

EDUCATION

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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 1974-75, state expenditures for education continue to account for the largest share of the budget dollar. The budget summaries which follow indicate that in 1974-75 more than \$3.8 billion will be spent by the State of California for all facets of education. Budget summaries indicate that such expenditures represent 46.9 percent of the proposed General Fund expenditures during the budget year and 39.4 percent of all expenditures. These amounts include (1) 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 and subventions from the General Fund for the past fiscal year, estimated expenditures for the current year and the amounts proposed for 1974-75 associated with education.

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

Summary information in Table 3 indicates that a total expenditure of \$3,845 million is estimated for the budget year, which is an increase of 2.8 percent over the current year.

Table 1
General Fund Expenditures for Education

	<i>Actual 1972-73</i>	<i>Estimated 1973-74</i>	<i>Proposed 1974-75</i>	<i>Change from 1973-74 Amount Percent</i>	
State Operations					
Department of Education	\$8,931,745	\$14,039,642	\$13,984,849	\$-54,793	-0.4
Special schools	9,330,117	10,833,815	12,032,347	+1,198,532	+11.1
Commission for Teacher Preparation and Li- censing	—	20,000	—	-20,000	-100.0
Coordinating Counsel for Higher Education	527,753	487,291	—	-487,291	-100.0
Postsecondary Education Commission	—	215,227	858,625	+643,398	+298.9
Western Interstate Com- mission for Higher Education	15,000	28,000	28,000	—	—
University of California	384,705,421	454,305,363	474,390,015	+20,084,652	+4.4
Hastings College of Law ..	1,700,539	2,216,364	2,475,916	+259,552	+11.7
California State University and Colleges	373,180,600	444,860,573	454,583,504	+9,722,931	+2.2
California Maritime Academy	1,008,018	1,263,055	1,280,531	+17,476	+1.4
California Community Colleges	970,330	1,139,358	1,266,690	+127,332	+11.2
State Scholarship and Loan Commission	28,479,925	38,703,838	42,968,952	+4,285,114	+11.1
Totals—State Opera- tions	\$808,849,448	\$968,112,526	\$1,003,889,429	+\$35,776,903	+3.7
Subventions					
K-12 apportionments	\$1,579,262,193	\$2,197,971,966	\$2,068,656,612	\$-129,315,354	-5.9
Community college appor- tionments	(188,066,262)	(259,592,870)	307,329,173	+307,329,173	+100.0
Novato Unified School Dis- trict	—	628,000	—	-628,000	-100.0
Continuous schools pro- gram	—	800,000	800,000	—	—
Loans to school districts....	291,670	-343,150	-271,396	+71,754	+20.9
Bilingual-bicultural ad- ministration	140,000	141,665	143,335	+1,670	+1.2
Bilingual education pro- gram	913,800	3,886,200	4,000,000	+113,800	+2.9
Indian education program	82,000	322,226	260,590	-61,636	-19.1
Abstract conceptually ori- ented mathematics program	494,989	315,000	—	-315,000	-100.0
Instructional television	567,128	570,000	570,000	—	—
Project SHARE	500,000	400,000	—	-400,000	-100.0
Compensatory education ..	10,424,615	10,818,000	3,045,000	-7,773,000	-71.9
Special elementary school reading program	18,399,069	18,399,625	15,349,625	-3,050,000	-16.6
Bilingual aids	—	—	243,000	+243,000	+100.0
Child development	7,414,443	42,693,283	43,036,761	+343,478	+0.8
Grants to teachers of hand- icapped children	105,556	—	—	—	—
Pilot program for severely retarded	—	155,000	—	-155,000	-100.0
Free textbooks	13,063,417	23,989,497	25,241,939	+1,252,442	+5.2

Assistance to public libraries	800,000	1,000,000	1,000,000	—	—
Vocational education	500,000	425,000	425,000	—	—
Career guidance centers ..	—	82,137	38,976	-43,161	-52.5
Assistance to new community colleges	—	326,370	—	-326,370	-100.0
Contributions to teachers' retirement	135,000,000	135,000,000	135,000,000	—	—
Debt service on public school building bonds	48,488,764	46,272,299	47,999,799	+1,727,500	+3.7
Community colleges extended opportunity program	4,850,000	6,170,500	6,170,500	—	—
Totals—Subventions ..	<u>\$1,821,297,644</u>	<u>\$2,490,023,618</u>	<u>\$2,659,038,914</u>	<u>\$+169,015,296</u>	<u>+6.8</u>
GRAND TOTALS	<u>\$2,630,147,092</u>	<u>\$3,458,136,144</u>	<u>\$3,662,928,343</u>	<u>\$+204,792,199</u>	<u>+5.9</u>

Table 2
Capital Outlay for Education

	<i>Actual 1972-73</i>	<i>Estimated 1973-74</i>	<i>Proposed 1974-75</i>	<i>Change from 1973-74</i>	
				<i>Amount</i>	<i>Percent</i>
University of California:					
General Fund	\$3,093,500	\$4,806,500	—	\$-4,806,500	-100.0
Tideland oil revenues	1,893,000	7,331,000	\$12,000,000	+4,669,000	+63.7
Educational fee funds	32,140,000	12,922,000	15,690,000	+2,768,000	+21.4
Health sciences bond funds	220,800	73,548,200	40,918,000	-32,630,200	-44.4
Withholding tax revenues	4,785,009	12,743,991	16,197,000	+3,453,009	+27.1
State University and Colleges:					
General Fund	81,013	20,774	—	-20,774	-100.0
Tideland oil revenues	22,062,293	69,999,028	10,505,000	-59,494,028	-85.0
Construction bond funds ..	-446,503	453,955	—	-453,955	-100.0
Withholding tax revenues	—	23,967,000	22,307,000	-1,660,000	-6.9
Community Colleges:					
Construction bond funds ..	27,313,685	73,638,137	44,054,600	-29,583,537	-40.2
Special Schools:					
Tideland oil revenues	—	3,100,000	19,942,000	+16,842,000	+543.3
California Maritime Academy:					
General Fund	12,501	—	75,000	+75,000	+100.0
Totals	<u>\$91,155,298</u>	<u>\$282,530,585</u>	<u>\$181,688,600</u>	<u>\$-100,841,985</u>	<u>-35.7</u>
General Fund	<u>3,187,014</u>	<u>4,827,274</u>	<u>75,000</u>	<u>-4,752,274</u>	<u>-98.4</u>
Capital Outlay Fund for Public Higher Education:					
A. Tideland oil revenues	23,955,293	80,430,028	42,447,000	-37,983,028	-47.2
B. Withholding tax revenues	4,785,009	36,710,991	38,504,000	+1,793,009	+4.9
Educational fee funds	32,140,000	12,922,000	15,690,000	+2,768,000	+21.4
Health sciences bond funds	220,800	73,548,200	40,918,000	-32,630,200	-44.4
Construction bond funds ..	26,867,182	74,092,092	44,054,600	-30,037,492	-40.5

Table 3
Total State Expenditures for Education

	<i>Actual</i> 1972-73	<i>Estimated</i> 1973-74	<i>Proposed</i> 1974-75	<i>Change from 1973-74</i>	
				<i>Amount</i>	<i>Percent</i>
State operations	\$808,849,448	\$968,112,526	\$1,003,889,429	\$+35,776,903	+3.7
Subventions	1,821,297,644	2,490,023,618	2,659,038,914	+169,015,296	+6.8
Capital outlay	91,155,298	282,530,585	181,688,600	-100,841,985	-35.7
Totals	\$2,721,302,390	\$3,740,666,729	\$3,844,616,943	\$+103,950,214	+2.8
<i>General Fund</i>	<i>\$2,633,334,106</i>	<i>\$3,462,963,418</i>	<i>\$3,663,003,343</i>	<i>\$+200,039,925</i>	<i>+5.8</i>
<i>Capital Outlay Fund for Public Higher Education:</i>					
<i>A. Tideland oil revenues..</i>	<i>\$23,955,293</i>	<i>\$80,430,028</i>	<i>\$42,447,000</i>	<i>\$-37,983,028</i>	<i>-47.2</i>
<i>B. Withholding tax revenues</i>	<i>4,785,009</i>	<i>36,710,991</i>	<i>38,504,000</i>	<i>+1,793,009</i>	<i>+4.9</i>
<i>Educational fee funds</i>	<i>32,140,000</i>	<i>12,922,000</i>	<i>15,690,000</i>	<i>+2,768,000</i>	<i>+21.4</i>
<i>Health sciences bond funds</i>	<i>220,800</i>	<i>73,543,200</i>	<i>40,918,000</i>	<i>-32,630,200</i>	<i>-44.4</i>
<i>Construction bond funds</i>	<i>26,867,182</i>	<i>74,092,092</i>	<i>44,054,600</i>	<i>-30,037,492</i>	<i>-40.5</i>

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 4 identifies the major programs and subprograms of federal assistance and indicates the anticipated amounts California will receive under each. The table demonstrates that \$433 million is anticipated in the budget year from all programs.

STATE AND LOCAL SUPPORT TO PUBLIC SCHOOLS

The two principal sources of support for California's public schools are State School Fund apportionments and local property tax levies. In past years the relationship between these sources of support has varied substantially as is illustrated in Table 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.

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 5 also reviews all state expenditures for education and indicates that the state has assumed a greater share of total educational expenditures than the former, more narrowly defined, relationship would indicate.

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 1972-73 approximately \$242 million was spent for categorical aid programs such as compensatory education, contributions to teachers' retirement and free textbooks in addition to State School Fund apportionments.

