at the Diagnostic School, Northern California will reach its federal funding limit on June 30, 1973. We believe that the state should support this project also.

In our 1972-73 analysis, we reported that teachers often encountered difficulties in interpreting the complex diagnostic reports which accompanied a student discharged from the diagnostic schools. The followup project was designed to provide a teacher coordinator to (1) explain personally these diagnostic reports to the student's home teacher and staff, (2) assist the home teacher and staff 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. We believe that the importance and high cost of the diagnostic and remedial services provided by the 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 insuring a personal contact between diagnostic staff and local schoolteachers.

Report on the Diagnostic Schools

In the 1972-73 Supplementary Report of the Conference Committee, the Legislature directed the Department of Education 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. No report has been received to date.

State School Facilities at Berkeley

The California School for the Deaf, Berkeley and the California School for the Blind occupy a joint facility in Berkeley consisting of 40 buildings on a 50-acre hillside site. The Office of Architecture and Construction reports that approximately half of these buildings were constructed prior to the Field Act of 1933, and do not conform to current fire and earthquake safety requirements. The State Fire Marshal recently agreed to permit the schools to remain open until June 30, 1975. Existing law requires all pre-Field Act school facilities in the state, including the state schools, to be rehabilitated by this date or abandoned.

The Department of Education reports that earthquake hazards of the present site and high rehabilitative costs have convinced them to relocate the schools. The 1973-74 Governor's Budget proposes a \$1 million appropriation for preliminary planning documents for new special school facilities. The Office of Architecture and Construction estimates a total state cost for construction of approximately \$19 million.

Considerations Regarding Relocation and Special Schools

The Department of Education has not yet determined the future site of the special schools. We believe that any decision regarding the location of the School for the Deaf should take into account recent directives by the Legislature which limit services to deaf and multihandicapped deaf students without local programs. We believe these directives will result in a gradual shift in enrollment composition from a primarily urban normal-deaf population to a rural normal-deaf and severely-multihandicapped deaf population, particularly as the Master Plan for Special Education compels school districts to develop local deaf programs. Therefore, we believe that the continued operation of the school in the urban bay area would be incompatible with the population the schools will ultimately serve.

In addition, we believe that the continued operation of the special schools in the bay area inhibits the growth and improvement of programs in urban counties which are most capable of developing comprehensive deaf programs. More than half of the students currently enrolled at the School for the Deaf are drawn from the urban bay area counties of Contra Costa, Alameda, Santa Clara, San Mateo and San Francisco. Although these counties have the resources and concentration of deaf students to develop comprehensive deaf programs, we believe the physical proximity of the School for the Deaf has encouraged them to utilize the state schools as an alternative to the development of joint district or county deaf programs.

H. OCCUPATIONAL PREPARATION (VOCATIONAL EDUCATION)

The goal of the Occupational Preparation Program element as stated in the budget is to "assist local educational agencies in the development of a comprehensive occupational preparation program that ensures every youth and adult an opportunity for satisfactory employment." Vocational education is supported by federal, state and local funds. Federal funds are authorized under the Vocational Act of 1968 (PL 90-576), the Manpower Development and Training Act (PL 87-415) and under the Education

INSTRUCTION—Continued

Professions Development Act (PL 90-35). Table 36 shows the funding by source of the occupation preparation program.

Table 36
Support for Occupational Preparation

	<i>Actual 1971-72</i>	<i>Estimated 1972-73</i>	<i>Proposed 1973-74</i>
Support:			
Federal funds.....	\$5,656,880	\$6,203,396	\$6,525,618
Reimbursements	147,083	162,184	129,200
Local Assistance:			
General Fund.....	550,000	550,000	550,000
Federal funds.....	<u>46,652,830</u>	<u>54,193,215</u>	<u>53,208,266</u>
Total	\$53,006,793	\$61,108,795	\$60,413,084

The 1973-74 budget request reflects only minor increases over current year expenditures. The Federal Vocational Education Act funds for local assistance will provide \$40 million, a \$1 million decrease from the current year and the Manpower Development and Training Act will provide \$12 million, unchanged from the current year for local assistance support

Manpower Development and Training Act

We recommend that language be added to the Budget Bill to permit the expenditure of the proposed General Fund local assistance appropriation for the Manpower Development and Training Act Program (Item 311) only if Congress extends the authority of the MDTA Institutional Training Program beyond June 30, 1973.

Funds from MDTA are used to pay for institutional or classroom training to unemployed or underemployed persons who cannot be expected to secure full-time employment without special training. Funds are used to pay all instructional-related costs, equipment costs and trainee stipends during his training period. The training act requires matching on a 90/10 federal-state basis. Matching requirements may be waived if the state contracts with a private school. Under training contracts with public schools matching requirements may be met with local inkind or cash payments from the state if districts are unable to provide inkind matching funds. The \$550,000 earmarked in the proposed 1973-74 budget for this purpose is the same level of funding as the current year.

The authority for the Manpower Development and Training Act expires June 30, 1973. Existing item language in the Budget Bill (Item 311) for this program does not restrict the expenditure of funds for MDTA programs. We believe language should be included to restrict the expenditure of this item for MDTA institutional training programs.

Program No. II
INSTRUCTIONAL SUPPORT

Budget p. 193 and L-54 Program p. II-537

Requested 1973-74	\$111,170,576
Estimated 1972-73	98,926,991
Actual 1971-72	87,747,814
Requested increase \$12,243,585 (12.4 percent)	

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Item 297. *Educational Technology. Recommend \$63,748 be denied.* 727
2. Recommend Department of Education report on potential savings of expanded use of educational technology in the schools. 727

Program Description

The 1973-74 Governor's Budget states that the function of the Instructional Support program is "to provide an effective education environment which takes into account the total needs of the child and the teacher."

Table 37 summarizes the elements of the Instructional Support program with proposed expenditures and funding sources.

Table 37
Expenditures and Funding Sources of Instructional Support Program

	<i>Actual 1971-72</i>	<i>Estimated 1972-73</i>	<i>Proposed 1973-74</i>
Program Elements:			
A. Task forces or special projects	\$2,424	\$290,989	\$331,269
B. Direct instructional services	24,037,943	21,190,588	33,364,287
C. Pupil services	63,707,447	77,445,414	77,475,020
Total	\$87,747,814	\$98,926,991	\$111,170,576
State operations			
General Fund	\$722,346	\$1,324,374	\$1,279,148
Surplus Property Revolving Fund	4,078,534	6,235,000	6,639,438
Federal funds	372,920	664,420	961,177
Reimbursements	960,613	545,014	847,088
Subtotal	\$6,134,413	\$8,768,808	\$9,726,851
Local assistance			
General Fund	\$17,338,860	\$13,012,083	\$24,334,100
Federal funds	64,004,991	76,996,100	77,109,625
Reimbursements	269,550	150,000	—
Subtotal	\$81,613,401	\$90,158,183	\$101,443,725
Total	\$87,747,814	\$98,926,991	\$111,170,576

INSTRUCTIONAL SUPPORT—Continued

A. TASK FORCES OR SPECIAL PROJECTS

The 1973-74 Governor's Budget indicates four special instructional support projects for the current and budget years: (1) the Teacher Evaluation Project provided three consultants in 1972-73 to assist school districts in developing certified personnel evaluation systems required by the Stull Bill; (2) the Guidance and Counseling Task Force consists of two consultants to promote accountability in local guidance counseling programs through workshops and publications; (3) the Task Force to Prevent Intergroup Conflict consists of four consultants to assist school districts in developing solutions to racial tension on high school campuses; and (4) the Year-Round Schools Task Force will consist of two consultants in 1973-74 to provide information to school districts and communities on the benefits of year-round school operation.