Table 4
Federal Support to California Public Schools

<i>Program</i>	<i>Actual 1972-73</i>	<i>Estimated 1973-74</i>	<i>Estimated 1974-75</i>
Elementary and Secondary Education Act:			
Title I: Compensatory Education			
Low-income families (disadvantaged)	\$113,468,998	\$119,736,620	\$119,736,620
In schools for handicapped	1,625,616	1,477,000	1,477,000
In institutions for delinquent	1,648,046	1,688,000	1,688,000
Migrant—assistance to impacted districts	7,474,812	8,501,500	8,501,500
Migrant—preschool	184,350	65,650	65,650
Urban and rural schools	1,774,356	2,226,170	2,226,170
State administration	1,586,410	2,399,309	2,448,651
Subtotals, Title I	\$127,762,588	\$136,094,249	\$136,143,591
Title II: School Library Resources	7,950,201	9,173,934	8,030,983
Title III: Supplementary Centers and Services	14,215,069	12,366,567	9,314,902
Title IV: Planning and Evaluation—(Right to Read)	56,440	358,288	365,470
Title V: Strengthening State Department	2,279,181	2,269,628	2,265,133
Title VI: Special Education	2,292,132	2,495,219	2,586,397
Title VII: Bilingual Education	10,540,693	10,600,000	12,000,000
Subtotals, ESEA	\$165,096,304	\$173,357,885	\$170,706,476
Economic Opportunity Act:			
Followthrough programs	6,386,983	6,526,202	4,685,416
National Defense Education Act:			
Title III: Critical Subjects	168,257	—	—
Education Professions Development Act:			
Vocational—Technical	623,712	763,662	763,662
Vocational Education Act:			
Occupational preparation	32,034,979	45,017,092	40,074,104
Research and development in career education	705,568	705,568	705,568
Adult Education Act (Basic)	2,978,937	2,894,786	2,578,526
Manpower Development and Training Act:			
Occupational preparation	11,569,778	12,370,500	12,370,500
Economic Opportunity Act:			
Headstart	28,249,000	30,000,000	30,050,000
Aid to Federally Impacted Areas, PL 874	80,000,000	80,000,000	80,000,000
Child Nutrition Act of 1966, PL 93-150	82,014,420	89,094,829	89,094,829
Food and nutrition services payments to welfare agencies	522,443	432,755	—
Rural Area Redevelopment Act, PL 87-27	434,697	2,000,000	2,000,000
Totals, Federal Aid	\$410,785,078	\$443,163,279	\$433,029,081

Table 5
Revenues for Public School Support from State and Local Sources
1962-63 Through 1972-73
(Thousands)

<i>Year</i>	<i>Total General Fund revenues of school districts (state and local) ^a</i>	<i>State School Fund ^b</i>	<i>Other state subventions ^c</i>	<i>Total state subventions</i>	<i>Percent of State School Fund to total revenue</i>	<i>Percent of total state subventions to total revenue</i>
1962-63	\$1,886,167	\$762,964	\$99,828	\$862,792	40.5%	45.7%
1963-64	2,193,337	839,341	103,443	942,784	38.3	43.0
1964-65	2,443,975	937,400	117,880	1,055,280	38.5	43.4
1965-66	2,663,827	997,288	127,473	1,124,761	37.4	42.3
1966-67	2,973,706	1,049,793	170,627	1,220,420	35.3	41.0
1967-68	3,403,000	1,271,933	169,579	1,441,512	37.4	42.4
1968-69	3,699,560	1,315,158	189,810	1,504,968	35.5	40.7
1969-70	4,067,690	1,432,997	201,851	1,634,848	35.2	40.2
1970-71	4,491,956	1,518,899	212,991	1,731,890	33.8	38.6
1971-72	4,829,150	1,500,341	240,794	1,741,135	31.1	36.1
1972-73	5,198,500	1,770,043	242,968	2,013,011	34.0	38.7

^a From Controller's reports: financial transactions concerning school districts of California, and state budget documents, 1962 to present.

^b Includes apportionments to California Community Colleges.

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

Department of Education
STATE OPERATIONS

General Fund

Requested 1974-75	\$24,293,203
Estimated 1973-74.....	20,932,949
Actual 1972-73	17,531,324
Requested increase \$3,360,254 (16.1 percent)	
Total recommended reduction	-\$647,538

<i>Budget Act Item</i>	<i>Budget page</i>	<i>Program page</i>	<i>Analysis page</i>
327 Educational Commission of the States	199	II-381	822
328 General activities	195	II-310	752
330 National defense education	196	II-323	795
331 Special schools	197	II-331	785
333 State library	199	II-364	814

State School Building Aid Fund

Requested 1974-75	\$319,498
Estimated 1973-74.....	327,722
Actual 1972-73	275,521
Requested decrease \$8,224 (2.5 percent)	
Total recommended reduction	-\$13,313

<i>Budget Act Item</i>	<i>Budget page</i>	<i>Program page</i>	<i>Analysis page</i>
329 School facilities planning	198	II-349	808

Surplus Property Revolving Fund

Requested 1974-75	\$6,922,618
Estimated 1973-74.....	6,778,242
Actual 1972-73	3,855,912
Requested increase \$144,376 (2.1 percent)	
Total recommended reduction	None

<i>Budget Act Item</i>	<i>Budget page</i>	<i>Program page</i>	<i>Analysis page</i>
332 Educational Agency for Surplus Property	198	II-354	805

Department of Education
LOCAL ASSISTANCE

General Fund

Requested 1974-75	\$87,822,845
Estimated 1973-74.....	84,289,651
Actual 1972-73	53,565,512
Requested increase \$3,533,194 (4.0 percent)	
Total recommended increase	+\$240,000

<i>Budget Act Item</i>	<i>Budget page</i>	<i>Program page</i>	<i>Analysis page</i>
334 Year-round schools	L-58	II-353	808
335 Bilingual education	L-56	II-324	777
336 Indian education	L-57	II-329	778
337 Instructional television	L-56	II-349	797
338 Demonstration programs	L-57	II-330	767
339 Early childhood-Miller-Unruh	L-57	II-338	757
340 Bilingual aides	L-56	II-326	777
341 Child development	L-57	II-336	757

California Environmental Program Protection Fund

Requested 1974-75	\$275,000
Estimated 1973-74.....	—
Actual 1972-73	—
Requested increase \$275,000	
Total recommended reduction	None

<i>Budget Act Item</i>	<i>Budget page</i>	<i>Program page</i>	<i>Analysis page</i>
342 Conservation education	196	L-56	797

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**PROGRAM I—INSTRUCTION**

	<i>Analysis page</i>
1. Child Development. Recommend continuation of Chapter 1191, Statutes of 1973 (AB 1244), funds for 1974-75 program.	758
2. Preschool. Recommend action subsequent to Department of Finance report.	761
3. <i>Demonstration Programs. Delete \$2,333,000 from General Fund (Item 328).</i> Recommend program reduction from \$3,045,000 to \$712,000.	767
4. <i>Compensatory Education Administration. Delete \$135,000 from General Fund (Item 328).</i> Recommend administrative staff deletion.	770
5. Operation SHARE. Recommend evaluation report on March 1, 1974 for fiscal year 1972-73; and on November 30, 1974 for fiscal year 1973-74.	772
6. <i>Performance Contracting. Delete \$250,000 from General Fund (Item 328).</i> Recommend termination of performance contracting program.	772
7. Bilingual Education. Recommend extension of existing program rather than new legislation.	776
8. Bilingual Education. Recommend transfer of administration from general education unit to disadvantaged students unit.	777
9. Bilingual Evaluation. Recommend report on 1972-73 program by March 1, 1974; and 1973-74 program by November 30, 1974.	778
10. Indian Education. Recommend report on 1972-73 program by March 1, 1974; and 1973-74 program by November 1, 1974.	778
11. <i>Development Centers. Augment General Fund support (Item 341) by \$2.4 million.</i> Recommend full state funding.	780
12. <i>Special Schools. Reduce Item 389 for construction of second school for the deaf.</i>	786
13. Deaf Program. Recommend redirection of students to local programs in accordance with Special Education Master Plan.	786

14. *Special Education Administration. Delete \$14,000 from General Fund (Item 328).* Recommend deletion of funds erroneously included in General Fund when reimbursements ceased. 791
15. *MDTA Matching. Recommend deletion of \$425,000 from General Fund (Item 344) for matching funds.* 793
16. *Area Planning.* Recommend joint study between Chancellor of the Community Colleges and Department of Education regarding the continuation of area adult continuing education coordinating councils and area vocational planning committees with report by December 1, 1974 793
17. *Regional Occupation Centers.* Recommend interim legislative hearing on legal status of regional occupational centers—programs, high schools and community colleges in the provision of vocational education services. 794
18. *NDEA III. Reduce General Fund \$96,786 (Item 330).* Recommend reduction in state matching funds. 795
19. *Instructional Television. Augment General Fund Item 337 by \$270,000.* Recommend full program funding. 797

PROGRAM II—INSTRUCTIONAL SUPPORT

20. *Framework Development. Delete program expenses of \$78,800 (Item 328, General Fund — \$28,008, federal funds — \$50,000).* Eliminate framework development program in accordance with 1973 legislative decision. 802
21. *California Editions.* Recommend the State Printer be restricted to print only those materials that will be economical to reprint. 803
22. *Textbook Warehouse.* Recommend that the Departments of Education and General Services reconcile their workload estimates. 804
23. *Food Services.* Recommend verification of matching requirements. 807

PROGRAM III—SCHOOL ADMINISTRATION SUPPORT

24. *School Planning. Delete four positions related to decreasing workload — \$160,000 (Item 328, — \$146,687; Item 329, — \$13,313).* 808