Table 38 summarizes expenditures and funding sources for these projects.

Table 38
Task Forces or Special Projects

	1971-72	1972-73	1973-74
Expenditures:			
Textbook selection project	\$2,424	—	—
Teacher evaluation project	—	\$104,225	—
Guidance and counseling task force	—	80,290	\$104,069
Task force to prevent intergroup conflict in secondary schools	—	106,474	147,400
Year-round schools task force	—	—	79,800
Totals	\$2,424	\$290,989	\$331,269
State Operations:			
General Fund	—	290,989	142,206
Federal funds	2,424	—	189,063

B. DIRECT INSTRUCTIONAL SERVICES

The Direct Instructional Services element of the Instruction Support Program includes (1) school approvals, (2) intergroup relations, (3) textbook management, (4) surplus property, and (5) educational technology. Table 39 summarizes expenditures and funding sources for these components.

1. School Approvals.

The Bureau of School Approvals reviews and approves three types of postsecondary educational programs: (1) courses offered for veterans in public and private colleges, (2) vocational schools not accredited by a federal agency, such as electronic and flight training schools, and (3) private degree-granting schools not accredited by a regional accrediting agency, such as night law and religious schools.

The bureau receives federal Veteran Educational Assistance funds for the review of veterans training courses or schools. This federal support amounts to approximately 67 percent of the bureau's budget. The remaining budget is derived from application and renewal fees charged to unaccredited vocational and degree-granting institutions. The bureau receives no General Fund support.

Table 39
Expenditures and Funding Sources for Direct
Instructional Services

	<i>Actual 1971-72</i>	<i>Estimated 1972-73</i>	<i>Proposed 1973-74</i>
Expenditures:			
School approvals	\$539,927	\$609,200	\$765,943
Intergroup relations	346,247	458,117	594,913
Textbook management	17,865,119	13,543,771	24,701,855
Surplus property	5,110,437	6,579,500	7,148,983
Credentials commission	176,213	—	—
Educational technology	—	—	152,593
Totals	\$24,037,943	\$21,190,588	\$33,364,287
State operations			
General Fund	\$409,976	\$688,271	\$762,222
Federal funds	192,980	266,820	353,039
Surplus Property Revolving Fund	4,078,534	6,235,000	6,639,438
Reimbursements	960,613	523,414	825,488
Subtotal	\$5,642,103	\$7,713,505	\$8,580,187
Local assistance			
General Fund	\$17,338,860	\$13,012,083	\$24,334,100
Federal funds	787,430	315,000	450,000
Reimbursements	269,550	150,000	—
Subtotal	\$18,395,840	\$13,477,083	\$24,784,100
Totals	\$24,037,943	\$21,190,588	\$33,364,287

2. Intergroup Relations.

The Bureau of Intergroup Relations assists school districts to reduce racial imbalances in their student populations through the adjustment of attendance boundaries, reorganization of grade levels and centralization of school facilities. The bureau's 10 field representatives also assist school districts to implement programs designed to reduce intergroup conflicts and discriminatory practices in the employment of teachers and treatment of students.

In addition to the bureau's responsibilities for intergroup relations, the Department of Education has authorized a separate task force for the 1972-73 and 1973-74 fiscal years. This task force provides four project specialists to develop general guidelines and strategies for resolving racial conflicts in local districts.

The bureau receives approximately 45 percent of its total support from federal Civil Rights Act, Title IV funds. The remaining 55 percent of the budget, including the task force, is supported by the General Fund.

3. Textbook Management.

Under the reorganization plan of the Department of Education the Bureau of Textbooks is divided into two units: (1) the Curriculum Frameworks and Instructional Materials Selection Unit, and (2) the Textbook Distribution Unit. This division separates the instructional materials selection process from the direct service function of

INSTRUCTIONAL SUPPORT—Continued

instructional materials and textbook distribution.

Chapters 929 and 1233, Statutes of 1972, established the State Instructional Materials Fund with a fixed derivation formula to replace the annual appropriation item for textbooks. The derivation amount is to be computed annually by the State Controller beginning July 1, 1973 by multiplying \$7 by the preceding school year's public and private elementary school enrollment. The amount derived by this formula is \$24,334,100 for 1973-74 as shown in Table 40. In subsequent years, the formula will be adjusted for inflationary changes indicated by the Consumer Price Index.

Table 40 shows textbook budget support for recent years and reflects the changes under Chapters 929 and 1233 for the budget year.

Table 40
Textbook Budget Support

ADA	<i>Actual 1971-72</i>	<i>Estimated 1972-73</i>	<i>Proposed 1973-74</i>
Public schools	—	3,176,300	3,133,400
Private schools	—	300,000	300,000
Total ADA	—	3,476,300	3,433,400
Instructional Materials			
Reprints	\$6,130,897	\$5,492,372	—
New adoptions	3,788,319	556,900	\$18,626,100
Samples	70,500	—	—
Royalties	6,564,539	6,116,750	4,808,000
Shipping and warehousing	784,605	846,061	900,000
Total	\$17,338,860	\$13,012,083	\$24,334,100
State operations			
General fund	\$237,109	\$381,688	\$366,055
Local assistance			
General fund	\$17,338,860	\$13,012,083	\$24,334,100
Total	\$17,575,969	\$13,393,771	\$24,700,155

4. Surplus Property.

The State Educational Agency for Surplus Property is located within the Division of Financial Resources and Distribution of Aid in the Department of Education. This agency is responsible for (1) obtaining and distributing available federal surplus property, and (2) receiving and redistributing food commodities obtained free from the U.S. Department of Agriculture to eligible institutions.

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.

Proposed expenditures in 1973-74 for surplus property total \$7,148,983, an estimated increase of \$569,483 over 1972-73.

5. Educational Technology.

The Department of Education proposes to divide the Bureau of Audio-Visual and School Library Education into two separate units: Educational Technology and School Library Resources. The department states that a separate educational technology element is necessary because local school administrators are not "making sufficient use of the available educational technology." However, the department's program statement does not list the reasons for this neglect of educational technology, e.g., high cost, lack of technical knowledge, etc.

Educational Technology Budget

We recommend that the Educational Technology \$63,748 General Fund request be denied (Item 297).

The educational technology element is requested by the department as a "new function" with a "high priority." In comparing the department's program budgets for fiscal years 1971-72 and 1972-73 we found the program objectives of the Bureau of Audio-Visual and School Library Education similar to those listed for the proposed educational technology element. We therefore question the department's designation of this element as "new function." For example, the 1973-74 Educational Technology program objective states that this element will provide "leadership to school districts towards redesigning the instructional program to a systematic process of planning, designing, implementation and evaluation." The 1971-72 Audio-Visual and School Library program objective states that this element will "by June 1972, improve the quality and effectiveness of instruction in California by providing local educational agencies and related groups, professional services, coordination and technical assistance in planning, installing, operating and evaluating instructional media programs within the state." These two program objectives are practically identical and yet the department has designated this element as a "new function." We believe this element is merely an old function with a new name.

In addition, the department lists this element as a "high priority." Yet in the budget year, the department proposes to redirect two positions from the educational technology unit with their related General Fund support of \$61,000 to fund a new management position in the requested departmental reorganization. It should be noted this \$61,000 redirection is only a difference of \$2,748 from the educational technology budget augmentation request of \$63,748. The purpose of this fund shift appears to be an attempt to comply with the stated objective of the Superintendent of Public Instruction to reorganize the department within existing resources (Analysis page 692). We believe this redirection of support from one program to another with a subsequent request for replacement funds is not in compliance with the superintendent's stated objective and we recommend therefore that the \$63,748 be denied.

Educational Technology Report

We recommend that the Department of Education be directed to submit a report to the Legislature by January 5, 1974, that details: (1) the present and potential uses of educational technology in the schools of

INSTRUCTIONAL SUPPORT—Continued

California, (2) the role of the department in the promotion of educational technology, and (3) the potential savings or costs that would result from the increased use of educational technology. The education technology workplan as proposed by the department contains the familiar elements of consultant services to local districts, training programs and the provision of "leadership" to various professional groups. These elements may be necessary ingredients for the department to provide educational technology services but can be useful only when a plan with measurable program objectives is followed. It appears that the educational technology element as proposed is not based on such a plan. We believe enriched education programs and substantial state and local savings could be realized with a careful analysis of the uses of educational technology. For example, it might be possible to teach subjects such as driver education or California history by instructional television at considerable state and local savings. While we do not oppose the department's intent to provide educational technology services, we believe this request shows insufficient planning and a lack of commitment by the department to provide leadership in an important instructional support area.

C. PUPIL 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 41 lists expenditure estimates for state operations and local assistance for food services by fund source.

Table 41
Estimated Expenditures for Food Services by Fund Source

	<i>Actual 1971-72</i>	<i>Estimated 1972-73</i>	<i>Proposed 1973-74</i>
State operations:			
General fund.....	\$312,370	\$345,114	\$374,720
Federal funds	177,516	397,600	419,075
Reimbursements.....	—	21,600	21,600
Subtotal.....	<u>\$489,886</u>	<u>\$764,314</u>	<u>\$815,395</u>
Local assistance:			
Federal funds	\$63,217,561	\$76,681,100	\$76,659,625
State Construction Program Fund (Duffy-Moscone Act of 1970)	3,400,000	1,700,000	900,000
Subtotal.....	<u>\$66,617,561</u>	<u>\$78,381,100</u>	<u>\$77,559,625</u>
TOTAL.....	<u>\$67,107,447</u>	<u>\$79,145,414</u>	<u>\$78,375,020</u>

The budget proposes the same staffing and funding for state operations as in the current year, except for normal increases in salaries and operating costs.

Program No. III.
SCHOOL ADMINISTRATION SUPPORT

Budget p. 193 and L-55 Program p. II-543

Requested 1973-74	\$1,564,246
Estimated 1972-73.....	1,477,393
Actual 1971-72	1,231,825
Requested increase \$86,853 (5.9 percent)	

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. Recommend legislation to eliminate Bureau of School Planning's approval authority. 730

Program Description

The School Administration Support program provides assistance to school districts in the following three areas: (1) special projects, (2) administrative services to local educational agencies and (3) administrative research.

Table 42 summarizes program expenditures and funding sources.

Table 42
Expenditures and Funding Sources of the
School Administration Support Program

	<i>Actual</i> 1971-72	<i>Estimated</i> 1972-73	<i>Proposed</i> 1973-74
A. Special projects	\$152,658	\$298,810	\$353,915
B. Administrative services to local educational agencies	919,677	1,009,273	1,056,153
C. Administrative research	159,490	169,310	154,178
Totals	\$1,231,825	\$1,477,393	\$1,564,246
General Fund	\$655,063	\$656,232	\$659,909
School Building Aid Fund	221,100	269,551	290,246
Federal funds	292,877	475,110	530,215
Reimbursements.....	62,785	76,500	83,876

A. TASK FORCES OR SPECIAL PROJECTS

The Department of Education proposes to continue the School District Management Assistance Team as a special project in 1973-74. The team provides assistance in business and management practices to school districts to encourage the more efficient use of available local resources. Table 42 summarizes project expenditures.

B. ADMINISTRATIVE SERVICES

The administrative services element provides assistance to school districts in (1) district organization, (2) school facilities planning, (3) pupil transportation and (4) administrative services. Table 43 summarizes program expenditures.

School Facilities Planning

We recommend that legislation be enacted to eliminate the Bureau of

SCHOOL ADMINISTRATION SUPPORT—Continued

Table 43
Expenditures for Administrative Services

<i>State Operations</i>	<i>Actual 1971-72</i>	<i>Estimated 1972-73</i>	<i>Proposed 1973-74</i>
1. District Organization	\$51,658	\$49,227	—
2. School facilities planning assistance.....	476,413	516,579	\$551,577
3. Pupil transportation	129,818	176,300	176,300
4. Administrative services	261,788	267,167	328,276
Totals	\$919,677	\$1,009,273	\$1,056,153

School Planning's approval authority under the State School Building Aid program.

The State School Building Aid program provides state loans to low-wealth school districts for the acquisition of school sites and for the planning, construction and furnishing of school buildings. Administration of this program is currently divided between three agencies: (1) the Bureau of School Planning (Department of Education) reviews master planning documents required by all program applicants and approves site and construction plans to insure conformity to minimum educational standards; (2) the Office of Local Assistance (Department of General Services) reviews sites and construction plans to insure conformity to fiscal regulations; (3) the Schoolhouse Section (Office of Architecture and Construction) reviews construction plans to insure conformity to wind and seismic load criteria. This approval procedure necessitates the involvement of three separate state field units in each state-aided school construction project and the submission by school district applicants of approximately 30 justification and planning documents. Table 44 summarizes expenditures and staff of the three offices.

Table 44
Expenditures and Funding Sources for State School Building Aid Program Administration

	<i>Actual 1971-72</i>	<i>Estimated 1972-73</i>	<i>Proposed 1973-74</i>	<i>1973-74 professional staff</i>
Bureau of School Planning (Department of Education)				
General Fund.....	\$180,570	\$175,724	\$187,455	
School Building Aid Fund.....	221,100	269,551	290,246	
Reimbursements	62,583	76,500	73,876	
Subtotal	\$464,253	\$521,775	\$551,577	12
Office of Local Assistance (Dept. of General Services)				
School Building Aid Fund.....	933,110	1,054,373	1,034,193	39
Schoolhouse Section (Office of Architecture and Construction)				
Reimbursements	1,229,347	1,496,328	1,514,815	41
Total	\$2,626,710	\$3,072,476	\$3,100,585	92

We believe the present review and approval process of the State School

Building Aid program represents a duplication of state services and an exaggerated involvement of the state in local school planning activities. We believe this process could be simplified with no adverse effect on school construction in the state by eliminating the educational approval authority of the Bureau of School Planning over state-aid applicants.

Existing law requires all school construction plans, whether state-aided or not, to be prepared by a certified architect holding a valid license. Plans are then reviewed from an educational perspective by school teachers, administrators, community groups, district school planning staffs and local boards of education. In the case of small districts, plans must also be reviewed by county school planning staffs. It should be noted that over 80% of the school construction projects in the state receive no further review of educational factors beyond this local level.