PROGRAM VI—DEPARTMENTAL MANAGEMENT AND SPECIAL SERVICES

25. *Program Planning and Development. Delete three professional and two clerical positions — 111,017 (Item 328),* Recommend deletion of Organization Redirection Task Force positions. 816
26. *Statewide Testing. Augment \$232,735 to provide one professional position and to provide for scoring grades 2, 3, 6 and 12 tests (federal funds—\$200,000) (Item 328, \$32,735).* 818
27. *Budgeting.* Recommend department report on failure to comply with legislative directive. 819
28. *Out-of-State Travel. Reduce \$53,244 in Item 328 (General Fund — \$5,000, federal funds — \$48,244).* 820

DEPARTMENT OF EDUCATION—Continued

29. *Board of Education. Delete \$4,000 for personnel secretarial aid in Item 328.* 821
30. *Commission of States. Recommend report on benefits to California.* 822

Summary of Recommended Fiscal Changes
to 1974-75 Budget

<i>Program or activity</i>	<i>Amount</i>	<i>General Fund</i>	<i>State School Building Aid Fund</i>	<i>Federal funds</i>
Performance contracting..	—\$250,000	—\$250,000	—	—
Demonstration programs..	—\$2,333,000	—\$2,333,000	—	—
Compensatory education..	—135,000	—135,000	—	—
Development centers.....	+2,400,000	+2,400,000	—	—
Special education administration	—14,000	—14,000	—	—
Manpower Development Training Act	—425,000	—425,000	—	—
National Defense Education	—96,786	—96,786	—	—
Instructional television	+270,000	+270,000	—	—
Framework development	—78,800	—28,800	—	—\$50,000
School planning	—160,000	—146,687	—\$13,313	—
Program planning and development	—111,017	—	—	—111,017
State testing program	+232,735	+32,735	—	+200,000
Out-of-state travel	—53,244	—5,000	—	—48,244
State Board of Education..	—4,000	—4,000	—	—
Increases	+ \$2,902,735	+ \$2,702,735	—	+ \$200,000
Decreases	—3,660,847	—3,438,273	\$—13,313	—209,261
Net decrease	—\$758,112	—\$735,538	—\$13,313	\$—9,261

GENERAL PROGRAM STATEMENT

The budget of the State Department of Education is composed of both state operation and local assistance items. State operation items provide support for state-level administration of the public school system, the State Library, the state special schools, national defense education and the Educational Commission of the States. The local assistance items provide for various subvention programs of state interest. The regular state school apportionments (K-14) which will total approximately \$2.38 billion in 1974-75 are not appropriated in the Budget Act. Table 1 displays all

Budget Act items related to the State Department of Education for state operations and local assistance.

Table 1
State Department of Education
1974 Budget Act Items

<i>Budget Act Item</i>	<i>Purpose</i>	<i>Actual 1972-73</i>	<i>Estimated 1973-74</i>	<i>Proposed 1974-75</i>
State Operations:				
327	Educational Commission of the States	\$24,000	\$24,000	\$24,000
328	General Activities.....	5,980,938	7,655,263	9,382,938
329	State School Building Aid.....	(275,521)	(327,722)	(319,498) ^a
330	National Defense Education	172,280	192,589	193,572
331	Special Schools.....	9,330,117	10,833,815	12,032,347
332	Surplus Property Revolving Fund	(3,855,912)	(6,778,242)	(6,922,618) ^a
333	State Library	2,023,989	2,227,282	2,660,346
Subtotal, State Operations—General Fund Only		\$17,531,324	\$20,932,949	\$24,293,203
Local Assistance:				
334	Continuous Schools	—	\$800,000	\$800,000
335	Bilingual Education	\$1,000,000 ^d	4,000,000 ^d	4,000,000
336	Indian Early Childhood	82,000	322,226	260,590
337	Instructional Television.....	567,128	570,000	570,000
338	Compensatory Education	10,424,615	10,818,000	3,045,000
339	a. Miller-Unruh Reading	18,399,069	18,399,625	15,349,625
	b. Early Childhood	—	25,000,000 ^b	40,000,000
340	Bilingual Aids.....	—	—	243,000
341	Child Development Programs	21,742,700	22,829,800	22,079,630
342	Conservation Education	—	—	(275,000) ^a
343	Assistance to Libraries.....	800,000	1,000,000	1,000,000
344	Vocational Education.....	550,000	550,000	475,000
Subtotal, Local Assistance—General Fund		\$53,565,512	\$84,289,651	\$87,822,845 ^c
Grand Totals—General Fund		71,096,836	\$105,222,600	\$112,116,048
Grand Totals—All Funds		75,228,269	\$112,328,564	\$119,633,164 ^c

^a Special funds.

^b Appropriated by Chapter 1406, Statutes of 1972.

^c Does not include numerous federal and statutory programs shown in Table 2.

^d Appropriated by Chapter 1521, Statutes of 1972 (AB 2284)

Program expenditures for the past, current and budget year from all sources of funding are shown in Table 2.

The relationships between amounts proposed for appropriation by funding source in the Budget Act of 1974 and program totals in the budget documents (commonly 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 3 relates the Department of Education 1974 Budget Act items to the six program areas.

The Analysis which follows will address all six programs in the order shown in Table 2.

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

<i>Program</i>	<i>Actual 1972-73</i>	<i>Estimated 1973-74</i>	<i>Proposed 1974-75</i>	<i>Change</i>		<i>Analysis page</i>
				<i>Amount</i>	<i>Percent</i>	
I. Instruction						
(a) State Operations	\$27,771,576	\$27,265,841	\$38,172,064	\$906,223	2.4%	757
(b) Local Assistance	295,804,968	347,071,387	326,332,917	-20,738,470	6.0	
II. Instructional Support						
(a) State Operations	6,450,361	10,038,087	10,426,980	388,893	3.8	800
(b) Local Assistance	96,167,408	114,169,218	114,984,720	815,502	0.7	
III. School Administrative Support						
(a) State Operations	1,331,437	1,421,459	912,502	-508,957	35.8	808
(b) Local Assistance	—	800,000	800,000	—	—	
IV. School Finance and State Aid						
(a) State Operations	775,345	816,442	870,235	53,793	6.6	810
(b) Local Assistance	1,582,657,657	2,201,870,168	2,071,385,216	-130,484,952	5.9	
V. Library Services						
(a) State Operations	4,314,513	9,119,806	9,293,254	173,448	1.9	814
(b) Local Assistance	800,000	1,000,000	1,000,000	—	—	
VI. Department Management						
(a) State Operations	3,169,556	4,855,812	4,940,186	84,374	1.7	816
(b) Local Assistance	—	—	—	—	—	
Reimbursements						
(a) State Operations	-3,919,291	-5,520,595	-5,999,188	478,593	8.7	1.2
(b) Local Assistance	-57,677,988	-48,033,120	-47,474,000	-559,120	1.2	
Subtotal—State Operations	\$39,893,497	\$57,996,852	\$58,616,033	\$619,181	1.1	5.7
Subtotal—Local Assistance	1,917,752,045	2,616,877,671	2,467,028,853	-149,848,818	5.7	
GRAND TOTAL ALL PROGRAMS	\$1,957,645,542	\$2,674,874,523	\$2,525,644,886	\$-149,229,637	5.6	
<i>General Fund</i>	<i>1,651,220,742</i>	<i>2,327,454,276</i>	<i>2,188,556,638</i>	<i>-138,897,638</i>	<i>6.0</i>	
<i>State School Fund</i>	<i>2,756,376</i>	<i>2,950,000</i>	<i>2,700,000</i>	<i>-250,000</i>	<i>8.5</i>	
<i>Federal funds</i>	<i>299,189,573</i>	<i>337,027,283</i>	<i>326,571,132</i>	<i>-10,456,151</i>	<i>3.1</i>	
<i>Surplus Property Revolving Fund</i>	<i>3,855,912</i>	<i>6,778,242</i>	<i>6,922,618</i>	<i>144,376</i>	<i>2.1</i>	
<i>School Building Aid Fund</i>	<i>275,521</i>	<i>327,722</i>	<i>319,498</i>	<i>-8,224</i>	<i>2.5</i>	
<i>California Water Fund</i>	<i>75,611</i>	<i>37,000</i>	—	<i>-37,000</i>	—	
<i>Motor Vehicle Transportation Tax</i>	—	<i>300,000</i>	<i>300,000</i>	—	—	
<i>Environmental Protection Fund</i>	—	—	<i>275,000</i>	<i>275,000</i>	—	
<i>State Transportation Fund</i>	<i>271,807</i>	—	—	—	—	

Table 3
Crossover Between Budget Act Items and Education Programs

<i>Item</i>	<i>Instruction (I)</i>	<i>Instruction support (II)</i>	<i>Admini- strative support (III)</i>	<i>School finance (IV)</i>	<i>Library (V)</i>	<i>Department management (VI)</i>	<i>Total</i>
327 Educational Commission of the States	—	—	—	—	—	\$24,000	\$24,000
328 General activities	\$4,550,658	\$1,209,249	\$529,979	\$860,001	—	2,233,051	9,382,938
329 State School Building Aid	(27,919)	—	(291,579)	—	—	—	(319,498) ^a
330 National defense education	193,572	—	—	—	—	—	193,572
331 Special schools	12,032,347	—	—	—	—	—	12,032,347
332 Surplus Property Revolving Fund	—	(6,922,618)	—	—	—	—	(6,922,618) ^a
333 State Library	—	—	—	—	\$2,660,346	—	2,660,346
334 Continuous schools	—	—	800,000	—	—	—	800,000
335 Bilingual education	4,000,000	—	—	—	—	—	4,000,000
336 Indian early childhood	260,590	—	—	—	—	—	260,590
337 Instructional television	—	570,000	—	—	—	—	570,000
338 Compensatory education	3,045,000	—	—	—	—	—	3,045,000
339 a. Miller-Unruh reading	15,349,625	—	—	—	—	—	15,349,625
b. Early childhood	40,000,000	—	—	—	—	—	40,000,000
340 Bilingual aids	243,000	—	—	—	—	—	243,000
341 Child development programs	22,079,630	—	—	—	—	—	22,079,630
342 Conservation education	(275,000)	—	—	—	—	—	(275,000) ^a
343 Assistance to libraries	—	—	—	—	1,000,000	—	1,000,000
344 Vocational education	425,000	50,000	—	—	—	—	475,000
Totals, General Fund	\$102,179,422	\$1,829,249	\$1,329,979	\$860,001	\$3,660,346	\$2,257,051	\$112,116,048 ^b

^a Special funds.