We question the necessity of an additional educational review by state personnel in the case of state-aided districts. We believe that decisions regarding the educational aspects of school construction should be left largely to local school district personnel provided that districts (1) develop long-range school planning objectives, and (2) design facilities which conform to the fiscal and structural safety requirements of the building aid program. The review by field representatives of the Office of Local Assistance and the Office of Architecture and Construction insures conformity to these requirements. The additional involvement of state field representatives qualified only as former school district administrators simply duplicates the educational review by local architects, teachers, administrators and planning staffs.

The 1973-74 Governor's Budget indicates that seven field representatives and clerical staff of the Bureau of School Planning currently provide direct site and plan approval services under the State School Building Aid program. We believe the elimination of the bureau's approval authority would permit the elimination of the field service component for a savings to the State School Building Aid Fund of approximately \$290,000 per year. These funds could then be reallocated for school construction or rehabilitation. It should be noted that the elimination of the field staff would not result in the elimination of the school planning assistance and information service provided by the bureau. The remaining four professional members of the staff would still be authorized to review master planning documents now required of state-aided school districts and to provide guidelines, publications and research information regarding new educational planning and design techniques to school districts which request assistance.

C. ADMINISTRATIVE RESEARCH

The administrative research element provides data collection, evaluation and distribution services necessary for making education policy decisions at both state and local levels.

Program No. IV.

SCHOOL FINANCE AND STATE AID TO SCHOOL DISTRICTS

Budget p. 194 and L-55 Program p. II-547

Requested 1973-74	\$2,163,737,322
Estimated 1972-73.....	1,614,686,142
Actual 1971-72	1,500,985,071
Requested increase \$549,051,180 (34 percent)	

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. *Item 303. Inflation Allowance. Augment \$8 million.* 735
 Recommend increased inflation allowance for community colleges and high school defined adult programs.

Program Description

The school finance and state aid to school districts program is the largest individual program of the Department of Education. It includes the following two elements: (1) administration of state aid, and (2) apportionment of state aid. Table 45 summarizes expenditures for these program elements.

Table 45
School Finance and State Aid to
School Districts Program—
Expenditures by Element

	<i>Actual</i> 1971-72	<i>Estimated</i> 1972-73	<i>Estimated</i> 1973-74
A. Administration of state aid	\$329,860	\$308,717	\$286,992
B. Apportionment of state aid	1,500,655,211	1,614,377,425	2,163,450,330
Totals	\$1,500,985,071	\$1,614,686,142	\$2,163,737,322

The state operations and local assistance expenditures by funding source for the school finance and state aid to school districts program are shown in Table 46.

Table 46
School Finance and State Aid to Local Schools Program
Funding by Source

	<i>Actual</i> 1971-72	<i>Estimated</i> 1972-73	<i>Estimated</i> 1973-74
State operations			
General Fund.....	\$644,257	\$601,534	\$602,954
Subtotal	\$644,257	\$601,534	\$602,954
Local assistance			
General Fund.....	1,475,539,418	1,601,920,978	2,157,957,320
General Fund (loan recoveries)	(-199,037)	-200,419	-147,952
State School Fund.....	3,130,000	10,408,438	2,750,000
California Water Fund	295,880	75,611	75,000
Motor Vehicle Transportation Tax Fund	20,029,708	—	—
Driver Training Penalty Assessment Fund	1,345,748	—	—

State Transportation Fund State Highway Account	—	1,880,000	2,500,000
Subtotal	\$1,500,340,814	\$1,614,084,608	\$2,163,134,368
Totals	\$1,500,985,071	\$1,614,686,142	\$2,163,737,322
General Fund	\$1,476,183,675	\$1,602,522,512	\$2,158,560,274
General Fund (loan recoveries)	(-199,037)	-200,419	-147,952
State School Fund	3,130,060	10,408,438	2,750,000
California Water Fund	295,880	75,611	75,000
Motor Vehicle Transportation Tax Fund	20,029,708	—	—
Driver Training Penalty Assessment Fund ..	1,345,748	—	—
State Transportation Fund State Highway Account	—	1,880,000	2,500,000

A. ADMINISTRATION OF STATE AID

This element prepares various financial reports which are required by law and administers the County School Service Fund. Table 47 shows the funding of this element.

Table 47
Administration of State Aid Element
Funding by Source

	<i>Actual</i> 1971-72	<i>Estimated</i> 1972-73	<i>Estimated</i> 1973-74
State operations			
General Fund	\$329,860	\$308,717	\$286,992

B. APPORTIONMENT OF STATE AID

The largest portion of state support to public education is composed of transfers from the State School Fund for apportionment to local school districts. Table 48 shows the funding of this element.

Table 48
Apportionment of State Aid Element

	<i>Actual</i> 1971-72	<i>Estimated</i> 1972-73	<i>Estimated</i> 1973-74
State operations			
General Fund	\$314,397	\$292,817	\$315,962
Local assistance			
General Fund	\$1,475,539,418	\$1,601,920,978	\$2,157,957,320
General Fund (loan recoveries)	(-199,037)	-200,419	-147,952
State School Fund	3,130,060	10,408,438	2,750,000
California Water Fund	295,880	75,611	75,000
Driver Training Penalty Assessment Fund	1,345,748	—	—
Motor Vehicle Transportation Tax Fund	20,029,708	—	—
State Transportation Fund State Highway Account	—	1,880,000	2,500,000
Total	\$1,500,655,211	\$1,614,377,425	\$2,163,450,330

This table shows that approximately \$2.2 billion will be expended from the General Fund for apportionments in the budget year as compared to approximately \$1.6 billion in the current year. This increase is primarily due to the enactment of Chapter 1406, Statutes of 1972 (SB 90), which provides an additional \$561 million in General Fund support for public

SCHOOL FINANCE AND STATE AID TO SCHOOL DISTRICTS—Continued

schools in 1973-74 as shown in Table 49.

Table 49
Increased General Fund School Support
Provided by Chapter 1406, Statutes of 1972 (SB 90)

Foundation program increases (K-12)	\$454 million
Educational need factor	82 million
Early childhood education	25 million
	<u>\$561 million</u>

It is estimated that of the \$454 million provided by this measure for foundation program increases, approximately \$225 million will be for new programs and \$229 million will be for local property tax roll back.

School Apportionments System

The system of public school apportionments is controlled by constitutional and statutory provisions and annual budget adjustments. This system 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 amount of money authorized for annual 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 (ADA) 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.

Under current law, the maximum amount authorized for transfer is \$278.92 per ADA. However, Chapter 1406, Statutes of 1972 (SB 90), will increase this amount to \$385.72 per ADA in the budget year. As noted above, Chapter 1406 also appropriates \$454 million for foundation program increases.

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.

3. *Apportionment.* The total amount authorized for transfer from the General Fund 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.

It is important to note that Chapter 1406 increases foundation program allowances from \$355 to \$765 at the elementary level and from \$488 to \$950 at the high school level. No increases are provided for community colleges which remain at a \$643 foundation level.

Table 50 compares the estimated apportionments for the current and budget years.