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

Budget Act items, as above	\$112,116,048
Statutory requirements	436,912
Miscellaneous legislation	22,376,523
Apportionments to school districts	2,068,385,216
Less early childhood education appropriation	—40,000,000
Instructional materials fund	25,241,939
	<u>\$2,188,556,638</u>

Table 4
Program I
Instruction Program Expenditures and Funding

<i>Program Element</i>	<i>Actual 1972-73</i>	<i>Estimated 1973-74</i>	<i>Proposed 1974-75</i>	<i>Change Amount</i>	<i>Percent</i>
A. Child Development.....	\$57,942,587	\$87,359,399	\$87,116,940	\$ -242,459	-0.3%
B. Educationally Disadvantaged	158,742,339	167,366,903	156,117,744	-11,249,159	-6.7
C. Special Education	20,906,950	24,158,458	25,367,180	1,208,722	5.0
D. Occupational Preparation	50,651,645	70,233,466	63,900,977	-6,332,489	-9.0
E. General Education Management.....	35,156,980	34,752,602	31,059,140	-3,693,462	-10.6
F. Statewide Testing.....	176,043	476,400	943,000	466,600	97.9
Totals	\$323,576,544	\$384,337,228	\$364,504,981	\$ -19,832,247	5.2%
<i>Funding:</i>					
<i>State Operations:</i>					
General Fund	\$13,121,328	\$17,572,122	\$18,554,523	\$982,401	5.6
School Building Aid Fund	18,720	27,712	27,919	207	—
Federal funds	11,668,088	15,824,497	15,525,092	-299,405	1.9
Reimbursements	2,963,440	3,841,510	4,064,530	223,020	5.8
<i>Local Assistance:</i>					
General Fund	38,974,472	77,555,999	66,503,311	-11,052,688	14.2
Federal funds	199,152,508	221,482,268	212,080,606	-9,401,662	4.2
Reimbursements	57,677,988	48,033,120	47,474,000	-559,120	1.2
California Environmental Protection Program Fund	—	—	275,000	275,000	—
<i>Totals, Funding</i>					
General Fund	52,095,800	95,128,121	85,057,834	-10,070,287	10.6
Federal funds	210,820,596	237,306,765	227,605,698	-9,701,067	4.1
Reimbursements	60,641,428	51,874,630	51,538,530	-336,100	0.6
School Building Aid.....	18,720	27,712	27,919	207	—
Environmental Protection.....	—	—	275,000	275,000	—

DEPARTMENT OF EDUCATION—Continued

PROGRAM I
INSTRUCTION

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

The Governor's Budget displays 10 elements in the instruction program. However, three of them show no budgeted funds and the fourth is included within the remaining six budgeted elements. We find this an awkward and misleading presentation. Our presentation simplifies program review. All totals tie to the Governor's Budget.

A. CHILD DEVELOPMENT

Child development services of the Department of Education consist of the activities of child care services, preschool program and early childhood education with expenditures and funding as shown in Table 5.

Table 5
Child Development
Expenditures and Funding

	<i>Actual</i> 1972-73	<i>Estimated</i> 1973-74	<i>Proposed</i> 1974-75
1. Child care services	\$36,589,155	\$62,649,513	\$66,808,831 ^a
2. Preschool program	21,335,356	24,459,886	19,953,109 ^b
3. Early childhood education	18,076	250,000	350,000
Total	\$57,942,587	\$87,359,399	\$87,116,940
General Fund	2,609,389	38,179,100	38,026,500
Federal funds	61,303	175,786	153,109
Reimbursements	55,271,895	49,004,513	48,937,331
^a Includes:			
State Operations			\$1,563,331
Local assistance:			
Federal funds			43,699,000
Pilot study			1,700,000
Colton Unified School District			4,500
Budget Act Items		\$25,854,630	—
Less development centers		6,012,630	19,842,000
Total			\$66,808,831
^b Includes:			
Chapter 1005, Statutes of 1972 appropriation			\$19,805,000
Title I, ESEA-Department of Education administration			153,109
Total			\$19,958,109

1. CHILD CARE SERVICES

Pursuant to Chapter 670, Statutes of 1972 (AB 99), the Child Development Act, as amended by Chapter 1191, Statutes of 1973 (AB 1244), the State Department of Education has administrative responsibility for a

INSTRUCTION—Continued

variety of child care services including those services previously administered by the State Department of Social Welfare. Services may be provided by public or private agencies for prekindergarten children and school age children up to 14 years, as well as for the parents of such children. Services may include supervision, developmental activities, and instruction for any part of a workday including night shifts. In addition, social services, referral and counseling services, health screening and treatment, and nutrition services may be included.

Administration

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

In order for a child care program to qualify for federal matching funds available under Title IV-A of the Social Security Act, it must comply with applicable federal social services regulations. Revised federal regulations became effective November 1, 1973. In anticipation of the revised regulations, the Legislature provided augmentations for various child development programs in the Budget Act of 1973 to cover any loss of federal funds. However, these augmentations were vetoed by the Governor. Later in the 1973 Legislative Session Chapter 1191, Statutes of 1973 (AB 1244), was enacted which accomplished the same purpose by appropriating from the state General Fund amounts to replace any loss of federal funds in specified child development programs due to the revised regulations. The actual need for the augmentations provided by Chapter 1191 would have been considerably less than the appropriated amounts because the revised regulations when finally issued provided a six-month period beyond the anticipated effective date of November 1, 1973, in which they were to be implemented. However, federal legislation (HR 11333) which was adopted on January 3, 1974, suspends the revised federal regulations until December 31, 1974. This means that (a) the broader regulations in effect prior to November 1, 1973, will apply through December 1974 unless modified and made effective sooner and (b) approximately \$5.5 million in AB 1244 will revert to the General Fund at the end of 1973-74.

Unexpended State Child Care Funds

We recommend that the unexpended balances of the amounts appropriated by Chapter 1191, Statutes of 1973 (AB 1244), be carried forward for expenditure in 1974-75 for the same purposes.

Table 6 summarizes state funding for child development programs in 1973-74 and proposed by the Governor's Budget for 1974-75.

Table 6
Child Development Programs
Allocation of State Funds—1973-74 and 1974-75

	<i>Estimated 1973-74</i>	<i>Proposed 1974-75</i>
Children's Centers:		
Budget Act	\$12,040,000	\$12,642,000
AB 1244 ^a	4,923,000	-
Total	\$16,963,000	\$12,642,000
Migrant Day Care:		
Budget Act	373,500	375,000
AB 1244	124,500	-
Total	498,000	375,000
Campus Children Centers:		
Budget Act	-	625,000
AB 1244	605,000	-
Total	605,000	625,000
Welfare Reform Act:		
SB 796/AB 282 ^b	1,821,594	-
AB 1244	250,000	-
Budget Act	-	2,800,000
Total	2,071,594	2,800,000
Child Development Act:		
AB 99 ^c	3,400,000	-
AB 1244	250,000	-
Budget Act	-	3,400,000
Total	3,650,000	3,400,000
Development Centers:		
Budget Act	4,961,250	6,012,630
Department of Education Pilot Study:		
AB 1244	3,000,000	-
Legislative Analyst Management and Fiscal Audit:		
AB 1244	200,000	-
Total:		
Budget Act and prior appropriations	22,596,344	25,854,630
AB 1244	9,352,500	-
Grand Total	\$31,948,844	\$25,854,630 ^d
^a Chapter 1191, Statutes of 1973 (AB 1244)		
^b Chapter 578, Statutes of 1971 (SB 796) Chapter 1177, Statutes of 1972 (AB 282)		
^c Chapter 670, Statutes of 1972 (AB 99)		
^d Consists of Budget Act items:		
Item 287	\$3,400,000	
Item 301 (Partial)	375,000	
Item 341	22,079,630	
Total	\$25,854,630	

The Governor's Budget makes no provision for any loss of federal matching funds in the event that children who are presently participating in children's centers or migrant day care programs and who have qualified for federal matching funds under the previous federal social services guidelines, do not qualify under the revised guidelines. Unless further modified, the revised regulations will become effective January 1, 1975, and will therefore affect the last half of 1974-75. This loss of federal funds could cause children who are presently participating to be dropped from

INSTRUCTION—Continued

the program.

Although postponing the effective date of the revised social services regulations until January 1, 1975, will eliminate the need for most of Chapter 1191 (AB 1244) appropriated funds for child development programs in 1973-74, it appears likely that such need could occur in 1974-75. For these reasons we recommend that Chapter 1191 funds be continued for this purpose through budget act language.

2. 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.