Table 50
Estimated Apportionments

	<i>Estimated 1972-73</i>	<i>Estimated 1973-74</i>	<i>Change</i>
A. Statutory apportionment Formulas			
Existing law	\$1,384,385,027	\$1,363,482,320	-\$20,902,707
Chapter 1406/1972 (SB 90) increases ..	—	454,000,000	+454,000,000
B. Inflation Adjustments			
K-12 Regular ADA	168,900,000 ¹	168,900,000 ²	—
Community college and high school defined adults	21,100,000 ¹	21,100,000 ³	—
C. Teachers' Retirement (Chapter 1305, Statutes of 1971)	39,900,000	48,800,000	+8,900,000
D. Chapter 1406/1972 (SB 90) program increases			
Educational need formula	—	82,000,000	+82,000,000
Early childhood education	—	25,000,000	+25,000,000
	<u>\$1,614,285,027</u>	<u>\$2,163,282,320</u>	<u>+ \$548,997,293</u>

¹ Increases provided by the Budget Act of 1972.

² Chapter 1406, Statutes of 1972 (SB 90) incorporates the adjustments made by the Budget Act of 1972.

³ Amount proposed in Item 303 of the 1973-74 Budget Bill.

The bulk of the apportionments will be made under continuing statutory provisions rather than by the Budget Bill. Only the three apportionment items shown in Table 51 will be appropriated via the Budget Bill.

Table 51
**Budget Bill Appropriations
for School Apportionments**

<i>Item</i>	<i>Purpose</i>	<i>Amount</i>
303	Inflation allowance—community college and high school defined adult programs	\$21,100,000
304	Community college special education programs	1,629,000
305	Master teacher program	200,000
	<u>Total</u>	<u>\$22,929,000</u>

Adjustment for Inflation

We recommend that Item 303 be augmented by \$8 million (from \$21,100,000 to \$29,100,000) to fund the state's share of increased costs due to inflation in community colleges and high school defined adult programs.

We have criticized in prior years the inability of the California school finance system to adapt to changes in the economy and automatically provide the state's share of increased school costs due to inflation and

SCHOOL FINANCE AND STATE AID TO SCHOOL DISTRICTS—Continued

changes in real purchasing power. The Legislature has recognized the need to make adjustments for inflation and authorized additional school apportionments for this purpose through the Budget Act. For example, the Budget Act of 1972 as signed by the Governor provided \$190 million for cost increases due to inflation. Approximately \$168.9 million of this amount will be apportioned for elementary and high school ADA and \$21.1 million will be apportioned for college and high school defined adult ADA. Chapter 1406, Statutes of 1972 (SB 90), incorporates the inflation adjustments provided for grades K-12 by the Budget Act of 1972 and establishes an annual adjustment factor in state support for grades K-12 based on statewide changes in the amount of property assessed valuation per unit of ADA.

Item 303 of the Budget Bill proposes to continue in 1973-74 the \$21.1 million provided in the current year for the costs of inflation in community colleges and high school defined adult programs. This provides only for past inflation and without this repeat amount districts would fall back from present levels of support. The Budget Bill does not provide funds for inflation from 1972-73 to 1973-74. Thus, the full impact of these future costs must be borne by the local property tax payer.

We believe state support for the community colleges and high school defined adult programs should be adjusted to reflect increased costs of inflation and that the Consumer Price Index reported for the period from March to March of the preceding fiscal year should be used in making this adjustment. The increase from March 1972 to March 1973 in this index is estimated to be 3.8 percent.

Multiplying the 1972-73 apportionment for community colleges and high school defined adult programs of \$209,975,716 (including the \$21.1 million in 1972 Budget Act adjustment for inflation) by the estimated Consumer Price Index of 3.8 percent requires an augmentation for inflation of \$8 million. It should be noted that this augmentation is only a one-year adjustment. We believe legislation should be enacted to automatically adjust state school support each year for changes in the economy to insure that these costs are not borne entirely by the local property taxpayer.

PROGRAM NO. V
LIBRARY SERVICES

Budget p. 194 and L-56 Program p. II-553

Requested 1973-74	\$9,671,730
Estimated 1972-73.....	9,605,496
Actual 1971-72	7,240,728
Requested increase \$66,234 (.7 percent)	

- SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**
- Analysis
page*
1. Recommend that State Librarian develop new funding formula for cooperative library systems. 738

Program Description

The Library Services program (1) furnishes reference materials and services for state government officials and employees, (2) maintains a library specializing in California history, and, (3) provides consultant and resource services to the 192 city and county public libraries in the state. The State Library also administers state and federal assistance programs for local public library development. Expenditures and funding sources for the three elements of the program are summarized in Table 52.

Table 52-
Expenditures and Funding Sources of the
Library Services Program

	<i>Actual 1971-72</i>	<i>Estimated 1972-73</i>	<i>Proposed 1973-74</i>
State Operations:			
A. Resources and services	\$1,869,896	\$2,327,212	\$2,331,773
B. Advisory and research	629,840	1,023,756	1,091,869
C. Administration	3,940,992	5,454,528	5,448,088
Subtotal.....	\$6,440,728	\$8,805,496	\$8,871,730
Local assistance	800,000	800,000	800,000
Total	\$7,240,728	\$9,605,496	\$9,671,730
General Fund	2,091,238	2,069,844	2,056,760
Federal funds	4,100,024	6,214,686	6,294,335
Reimbursements	249,466	515,966	520,635
Local assistance			
General Fund	800,000	800,000	800,000

Table 53 shows General Fund support by budget item. The Department of Education performs personnel, accounting, and budgeting activities for the State Library. Item 297 appropriates funds to the department to support these activities.

LIBRARY SERVICES—Continued

Table 53
Budget Act Appropriations for Library Services

Item No.	Title	Amount
State operations		
(Item 302) State Library		\$2,056,760
(Item 297) General activities, Department of Education		617,569
Subtotal		\$2,674,329
Local assistance		
(Item 310) Assistance to public libraries		\$800,000
Total		\$3,474,329

Cooperative Public Library Systems

We recommend that the State Librarian be directed to (1) develop a new formula for allocating state support to cooperative library systems and (2) report this formula to the Joint Legislative Budget Committee by November 1, 1973.

The Public Library Services Act provides state grants to city and county public libraries to encourage the development of cooperative library systems throughout the state. Participation in a library system enables a local public library to share the combined resources (books, reference material, periodicals) of all the libraries within its system. Cooperative library systems are required to submit program statements and service plans to the State Librarian. System libraries are required to limit the expenditure of state funds to regional activities described in the plan, such as (1) the consolidation of book selection, acquisition, cataloging and preparation, (2) the coordination of book circulation and inventory, (3) the development of interloan capability among all libraries in a system, including delivery and communication services, and (4) the establishment of area resource libraries to provide in-depth reference and research services. Since the program's enactment in 1963, more than two-thirds of the city and county public libraries in the state have been consolidated into 21 cooperative library systems which serve 99 percent of the state's population.

State support for library systems consists of establishment and per capita grants. Establishment grants partially defray the cost incurred by a public library in joining an existing cooperative library system. These grants normally amount to \$10,000 per year for a two-year period. Per capita grants are distributed to cooperative library systems to defray ongoing operational expenses required by the cooperative system, but are not to be used to pay for any local library activities not related to the system. Per capita grants are distributed according to an equalization formula based on the assessed valuation, population, and taxing effort of libraries within the system. Because the annual state appropriation for library systems is divided between two types of grants, it is necessary to subtract establishment grants from the total appropriation to determine the level of state support for the ongoing operation of the cooperative library systems.

Table 54 summarizes state and local support of ongoing operations over the program's history. This table indicates that local per capita support for city and county public libraries has steadily increased since the beginning of the cooperative library system. Existing law requires libraries within a state-aided cooperative system to maintain or increase the local support level which the library received upon entering the system. A library whose local support level falls below this threshold must withdraw from the cooperative system. Table 54 also indicates that although state support for the ongoing operations of the library systems has remained relatively constant, state per capita support has declined due to the large increase in population served by the system.

Table 54
State and Local Per Capita Support for Local Libraries

<i>Year</i>	<i>Population served by system libraries (millions)</i>	<i>Local per capita support (statewide average)</i>	<i>State support for library systems</i>	<i>State support excluding establishment grants</i>	<i>State per capita support excluding establishment grants</i>
1963-64	6.1	\$2.77	\$800,000	\$552,539	\$0.09
1964-65	10.1	2.90	800,000	464,235	0.05
1965-66	11.3	3.09	800,000	552,769	0.05
1966-67	13.2	3.31	1,000,000	677,085	0.05
1967-68	14.9	3.57	800,000	480,158	0.03
1968-69	16.4	3.88	1,200,000	664,041	0.04
1969-70	17.6	4.27	1,251,616	671,297	0.04
1970-71	18.5	4.70	1,000,000	667,546	0.04
1971-72	18.9	5.26	800,000	595,765	0.03
1972-73	19.2	5.57	800,000	597,000	0.03

State per capita grants fund only a portion of the expenses incurred by a library participating in a cooperative system. Table 55 compares system expenditures with state per capita support and indicates that the majority of the library systems in the state are funded primarily from local sources (local taxes, city or county general funds, or contributions). State support represents less than 5 percent of the total system cost.

Table 55
Expenditures of Cooperative System Libraries
1970-71

<i>System</i>	<i>Population served</i>	<i>Total (federal, state local) system expenditures</i>	<i>Total system costs per capita</i>	<i>State per capita grants (excluding establishment grants)</i>	<i>Percentage of total system expenditures funded by state grants</i>
Berkley-Oakland	506,000	\$62,880	\$0.12	17,717	28.2%
Black Gold	668,112	168,608	0.25	19,872	11.8
Camino Real	615,100	71,869	0.12	20,418	28.4
East Bay	903,297	279,082	0.31	28,103	10.1
49-99	551,500	57,470	0.10	19,518	34.0
Inland	1,043,141	213,016	0.20	35,242	16.5

LIBRARY SERVICES—Continued

Kern County	343,700	413,836	1.20	9,775	2.3
Long Beach	387,600	890,154	2.30	12,862	1.4
Los Angeles County	2,281,950	12,332,306	5.40	86,178	0.1
Los Angeles	2,929,600	6,944,982	2.37	103,028	0.1
Metropolitan	1,137,149	519,647	0.46	37,753	7.3
Monterey Bay Area	365,875	68,226	0.18	11,479	16.8
Mountain-Valley	912,900	251,003	0.27	35,661	14.2
North Bay	661,933	251,436	0.38	24,887	9.9
North State	412,600	75,740	0.18	11,770	15.5
Peninsula	476,516	86,903	0.18	13,183	15.2
San Francisco	699,800	3,279,018	4.68	18,264	5.6
San Joaquin Valley	691,391	606,685	0.88	23,538	3.9
Santa Clara Valley	374,116	898,639	2.40	12,090	1.3
Santiago	1,136,410	200,350	0.18	36,368	18.1
Serra	1,448,978	251,452	0.17	63,925	25.4
	18,547,668	\$27,923,302	\$1.50	\$641,631	2.3%

The Long Beach, Los Angeles County, Los Angeles and San Francisco libraries listed in the table are single-library systems. Per capita grants are awarded to these large single libraries to improve internal coordination just as per capita grants are awarded to smaller libraries to develop interlibrary cooperative systems. However, single city and county libraries designated as systems report their operating expenses as system costs. This results in an unusually large per capita system expenditure.

Although we support the cooperative library system concept, we believe the existing allocation system prevents the most effective use of limited state funds. Each year approximately 75 percent of the total state subvention to cooperative systems is allocated on an automatic per capita basis. As a result of the limited support available for library systems, the per capita allocation system results in a thin distribution of funds among separate cooperative systems. Table 55 indicates that over half of the cooperative library systems receive state allocations of less than \$25,000 per year. The per capita system also results in the allocation of state funds without regard to the extent of coordinated services already existing in each library system. Under the per capita formula, large single city systems which have already established consolidated processing centers and coordinated delivery and administrative systems continue to receive state per capita funds to develop such services. For example, Los Angeles Public Library spends approximately \$1.5 million per year to operate a fully consolidated processing center. Yet this library continues to receive approximately \$100,000 per year in state support while other library systems have hardly begun to consolidate processing services.

We believe that the limited state support available for cooperative library systems necessitates a flexible, short-term concentration of resources in systems which still lack a minimum development of consolidated and coordinated library services. We believe that the State Librarian should develop a new allocation system, such as a project or establishment grant system, to permit the flexible and effective allocation of state library funds and report to the Joint Legislative Budget Committee on this system by November 1, 1973.

Program No. VI.

DEPARTMENTAL MANAGEMENT AND SPECIAL SERVICES

Budget p. 194 Program p. II-555

Requested 1973-74	\$4,794,342
Estimated 1972-73.....	4,194,463
Actual 1971-72	2,219,558
Requested increase \$599,879 (14.3 percent)	

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. Recommend Department of Education submit breakdown of indirect costs. 742
2. Recommend organizational redirection and development task force be continued. 742
3. Recommend all planning functions be assigned to Office of Program Planning. 743

Program Description

The Departmental Management and Special Services program is comprised of the components shown with their proposed expenditures in Table 56.

Table 56
Departmental Management and Special Services
Expenditures by Element

	<i>Actual</i> 1971-72	<i>Estimated</i> 1972-73	<i>Proposed</i> 1973-74
A. Task forces or special projects	\$184,479	\$199,190	—
B. Departmental Management.....	2,010,853	3,822,673	\$4,571,782
C. Special Services.....	24,226	172,600	222,560
Total.....	\$2,219,558	\$4,194,463	\$4,794,342 ¹

¹ Expenditures do not include \$4,133,243 which is distributed to all programs as indirect administrative costs.

Table 57 shows total proposed expenditures by fund source amounting to \$8,927,585, of which \$4,133,243 is distributed as indirect administrative costs.

Table 57
Departmental Management and Special Services
Expenditures by Fund Source

	<i>Actual</i> 1971-72	<i>Estimated</i> 1972-73	<i>Proposed</i> 1973-74
State operations:			
General Fund.....	\$31,219	\$1,183,645	\$2,027,678
Federal funds.....	1,784,455	2,980,264	2,538,053
Reimbursements—direct.....	403,884	30,554	228,611
Reimbursements—indirect	—	3,055,545	4,133,243
Total.....	\$2,219,558	\$7,250,008	\$8,927,585

Table 58 shows the program distribution of the \$4,133,243 in indirect administrative costs.