Until 1973-74, state appropriations for the preschool program were matched by federal funds on a 75-25 federal-state matching basis, under the Federal Social Security Act Amendment of 1967. Federal funding for the preschool program was eliminated in 1973-74 due to revised federal social services regulations under Title IV-A of the Social Security Act, effective November 1, 1973. Table 7 summarizes funding of the preschool program from 1971-72 through 1974-75.

Table 7
Funding of the Preschool Program
from 1971-72 through 1974-75

	<i>State</i>	<i>Federal Matching</i>	<i>Total</i>
1971-72	\$5,122,000	\$15,366,000	\$20,488,000
1972-73	5,328,453	15,985,359	21,313,812
1973-74	23,314,100	—	23,314,100 ^b
1974-75	19,805,000	—	19,805,000 ^a

^a Appropriated by Chapter 1005, Statutes of 1973 (AB 451).

^b Appropriated as follows:

Budget Act of 1973—Item 309.....	\$5,828,550
Budget Act of 1973—Item 309.5	5,828,550
Chapter 1005	11,657,000
Total	\$23,314,100

Table 7 indicates that the preschool program was funded in 1973-74 partly by the Budget Act of 1973 and partly by Chapter 1005, Statutes of 1973 (AB 451). The Budget Act of 1973 appropriated \$11,657,100, sufficient only to fund the preschool program for the first six months of 1973-74. Chapter 1005 was subsequently enacted to provide funding for the second half of 1973-74.

Table 8 summarizes the scope of the preschool program from 1970-71 through 1973-74.

The table indicates that the estimated program level of operation in 1973-74 is about the same as 1972-73. The Department of Education estimates that approximately 19,400 children are being served in 1973-74.

Table 8
Scope of Preschool Program From 1970-71 Through 1973-74

	<i>Number of applicant agencies</i>	<i>Number of sites (est.)</i>	<i>Number of preschool classes (est.)</i>
1970-71	144	not available	981
1971-72	166	669	1,088
1972-73	191	852	1,295
1973-74	184	852	1,295

1974-75 Appropriation

We recommend that the fiscal committees consider the preschool program budget after the Department of Finance fiscal and management audit of the preschool program has been submitted and reviewed.

As shown previously in Table 7, Chapter 1005 authorized \$19,805,000 for the preschool program in 1974-75. This is approximately 85 percent of 1973-74 funding. The Department of Education estimates that an additional \$4,630,650 would be necessary to fund the program through 1974-75 at the 1973-74 operating level. Chapter 1005 stated that the preschool program should be able to operate at the lower funding level because of anticipated cost savings to result from a Department of Finance fiscal and management audit of the program, to be submitted to the Joint Legislative Budget Committee by February 1, 1974.

We will review the Department of Finance audit report and recommend to the fiscal committees a program funding level for the preschool program in 1974-75. We believe that the funding level of 85 percent of the 1973-74 funding, based on possible cost savings, was arbitrarily determined and that the 1974-75 preschool program funding level should be determined not only on the basis of any potential cost savings but also on the basis of the benefits of the program and the unmet need for such services.

The State Department of Education estimates that 400,000 California children between the ages of three and five reside in families whose income is at or below the poverty level. Approximately one-half of these children are current welfare recipients and the balance are former or potential recipients. Less than 60,000 of these children are served by one of the available federal or state programs, such as Head Start, ESEA Title I, the State Program for the Educationally Disadvantaged, or the children's centers programs.

3. EARLY CHILDHOOD EDUCATION

Chapter 1147, Statutes of 1972 (SB 1302), authorized an Early Childhood Education Program for children in grades K-3 and appropriated \$25 million for local assistance expenditures in 1973-74 and \$40 million in 1974-75. The act also appropriated \$250,000 for initial administration by the Department of Education.

Goals

The stated goal of the Department of Education for this program is "to provide equal access to education for all children in kindergarten and grades 1 through 3. It is intended to provide opportunities and experiences so that all children will master the basic skills of reading, communicating,

INSTRUCTION—Continued

computing, problem solving, and adapting to change. Its central aims are (a) to provide greater individualization of instruction and diversity of programs offered, (b) to increase parent and community participation in educational decisionmaking, and (c) to focus the wide variety of present educational programs into one coordinated, comprehensive effort."

Table 9 summarizes program activity in 1973-74 and 1974-75.

Table 9
Participation in the Early Childhood Education Program

	<i>Estimated 1973-74</i>	<i>Estimated 1974-75</i>
Districts.....	799	940
Schools.....	1,012	1,400
Pupils.....	176,567	273,000
Amount allocated.....	\$24,065,086	\$41,000,000

The table indicates a total allocation of approximately \$24 million in 1973-74 which leaves an unallocated balance of about \$1 million for carry over to the 1974-75 appropriation of \$40 million. The department estimates that the 1973-74 program is reaching approximately 13 percent of the total K-3 pupil population and proposes to expand participation in 1974-75 to approximately 20 percent.

The budget request for administrative costs for the Department of Education in 1974-75 is \$350,000. This will provide for three additional consultants and related costs, for a total staffing of 7 professional and 5.5 clerical positions. We concur in this increased staff to meet the expanding growth of the program. In addition, the Budget Bill reappropriates the \$40 million in Chapter 1147 in combination with \$15,349,625 for the Miller-Unruh Reading Program totaling \$55,349,625 in Item 339.

Relationship Between Early Childhood Education and Miller-Unruh Reading

A major issue for legislative review is the interrelationship between the Early Childhood Education Program and the Miller-Unruh Basic Reading Program. Chapter 1147 was sponsored by the Superintendent of Public Instruction who has stated that early childhood education is one of the priority educational needs in California. The measure was approved by the Governor on November 23, 1972. Prior to the Governor's approval, a written agreement between the State Department of Finance's chief deputy and the State Department of Education's chief deputy dated November 17, 1972, established a plan for the expansion of the Early Childhood Education Program to eventually include all K-3 pupils in California. Included in the agreement was a provision that the Miller-Unruh Basic Reading Act Program, which also serves K-3 pupils, would be incorporated into the expanding Early Childhood Education Program. This appears to be in conformance with Chapter 1147 which specified that the state apportionment per pupil for the Early Childhood Education Program would be reduced by the amount per pupil apportionment of the Miller-Unruh Reading Act appropriation. It was understood that the expansion would require legislative action supplementary to Chapter 1147.

Reference to the agreement has been made at subsequent meetings by

Department of Education representatives, and the Department of Finance sent additional copies of the agreement to the Department of Education's Deputy Superintendent for Administration and Chief of Management services on January 16, 1973. However, in a letter of November 27, 1973 to the Director of Finance, the Superintendent of Public Instruction repudiated the agreement on the basis that he lacked knowledge of it. We are concerned that lack of such knowledge implies an extremely poor management reporting system within the Department of Education. Education.

Table 10 projects program activity and funding through 1978-79 as reflected by the agreement. The table projects a total annual cost for the K-3 program in 1975-76 of \$87,600,000, increasing to \$219,000,000 in 1978-79, and remaining at that level beyond 1978-79 subject to an annual inflationary factor.

Table 10
Early Childhood Education Program Actual and Projected Allocations Through 1978-79

<i>Fiscal year</i>	<i>1,368,931 Students K-3</i>				
	<i>Students served</i>	<i>Percent of population</i>	<i>Schools served</i>	<i>Annual cost (in thousands)</i>	<i>Annual increase (in thousands)</i>
1973-74	176,567	13%	1,012	\$25,000	—
1974-75	273,000	20	1,400	40,000	\$15,000
1975-76	547,572	40	1,818	87,600	47,600
1976-77	821,359	60	2,700	131,400	43,800
1977-78	1,095,145	80	3,600	175,200	43,800
1978-79	1,368,931	100	4,500	219,000 ^a	43,800

^a Miller-Unruh Reading dollars will be phased into the total early childhood allocation on a percentage basis annually.

Miller-Unruh Reading Program 1974-75 Funding Level

The Governor's Budget proposes to reduce support for Miller-Unruh specialist teacher salaries in 1974-75 by \$2.8 million to \$15,349,625 (see Table 18). This reduction represents the amount of overlap experienced by 173 schools eligible for both the Miller-Unruh and early childhood education programs in 1973-74. The Miller-Unruh appropriation would be further reduced in subsequent years as the early childhood education appropriation is increased, the reduction to be applied to additional schools entering the Early Childhood Education Program which previously utilized Miller-Unruh teachers.

It is important to note that Early Childhood Education Program guidelines require a school to assess its own particular needs based on pupil population, community desires, and available resources and to develop an appropriate program. A school with particular reading deficiencies could elect to utilize its early childhood education allocation for reading resource teachers in the same manner as Miller-Unruh reading resource teachers are utilized, or it could elect to develop other supplementary programs to meet its particular needs within guidelines established by the State Department of Education. We believe school districts should have this latitude which is included in the plan to incorporate Miller-Unruh funding as the Early Child Education Program expands.

INSTRUCTION—Continued

B. INSTRUCTION FOR EDUCATIONALLY DISADVANTAGED STUDENTS

Instruction for educationally disadvantaged students consists of (1) federal and state subventions for educationally disadvantaged students, (2) special state compensatory education projects, (3) the Miller-Unruh Reading Program (page 770), and (4) Project SEED. These programs are administered by the Department of Education's Division of Compensatory Education.

Table 11 summarizes expenditures and funding sources for this program as shown in the Governor's Budget.