DEPARTMENTAL MANAGEMENT AND SPECIAL SERVICES—Continued

Table 58
Departmental Management and Special Services
Expenditures Distributed to All Programs

<i>Reimbursements—indirect</i>	<i>Estimated 1972-73</i>	<i>Proposed 1973-74</i>
I. Instruction	\$1,035,239	\$1,935,059
II. Instructional support	987,665	856,910
III. School administration support.....	181,621	220,165
IV. School finance and state aid	67,021	70,477
V. Library services.....	564,379	586,338
VI. Department management and special services	219,620	464,294
Total.....	\$3,055,545	\$4,133,243

Indirect Costs

We recommend the Department of Education submit to the fiscal committees before the department's budget is approved, a detailed breakdown by element and component of proposed expenditures which are distributed as indirect administrative costs, and the basis upon which this distribution is made among programs.

The budget document is deficient in not providing the detail of indirect administrative costs, amounting to \$4,133,243, for each program element and component. We believe it is necessary to review such costs and the rationale for their distribution among programs before the fiscal committees approve the proposed budget for Program VI.

A. TASK FORCES OR SPECIAL PROJECTS

The Organization Redirection and Development Task Force is Responsible for "developing and implementing by June 30, 1973, an organizational structure for the department that would reflect management's goals and facilitate a management style responsive to changing education needs."

The task force is also responsible for "developing and implementing by the same date a system for the continuing evaluation and modification of the new organization."

Continuation of Task Force Function

We recommend that the Organizational Redirection and Development Task Force be continued as a separate entity.

The Organizational Redirection and Development Task Force is scheduled to terminate June 30, 1973, with five positions redirected to the Office of Program Planning and Development. We believe the termination of this task force is premature. The department has begun to reorganize under a matrix type of management structure. However, many details of the new organization have not been resolved and several important functions have not been completed. For example, a major inservice training program will be required to assure the redirection of the department's human and fiscal resources and the proposed changes in the method of providing consultant services to school districts will require a major organizational redefinition. Furthermore, a current study to redefine the respective roles of the State Department of Education, the

intermediate unit (county superintendent of schools) and local school districts has not been completed and could have an important impact on the department's reorganization. In our opinion, termination of the task force would result in a loss of direct policy input to the Superintendent of Public Instruction and reorganization efforts could be diluted by competing program demands in the Office of Program Planning and Development. To assure a continued emphasis on organizational redirection, we believe the task force should be continued.

B. DEPARTMENTAL MANAGEMENT

The departmental management element is comprised of three components: executive, departmental administration and management services. Table 59 summarizes estimated expenditures for these components.

Table 59
Departmental Management Expenditures by Component

	<i>Actual</i> 1971-72	<i>Estimated</i> 1972-73	<i>Proposed</i> 1973-74
1. Executive	\$1,178,778	\$2,051,912	\$2,183,947
2. Departmental administration	32,330	-	679,000
3. Management services	799,745	1,770,761	1,708,835
Totals.....	\$2,010,853	\$3,822,673	\$4,571,782 ¹

¹ Expenditures do not include indirect administrative costs.

1. Executive.

The executive component is comprised of four units as follows:

- (a) The office of the Superintendent of Public Instruction.
- (b) The program planning and development unit. The program planning and development unit is responsible for the development of a 10-year master plan to guide the department in the development of state educational goals, objectives and priorities.
- (c) The program evaluation unit. The program evaluation unit is responsible for the statewide testing program and coordination of all departmental evaluation activities.
- (d) The governmental affairs unit. The governmental affairs unit is responsible for coordination of the department's legislative business.

Consolidation of Planning and Research Functions

We recommend that the Superintendent of Public Instruction consolidate all planning and research functions in the Office of Program Planning and Development.

The effectiveness of the planning and research functions in the Department of Education is undermined by a lack of centralization and unity. There are separate uncoordinated planning and research functions for most of the educational programs administered by the department, including Vocational Education Act, Parts C and D, ESEA Titles II and III, EHA Title VI-B and special education. We believe that total planning and research responsibility should be assigned to the Office of Program Planning and Development in order to provide a comprehensive statewide educational planning and research program.

DEPARTMENTAL MANAGEMENT AND SPECIAL SERVICES—Continued**2. Departmental Administration.**

This component proposes costs for the department's managerial staffs.

3. Management Services.

The department has established a new organization for administrative and fiscal management in conjunction with the new matrix program management system. In this organization the Deputy Superintendent for Administration is responsible for consolidating and coordinating all internal fiscal and administrative functions of the department. He also is responsible for all apportionment, distribution, and administrative management services to school districts and county superintendents' offices. Two divisions have been established which report to the Deputy Superintendent for Administration: the Division of Administrative Services, and the Division of Financial Resources and Distribution of Aid.

The Division of Administrative Services has the Program VI functions of personnel and training and publications services.

The Division of Financial Resources and Distribution of Aid has the following Program VI functions:

1. Budget office
2. Fiscal reports office
3. Business services office
4. Internal audit
6. Management information (CEIS)

As part of the reorganization of the department's administration and fiscal responsibilities, the former fiscal office has been divided into four activities: the budget office, fiscal reports office, accounting office and business services office.

Establishment of Internal Audit Office

The internal audit office was to be established in the current year with three positions. To date these positions have not been filled. The department restates its need for this office in the budget document and again proposes three positions. We concur with the department's stated need for this office and do not understand why it has not been established and staffed.

C. SPECIAL SERVICES

Table 60 summarizes the components of this element with proposed expenditures and funding.

1. State Board of Education.

The California State Board of Education is the policymaking body for public elementary and secondary education in the state. The board has the ongoing responsibility for studying the educational conditions and needs of the state and for adopting plans for the improvement of the public school system in California. Table 59 indicates no costs for this component in the budget year. We believe that this demonstrates the inadequacy of the Governor's Budget and the need for the cost information required by our recommendation on page 742.

Table 60
Expenditures and Funding for Special Services

	<i>Actual 1971-72</i>	<i>Estimated 1972-73</i>	<i>Proposed 1973-74</i>
Expenditures:			
1. Board of Education	\$573	—	—
2. Educational Commission of the States	23,653	\$24,000	\$25,000
3. Advisory commissions (AB 2800)	—	148,600	197,560
Total	\$24,226	\$172,600	\$222,560
State operations:			
General Fund.....	23,653	74,900	149,860
Federal funds.....	—	97,700	72,700
Reimbursements—direct.....	573	—	—

2. Education Commission of the States.

California is a member of the Education Commission of the States, which was organized in 1965 to encourage interstate cooperation and communication among executive, legislative and professional personnel concerning methods of improving public education. Chapter 1538, Statutes of 1969, extended state participation in this commission until December 31, 1973, and provides that the Legislature shall review participation in the commission at that time. The budget supplement proposes expenditures of \$25,000. We are advised that this is in error and the correct amount should be \$24,000.

3. Advisory Commissions.

There are five educational advisory commissions and one advisory committee which were authorized by Chapter 1188, Statutes of 1971 (AB 2800), and Chapter 1408, Statutes of 1971 (SB 1526). These are:

- a. Educational Innovation and Planning Commission
- b. Educational Management and Evaluation Commission
- c. Curriculum Development and Supplemental Materials Commission
- d. Equal Educational Opportunities Commission
- e. Advisory Commission on Special Education
- f. Advisory Committee on Educational Research in Basic Educational Programs

These advisory bodies provide independent review and advice to the State Board of Education and the Superintendent of Public Instruction on educational matters. The proposed expenditures represent an approximate 10 percent increase over the current year.