Table 11
Instruction for Educationally Disadvantaged Student
Expenditures and Funding Sources

	<i>Actual 1972-73</i>	<i>Estimated 1973-74</i>	<i>Proposed 1974-75</i>
State Operations			
Personal Services	\$2,747,488	\$3,739,338	\$3,785,179
Local Assistance			
State Compensatory Education Pro- grams	10,424,615	10,818,000	3,045,000
Miller-Unruh Reading	18,399,069	18,399,625	15,349,625
ESEA Title I	126,176,178	133,694,940	133,694,940
Project SEED	494,989	315,000	—
Project SHARE	500,000	400,000	—
Bilingual Aides	—	—	243,000
Subtotal	\$155,994,851	\$163,627,565	\$152,332,565
TOTAL	\$158,742,339	\$167,366,903	\$156,117,744 *
General Fund	30,417,985	31,314,207	20,082,682
Federal funds	128,121,028	135,996,784	135,986,063
State School Building Aid Fund	18,720	27,712	27,919
Reimbursements	184,606	28,200	21,080

* Does not include \$82 million state educationally disadvantaged youth program funded by Chapter 1406, Statutes of 1972 (SB 90).

Table 12 presents General Fund support by Budget Act item.

Table 12
Instruction for Educationally Disadvantaged Students
General Fund Budget Act Appropriations

<i>Budget Act Item</i>	<i>Purpose</i>	<i>Amount</i>
State operations		
328 (partial)	Department of Education general activities	\$1,445,057
Local assistance		
338	Demonstration programs in reading and mathematics	\$3,045,000
339 (partial)	Miller-Unruh Reading Program	15,349,625
340	Bilingual reading aides	243,000
Total, General Fund		\$20,082,682

1. FEDERAL AND STATE SUBVENTION PROGRAMS

The federal Elementary and Secondary Education Act (ESEA) Title I and the state Educationally Disadvantaged Youth Program (EDY) provide subventions to school districts on the basis of the number of low-income, transient, or bilingual children for the support of compensatory education programs. Table 13 summarizes the categories of ESEA, Title I and presents estimated expenditures for the past year.

Table 13
Elementary and Secondary Education Act, Title I
1972-73

<i>Component</i>	<i>Amount (in millions)</i>	<i>Percentage</i>
District entitlements by program:		
Reading	\$45.5	37.3%
English as a second language.....	2.9	2.4
Mathematics	29.9	24.5
Health, library and guidance services	10.4	8.5
Parent Involvement	3.8	3.1
Intergroup relations	3.8	3.1
Staff development.....	3.6	2.9
Cooperative projects	9.9	8.1
Subtotal	\$109.8	89.9%
Handicapped in state schools.....	1.5	1.2
Delinquents in local institutions	0.6	0.5
Delinquents in CYA institutions	1.7	1.4
Migrant education.....	8.5	7.0
Total	\$122.1 ^a	100.0%

^aData provided by Division of Compensatory Education, does not reconcile to Governor's Budget (pp. 388) of \$126.2 million.

State Disadvantaged Youth Program

Chapter 1406, Statutes of 1972 (SB 90) established the state Educationally Disadvantaged Youth Program (EDY) and appropriated \$82 million for 1973-74 primarily for local assistance. This program extends compensatory education programs similar to those established under ESEA, Title I to an additional 100,000 students. The Governor's Budget proposes to continue this program in the budget year at the same level of \$82 million. The Department of Education is permitted to utilize 1 percent of the subven-

Table 14
State Level Expenditures and Administration for Educationally Disadvantaged Youth Program

	<i>Actual 1972-73</i>	<i>Estimated 1973-74</i>	<i>Proposed 1974-75</i>
Expenditures:			
Administration.....	—	\$479,323 ^a	\$560,784
Subventions	—	81,520,677	81,439,216
Professional Positions:			
Division of Compensatory Education	—	5	5
Office of Program Evaluation	—	4	4
Assistants to Age Span Managers	—	3	3
Clerical positions.....	—	4.5	4.5
Subtotal positions	—	16.5	16.5

^a Represents three quarters of a year program administration.

INSTRUCTION—Continued

tion amount or a maximum of \$820,000 for the state level administration of the EDY program. Table 14 presents proposed expenditures and staffing for this program.

2. STATE COMPENSATORY EDUCATION PROGRAMS

State Compensatory Education, in addition to subventions authorized under the Educationally Disadvantaged Youth Program, consists of the following special programs:

(1) Special Teacher Employment Program (STEP). This program provides funds to school districts in areas of concentrated poverty for the employment of additional classroom teachers.

(2) Professional Development Centers (PDC). These centers provide in-service training to teachers in selected schools with a high percentage of low-achieving students.

(3) Research and Teacher Education Program (RATE). This program consists of experimental teacher-intern projects and in-service teacher training projects for teachers of disadvantaged students.

(4) Demonstration Projects in Reading and Mathematics. These projects consist of experimental programs in reading and mathematics for disadvantaged students in grades 7-9.

(5) New Careers Program. This program provides stipends to low-income persons to enable them to earn elementary teaching credentials for the purpose of teaching disadvantaged students.

Table 15 summarizes expenditures for these programs.

Table 15
State Compensatory Education Programs 1972-73 to 1974-75

<i>Program</i>	<i>Actual 1972-73</i>	<i>Estimated 1973-74</i>	<i>Proposed 1974-75</i>
Special Teacher Employment Program (STEP)	\$6,500,000	\$6,500,000	—
Professional Development Centers (PDC)	750,000	750,000	—
Research and Teacher Education (RATE)	268,000	568,000	—
Demonstration Projects in Reading and Mathematics	3,000,000	3,000,000	\$3,045,000
New Careers	250,000	250,000	250,000
Totals	\$10,768,000	\$11,068,000	\$3,295,000

Program Fragmentation Problem

The 1974-75 Governor's Budget states the Department of Education's policy: "... in the past several years, federal and state legislators, have created a variety of specially financed programs to help . . . pupils. These efforts were fragmented, often resulting in educational programs that were neither more efficient or more effective.

"The need is for the Department of Education to have school districts design programs that merge available funds with student needs . . ."

To this end, the Department of Education has recently instituted a consolidated application form which will require school districts to coordinate separate funding sources into a general program outline. In addition, the department has prepared a consolidated evaluation form to encourage school districts to evaluate individual projects in terms of a unified program outline and general objectives.

We believe that the integration of RATE, PDC, STEP and demonstration projects into a total program would be in keeping with these recent efforts to promote consolidation and coordination of all education program components within a district and avoid the fragmentation which results from categorical funding.

Program Reductions

Table 15 indicates that the 1974-75 Governor's Budget proposes to eliminate support for the STEP, PDC and RATE programs in the budget year. The Department of Finance justifies this action on the basis of funding duplication and lack of program effectiveness. In the case of STEP, the department believes that new funds appropriated under the State Educationally Disadvantaged Youth Program and the Early Childhood Education Program will enable districts to hire additional teachers without the need for a special state categorical aid program. In the case of RATE, the department states that institutions of higher education already receive support for teacher training through general budget act appropriations. PDC programs are primarily programs for in-service teacher training and thus do not directly duplicate pre-service higher education training programs. Nevertheless, these high cost projects have operated on an experimental basis for as long as four years in some cases. We believe that their experimental status should be discontinued and they should now be adopted as ongoing programs by school districts which believe them to be appropriate and effective in-service training models.

Alternate Funding Sources

Many school districts, including districts now operating STEP, PDC and RATE programs, currently receive new funds under the Educationally Disadvantaged Youth Program which could be used to implement these programs on an operational basis. Table 16 presents school districts now operating (1) STEP programs in excess of \$50,000 per year, (2) PDC programs and (3) RATE programs. The table summarizes alternate sources of revenue in the event these districts choose to continue their STEP, PDC, or RATE program. An additional 22 school districts not shown in the table receive STEP subventions of less than \$50,000 per year.

This table indicates that of the 19 local educational agencies which will lose state STEP, PDC or RATE funds, 15 receive sufficient new funds under the Educationally Disadvantaged Youth and Early Childhood Education programs to continue the special state programs if they so choose. In fact, funds received under the new disadvantaged and early childhood Programs represent an approximate eight-fold increase over funds previously received under the STEP, PDC and RATE appropriations.

Table 16
Alternate Funding Sources for School Districts With State Compensatory Education Programs (1973-74)

County	District	State programs to be eliminated in 1974-75	New State Funds		Federal ESEA Title I	State Miller-Unruh Reading
			Educationally Disadvantaged Youth (SB 90)	Early Childhood Education		
Alameda	Oakland	\$336,303 (STEP)	\$4,445,680	\$276,705	\$3,952,620	—
Contra Costa	Pittsburg	52,796 (STEP)	306,026	24,375	319,153	—
	Richmond	231,984 (STEP)	1,107,039	203,320	1,673,942	\$11,668
	Fresno	189,195 (STEP)	1,883,335	274,950	2,035,058	124,498
Kern		147,406 (PDC)				
	Bakersfield	205,377 (STEP)	889,220	165,100	970,502	38,621
Los Angeles	Compton	273,903 (STEP)	3,371,012	169,065	3,164,868	163,352
	Garvey	82,633 (STEP)	419,123	47,710	298,121	23,336
	Long Beach	168,393 (PDC)	—	311,480	2,083,261	40,848
		187,989 (STEP)				
	Los Angeles	3,269,771 (STEP)	25,586,720	2,936,407	29,730,223	2,426,944
	Pasadena	115,671 (STEP)	843,344	93,689	1,261,308	203,834
		118,000 (RATE)				
San Bernardino	Pomona	114,130 (PDC)	820,591	107,715	949,988	169,653
	Colton	117,000 (RATE)	339,596	38,025	379,375	—
	San Bernardino	177,441 (STEP)	1,282,245	159,250	1,541,365	43,638
	Upland	100,000 (RATE)	—	35,165	71,592	—
	San Diego	188,388 (STEP)	—	604,867	3,244,638	396,829
San Joaquin	Stockton	236,954 (STEP)	1,687,850	162,335	1,586,279	210,024
Santa Clara	Berryessa	100,000 (RATE)	—	49,605	49,002	111,429
Tehama	Tehama County	168,550 (PDC)	13,099	120,177	123,916	28,730
Tulare	Visalia	144,060 (PDC)	350,681	69,615	399,968	19,602
Totals		\$6,611,814	\$43,345,561	\$5,849,555	\$53,835,179	\$4,013,006

This table also presents four local education agencies (Upland, Berryessa, Long Beach, and Tehama County) which do not receive sufficient new state funds to compensate for the loss of STEP, PDC and RATE programs. However, the table illustrates that these local agencies do receive sufficient funds from ESEA Title I sources to continue a STEP, PDC or RATE program if they so choose. This does not suggest that these sources represent district surpluses but only that all of the school districts presented in the table could redirect alternate federal and state resources into STEP, RATE or PDC program models in spite of the loss of special state funding for these programs.