CONTRIBUTIONS TO TEACHERS' RETIREMENT FUND

Item 312 from the General Fund

Budget p. L-58 Program p. I-521

Requested 1973-74	\$135,000,000
Estimated 1972-73.....	135,000,000
Actual 1971-72	20,000,000
Requested increase—None	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

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

Prior to Chapter 1305, Statutes of 1971, teachers' contributions were based on a schedule which varied with the members' sex and age at entry into the system, averaging 7.4 percent of salary. The school districts contributed a maximum (limited by a tax base schedule) of 3 percent of teachers' salaries plus \$6 semiannually per teacher. The State General Fund contributed the annual difference between benefits due and payable and the combination of (a) annual school district contributions and (b) teacher contributions plus interest. The system was not actuarially funded because the employer (district) contributions were inadequate to cover the employer obligation for benefit payments. As a result, it is estimated that the unfunded accrued liability of the system exceeded \$5 billion in 1971.

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

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

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

Chapter 1305 also (1) increased the basic retirement benefit factor at age 60 from 1.667 percent to 2 percent of final compensation for each year

of service, (2) increased the benefit for death after retirement from \$500 to \$2,000, and (3) increased the disability retirement benefit from a maximum of 25 percent of final compensation after 10 years of service to a maximum of 90 percent of compensation after five years of service, depending on the number of dependents. The system's experience with this latter benefit improvement will need to be monitored closely because it is a potentially very expensive disability program as reflected by an anticipated 100-percent increase in disability payments (from \$600,000 in the current year to \$1,200,000 in the budget year).

The budget document also reflects budget year expenditures from the retirement fund totaling \$268,298,800 representing benefits to retirees and survivors and subventions to local systems. The subvention item decreases from \$15,748,838 in the current year to \$2,700,000 in the budget year under provisions of Chapter 1305, which provided for termination of dual membership in STRS and certain local retirement systems. Prior to the enactment of Chapter 1305, members of three local retirement systems (Los Angeles Unified School District Retirement System, Los Angeles Community College Retirement System, and the San Francisco Retirement System) were also members of the State Teachers' Retirement System (STRS). This dual membership allowed the retiring teacher to choose which system's benefits he wished to receive. If he chose the local system's benefits, STRS paid a subvention to that system based on the allowance the teacher would have received had he retired from STRS. The subvention was based on the previous year's benefit roll, i.e., the 1972-73 subvention is for benefits that were payable in 1971-72. Chapter 1305 ended this dual membership by requiring the members (active and retired) of each local system by majority vote, either to join STRS or remain in the local system.

The membership of the Los Angeles Unified School District Retirement System and the Los Angeles Community College District Retirement System voted in 1972 to merge into the state system. However, Chapter 239, Statutes of 1972, modified Chapter 1305 to give existing teachers in the San Francisco system (this system has both teacher and civil service members) a choice of either remaining in the local system or joining STRS (all San Francisco teachers first employed after July 1, 1972, must join STRS). Thus, subventions will continue to the San Francisco Retirement System for all teachers who retired before July 1, 1972, and the \$2.7 million in the budget is for this purpose. The San Francisco system will not receive subventions for active teachers who elect to remain in and retire from the local system. Hence, the subvention item will be phased out in future years as the number of affected retirees declines.

As provided by Chapter 1305, the Contingency Reserve of the Teachers' Retirement Fund was abolished effective July 1, 1972, and its assets of approximately \$75.8 million were transferred to the Retirement Fund to assist in the payment of future benefits. The Contingency Reserve consisted of investment earnings which were not credited to members' accounts, expended for administrative costs, or used to offset planned losses on the system's investment portfolio. Abolishment of the Contingency Reserve as a separate account essentially represents a change in bookkeeping proce-

CONTRIBUTIONS TO TEACHERS' RETIREMENT FUND—Continued

dures; such future excess investment earnings as were heretofore credited in the Contingency Reserve will be credited directly to the Teachers' Retirement Fund.

COMMISSION FOR TEACHER PREPARATION AND LICENSING

Item 313 from the Teachers
Credentials Fund

Budget p. 197 Program p. II-623

Requested 1973-74	\$1,680,000
Estimated 1972-73	1,731,151
Actual 1971-72	1,881,529
Requested decrease \$51,151 (2.9 percent)	
Total recommended reduction	None

ANALYSIS AND RECOMMENDATIONS

The Commission for Teacher Preparation and Licensing was established by Chapter 557, Statutes of 1970, to (1) review and approve teacher preparation programs in higher education institutions, (2) develop and administer subject matter examinations as an alternate method of credentialing, (3) issue teacher and administrative credentials, and (4) enforce moral and medical standards prescribed in the Education Code.

Although not required to assume responsibility for teacher preparation and licensing until July 1, 1973, the commission began issuing credentials on August 1, 1971. Since that time, the commission has adopted guidelines for professional preparation programs in higher education institutions and has appointed advisory panels to develop subject matter examinations to measure competency in single subject and multiple subjects areas. The commission estimates that 25 of the higher education institutions in the state will be ready to implement these programs in 1972-73. The remaining 48 institutions are expected to implement programs prior to the September 1974 deadline.

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

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

	<i>Actual 1971-72</i>	<i>Estimated 1972-73</i>	<i>Proposed 1973-74</i>
State operations			
1. Approved programs	\$206,808	\$275,163	\$274,635
2. Examinations	83,331	168,691	170,912
3. Licensing	1,484,509	1,026,161	957,835
4. Teacher standards	106,881	261,136	276,618
5. Administration	(290,417)	(336,945)	(373,602)
Total	\$1,881,529	\$1,731,151	\$1,680,000
Teachers Credential Fund	\$1,880,700	\$1,731,151	\$1,680,000
Reimbursements	\$829	—	—

In 1971 the Legislature denied the commission's request for \$247,000 in federal Education Professions Development Act (EPDA) funds for a joint teacher evaluation project with the Department of Education. However, the commission has recently submitted to the federal Office of Economic Opportunity (OEO) a new evaluation project designed to determine the relationship between measurable characteristics of beginning teachers such as educational background and examination scores and the achievement of their pupils. If approved, this project would be financed over a three-year period with a total of \$2,332,000 in OEO funds.

HIGHER EDUCATION

	<i>Page</i>
General Statement	749
Coordinating Council for Higher Education (Item 314)	758
Western Interstate Commission for Higher Education (Item 315)	760
University of California (Items 316-321)	762
Hastings College of Law (Item 322)	791
California State University and Colleges (Items 323-325)	796
California Maritime Academy (Item 326)	837
Board of Governors of the Community Colleges (Items 327-328)	842
State Scholarship and Loan Commission (Items 329-331)	849

HIGHER EDUCATION GENERAL STATEMENT

This general statement section sets forth data which relates to all higher education in California. Its purposes are to provide historical information and comparative statistics to augment individual agency and segment budget analyses which follow. Comparable data on higher education organization, the Master Plan, functions, admissions, enrollment, expenditures, sources of support, student charges and costs per student follow.

Organization

California's system of public higher education is the largest in the nation and currently consists of 124 campuses serving over one million students. This system is separated into three distinct public segments—the University of California (UC), the California State University and Colleges (CSUC) and the California Community Colleges. Private colleges and universities are often considered a fourth segment of higher education.

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 its recommendations were largely incorporated into the Donahoe Higher Education Act of 1960. The purpose of the act was to define the function and responsibilities of each segment and to establish an economical and coordinated approach to the needs of higher education. The Coordinating Council for Higher Education, which includes representatives from all four segments, was established to assist in this coordinated planning effort.