Demonstration Programs in Reading and Mathematics

We recommend that state support for the demonstration projects in reading and mathematics be reduced from \$3,045,000 to \$712,000 for a General Fund savings of \$2,333,000 (Item 338).

The state demonstration projects in reading and mathematics utilize innovative teaching techniques and low pupil-to-teacher ratios to teach low-achieving students in grades 7-9. The original projects have been in operation since the 1969-70 school year. We believe new entitlement funds now provide the opportunity for participating school districts to convert these experimental programs to an operational basis. Table 17 indicates that 15 of the 19 school districts operating the 24 demonstration projects receive sufficient new funds under the state Educationally Disadvantaged Youth Program to adopt these projects on an ongoing basis if

Table 17
Demonstration Programs in Reading and Mathematics
1973-74

District	Number of projects	Skill area R-reading M-math	Project expenditures	State educationally disadvantaged youth (SB 90)
Bakersfield	1	R	\$90,335	\$889,220
Colton	1	R/M	78,753	339,596
Compton	1	R	121,407	3,371,012
Fresno	1	R	89,779	1,883,335
Garvey	1	R	87,099	419,123
Greenfield	1	R	116,109	—
Jurupa	1	M	141,284	264,123
Long Beach	2	M	192,639	—
Los Angeles	2	R/M	287,532	25,586,720
Monrovia	1	R	79,679	168,962
Oakland	2	R/M	278,485	4,445,680
Ontario-Montclair	1	R	164,184	310,192
Pittsburg	1	R	155,932	306,026
Pomona	1	R	144,971	820,591
Riverside	1	R/M	93,813	264,123
San Diego	1	R	90,466	—
San Francisco	2	R	226,801	5,629,099
San Jose	1	R/M	183,708	745,002
Santa Barbara	2	R	312,376	—
Total	24		\$2,935,352	\$45,442,804

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they so choose. We believe that special funds for the demonstration projects in the school districts should be eliminated and that districts should decide for themselves whether the results of their projects warrant adoption on an ongoing basis using new entitlement funds. It should be noted that these new funds would be sufficient even if certain school districts decide to use a portion of their new funds to compensate for the loss of STEP, RATE, and PDC funding (see page 768).

Four school districts (Greenfield, Long Beach, San Diego, Santa Barbara) did not receive sufficient new funds to continue their demonstration projects. We therefore recommend that the four projects in the Greenfield, Long Beach, Santa Barbara, and San Diego school districts be permitted to operate in 1974-75 at a state cost of approximately \$712,000. Legal authorization for these projects terminates at the end of the budget year.

Administration

We recommend the elimination of three professional positions and two clerks from the staff of Research and Teacher Education for Disadvantaged Children Unit and the Professional Development Bureau for a savings of \$135,000 (Item 328).

The 1974-75 Governor's Budget proposes to eliminate state support for the Research and Teacher Education Program, professional development centers, and the Special Teacher Employment Program. In addition, we recommend the elimination of the state Demonstration Projects in Reading and Mathematics. We conclude that the professional positions in the Department of Education responsible for the administration of these programs should also be eliminated to reflect this reduction in workload. The Governor's Budget indicates two professional positions and one clerk in the Research and Teacher Education for Disadvantaged Children Unit and one professional position and one clerk in the Professional Development Bureau. The elimination of these positions would result in a savings of approximately \$135,000 to the General Fund.

3. MILLER-UNRUH PROGRAM

The Miller-Unruh Basic Reading Program provides state allowances to enable 262 school districts in the state to employ reading specialists in grades K-3. Miller-Unruh specialists are chosen by examination from school district personnel. Over 90 percent of the total program allocation is spent for salaries of these specialist teachers. Chapter 841, Statutes of 1972, redirected a small portion of the regular Miller-Unruh appropriation in 1972-73 and 1973-74 to the following activities: (1) Operation SHARE, (2) bilingual teaching aides, (3) the Guaranteed Learning Act, and (4) state-level administration of the Miller-Unruh program. In the budget

year, these activities will be funded under separate items. Table 18 summarizes expenditures for all components of the Miller-Unruh program.

Table 18
Expenditures for the Miller-Unruh Program

	<i>Actual 1972-73</i>	<i>Estimated 1973-74</i>	<i>Proposed 1974-75</i>	<i>Change</i>
A. Specialist Teachers	\$18,149,069	\$18,149,625	\$15,349,625 ^a	-\$2,800,000
B. Bilingual Aides	95,000	153,000	243,000 ^b	+90,000
C. Operation SHARE	500,000	400,000	- 0 -	-400,000
D. Guaranteed Learning	250,000	250,000	250,000 ^c	- 0 -
E. Administration:				
Personal Services	114,735	123,375	90,000 ^c	-33,375
In-service Training	72,267	90,000	- 0 -	-90,000
Evaluation	40,000	40,000	20,000 ^c	-20,000
Operating Expense and Equipment	53,369	72,000	35,000 ^c	-37,000
Subtotal Administration	<u>\$280,371</u>	<u>\$325,375</u>	<u>\$145,000</u>	<u>-180,375</u>
Total	\$19,274,440	\$19,278,000	\$15,987,625	-\$3,290,375

^a Item 339

^b Item 340

^c Item 328

The table indicates the reduction of \$2.8 million in total state allowances for specialists teacher salaries. This reduction represents the amount of overlap between the Miller-Unruh Reading and the Early Childhood Education Programs which is discussed in the previous section. Support for bilingual aides has been increased by \$90,000 to enable school districts to employ additional bilingual aides to assist Miller-Unruh reading specialists to teach bilingual students.

Evaluation

Under the Miller-Unruh Reading Program, the Department of Education is required to submit an annual evaluation report to the Legislature. A preliminary draft of the 1972-73 report indicates that (1) reading scores in Miller-Unruh school districts showed more improvement in grades 1 to 2 than in non-Miller-Unruh districts, but that this improvement could not be traced into the 3rd grade, and (2) Miller-Unruh students had a more positive attitude toward reading, school and themselves than non-Miller-Unruh students.

4. OPERATION SHARE

Chapter 1199, Statutes of 1970, provided for the operation of three pilot SHARE volunteer tutoring projects in 1971-72 for underachieving students with severe language handicaps. These projects were to be operated by agreement between the Superintendent of Public Instruction and county offices of education in cooperation with the Santa Clara County Superintendent of Schools. Chapter 841, Statutes of 1972, authorized continuation of the program in 1972-73 and 1973-74 with final termination of state program funding as of July 1, 1974. Table 19 summarizes funding of this program from its inception.

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Table 19
Operation SHARE Authorized Funds

<i>Year</i>	<i>Pupils Tutored</i>	<i>Funding Total Amount</i>	<i>Average Cost per Pupil</i>
1971-72	4,711	\$475,000 ^a	\$100
1972-73	5,585	500,000 ^b	90
1973-74	5,000 (est.)	400,000 ^b	80

^a Chapter 555, Statutes of 1971 (AB 2586)

^b Chapter 841, Statutes of 1972 (AB 612)

Both Chapter 555 and Chapter 841 provided that Operation SHARE funds would be obtained by reducing the Miller-Unruh Reading Program appropriation.

SHARE Evaluation

We recommend that the Superintendent of Public Instruction submit to the Legislature by March 1, 1974, an evaluation report on the cost-effectiveness of Operation SHARE programs in 1971-72 and 1972-73.

We further recommend that a second report of the Operation SHARE program in 1973-74 be submitted to the Legislature by November 30, 1974.

The enabling legislation, Chapter 1199, specified that the Superintendent of Public Instruction was to provide for state evaluation of SHARE projects on a cost-effectiveness basis and report to the State Board of Education and the Legislature annually as to the success of such projects.

The program is now in its third year of operation. However, as of January 1974, the Department of Education has not submitted to the Legislature the required evaluation report for either 1971-72 or 1972-73. The Department of Education's Office of Program Evaluation and Research did submit to our office, an informal memorandum dated April 3, 1973, which reviewed the Operation SHARE annual report for 1971-72 prepared by the Santa Clara County Superintendent of Schools. This memorandum criticized the evaluation design of the program as developed by the Operation SHARE staff. In our opinion this memo did not comply with the evaluation requirements of Chapter 1199. The Department of Education is deficient in this respect. The tutorial method utilized by Operation SHARE may be of considerable benefit to underachieving students with severe language handicaps. However, the director of Operation SHARE has informed us that the project has not been successful in obtaining pre- and post-test data for pupils in the SHARE program. The director has also stated that a major thrust of the program is in the improvement of the self-image of SHARE pupils rather than in improving their academic achievement. This appears to be in contradiction of the legislative intent of Chapter 1199 which is to increase student achievement in reading and mathematics.

5. PERFORMANCE CONTRACTING

We recommend that the experimental projects in performance contracting be discontinued for a General Fund savings to the state of \$250,000 (Item 328).

The Guaranteed Learning Achievement Act of 1971 authorized experimental performance contracts between public schools and private firms

to (1) increase reading and mathematic achievement levels in K-6 grades, (2) test the applicability of business principles, such as performance incentives and accountability, in the public schools and (3) demonstrate the effectiveness of innovative approaches to learning which can be utilized throughout the entire school system.

Under this program, five school districts in the state established performance contract programs in one or two elementary schools within each district. Four of the five districts contracted with a private corporation to provide a comprehensive reading or reading/mathematics program consisting of (1) in-service training by company consultants, (2) teaching equipment and materials, and (3) teacher aides. Expenditures for these activities normally constituted a baseline budget which the company received regardless of the academic behavior of the students. Remaining funds averaging 10 percent of the project cost were distributed to the company based on the improvement of student test scores. In the fifth district, Woodland Joint Unified, the faculty of the project school formed a legal corporation and acted as the private contractor. Incentive funds earned by improved student growth were utilized to purchase additional equipment. Table 20 indicates the amounts of the performance contracts and the private contractor.

Table 20
Performance Contracts

<i>School District</i>	<i>1973-74</i>	<i>Contractor</i>
Oakland.....	\$70,000	Behavioral Research Laboratories
Woodland	44,000	School faculty
Pittsburg	46,609	Behavioral Research Laboratories
Southern Kern.....	40,000	American Learning Corporation
Ontario-Montclair	48,831	Appleton-Century-Craft
	<u>\$249,440</u>	

The five projects began in the 1972-73 school year. Preliminary evaluations indicate that the projects have resulted in improved reading and math achievement levels. Although we recognize this improvement in student scores, we question whether the existing programs are properly designed to test the effectiveness of performance contracting. We believe that these projects prove only that a concentration of state funds in a single school results in an increase in pupil test scores. The current projects do not permit this increase to be attributed to the unique characteristics of performance contracting, such as fiscal incentives based on pupil growth and cost-effectiveness. A survey of participating school districts indicates that the incentive grants for successful student growth average less than 10 percent of the total contract amount. That is, private companies are generally assured of 90 percent of their program expenditures without regard to student growth. We question if this small incentive can actually be considered a factor in motivating a company to improve student achievement.

Our survey also revealed that private contractors contributed unbudgeted amounts of supplemental consultant time to insure that their projects proved successful. This indicates that fiscal reward is not the primary

INSTRUCTION—Continued

factor motivating private companies to operate successful projects. This use of unbudgeted supplemental aid also eliminates the possibility of determining the cost effectiveness of the projects and prevents a comparison of the cost of a "business approach" to education with the cost of traditional public school method.

We conclude that the insignificant role of incentive awards and the use of unbudgeted consultant time indicate that the projects have not been designed to test the effectiveness and feasibility of performance contracts. We believe that continuation of this program should be made contingent upon redesign of the project and establishment of project management standards and procedures which will reasonably assure project results consistent with their original purpose. Pending review of such steps we cannot recommend the item.

6. PROJECT SEED

Chapter 638, Statutes of 1972, established "The Abstract, Conceptually-Oriented Mathematics Program Act" (commonly referred to as Project SEED) for the purpose of providing special mathematics programs in selected elementary schools in a maximum of four school districts. These programs are taught by mathematics specialists who are not credentialed teachers. They are directed toward providing pupils with an understanding of the underlying relationship and structure of mathematics.

To be eligible for the program a school district must maintain one or more elementary schools which have a high percentage of educationally needy children and which qualify for federal Title I ESEA funds. Class size for the special program is limited to not more than 35 students. The maximum grant is \$4,500 per class per full school year. The selected school districts are Los Angeles Unified, Oakland City Unified, Sacramento City Unified and San Jose Unified.

The Superintendent of Public Instruction contracted with a nonprofit corporation (Project SEED, Inc.), to recruit, train, select, place and supervise the mathematics specialists used in the program and to provide program coordination and in-service training for local teaching staffs involved in the program. The Superintendent of Public Instruction contracted with Northwest Regional Education Laboratory, a nonprofit company to conduct an independent evaluation of the program in at least 40 of the SEED classes.

Table 21 summarizes funding of the program.

Table 21
Appropriations for Project SEED

	1972-73	1973-74
SEED classes	\$440,000	\$315,000
Evaluation	34,000	40,000
Administration	26,000	—
Total	\$500,000	\$355,000

The Governor's Budget does not include funding for this program in 1974-75 which is in accordance with the intent of the Department of

Education. The intent is that school districts should locally determine whether or not they wish to utilize the SEED method of mathematics instruction and, if so, apply district or other state and federal compensatory funds for supplementary SEED instruction. This appears reasonable.

Evaluation

The Budget Act of 1973 specified that the State Department of Education and Northwest Regional Education Laboratory include in the 1973-74 evaluation design for the SEED program an assessment of the effectiveness of the program's in-service training component for school district participating teaching staffs. One of the major benefits of the program, and the one with the most potential for statewide application in school district mathematics instruction, may be the in-service training component. The degree to which school district teaching staffs can utilize SEED instructional techniques to improve mathematics instruction in elementary grades is important in determining the future utilization of the SEED method of instruction.

The 1973-74 evaluation report of Northwest Regional Education Laboratory is to be submitted to the Department of Education by May 31, 1974.

7. BILINGUAL PROGRAMS

The Superintendent of Public Instruction has stated that bilingual-bicultural education is one of the Department of Education's priority programs. Accordingly, a bilingual task force was established to assess the needs and develop programs for bilingual education. The stated goals of the task force for 1974-75 are "to enhance the quality of life of students whose background of language(s) and culture(s) differs from the learning and social environment of the dominant society." In addition, the following bilingual programs were implemented in California school districts.

Chapter 1521, Statutes of 1971. This legislation appropriated \$75,000 to the Department of Education to develop, norm, and implement bilingual scholastic aptitude tests in Spanish-English, Chinese-English and other languages which have an impact on California public schools. Such tests are to be utilized in determining eligibility for classes for mentally retarded minors. The act also appropriated \$425,000 for expenditure in 1972-73, 1973-74 and 1974-75 for a three-year bilingual study program for K-12 Spanish speaking pupils in San Diego Unified School District and a similar three-year program for K-12 Chinese-speaking pupils in San Francisco Unified School District. The Superintendent of Public Instruction is to submit to the Legislature a report of its evaluation of the programs at the end of the three-year period.

The Bilingual Education Act of 1972. Chapter 1258, Statutes of 1972 (AB 2284), (1) required all school districts to undertake a census of the number and primary language of those pupils within the district who are unable to speak English or have limited English-speaking ability, and (2) authorized school districts to apply for state-funded bilingual-bicultural projects to develop competence in English and in the primary language of each pupil. The act appropriated \$1 million for expenditure in 1972-73 and \$4 million in 1973-74 for such projects. The act stated that school districts should assume future funding of bilingual programs as a part of the regular

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instruction program. The Department of Education is required annually to provide the Legislature with an evaluation of bilingual programs in California. The Department of Education reports that in 1973-74 there are state bilingual projects in 69 school districts serving approximately 19,000 children. In addition, there were 71 additional acceptable projects submitted which could not be approved because of insufficient funds.

SHARE—Bilingual. Chapter 1199, Statutes of 1970, authorized Operation SHARE to conduct three pilot volunteer tutoring projects for under-achieving students with severe language handicaps. This program is discussed on page 771 of the Analysis.

Miller-Unruh—Bilingual. Chapter 841, Statutes of 1972 (AB 612), directed that in 1972-73 and 1973-74, a portion of the Miller-Unruh Reading Program appropriation be allocated for the employment of special reading aides in Miller-Unruh schools where 15 percent or more of the pupils live in homes in which a language other than English is the primary language. \$95,000 was allocated for this purpose in 1972-73 and \$153,000 in 1973-74. The Governor's Budget proposes that \$243,000 be allocated separately (in Item 340) for this purpose rather than fund the program as a part of the Miller-Unruh Reading Program appropriation.

There are also provisions in other legislation such as Chapter 1147, Statutes of 1972 (SB 1302), the Early Childhood Education Program, and Chapter 1406, Statutes of 1972 (SB 90), Program for the Educationally Disadvantaged, which require the inclusion of a bilingual component in any authorized project when there is a demonstrated need.

Title VII. In addition to state-funded programs the federal Title VII, Elementary and Secondary Education Act, provides funds to assist students with a native language other than English to achieve the following objectives: (1) maintain their language and culture, (2) develop their English proficiency to the fullest extent possible along with native language maintenance, and (3) develop a positive self-image.

Projects are funded directly by the U.S. Office of Education based on proposals submitted by local education agencies. The Department of Education does not receive any Title VII funds, either for local assistance or for administration. However, the department does function in a liaison capacity with local education agencies in this program. In 1973-74 there are 57 projects in California school districts and one project in a state university, with total funding of approximately \$10 million.

Uncertain Bilingual Proposal for 1974-75

We recommend that the language of Item 335, which appropriates \$4 million for bilingual education in 1974-75, be revised to read "For additional Chapter 1258 (AB 2284) projects in school districts."

Because of the high priority classification assigned to bilingual education by the Superintendent of Public Instruction, we were concerned that the initial 1974-75 Department of Education budget program outlines provided to our office in October 1973, only proposed continuation of the bilingual task force. The department did not propose any local assistance funds for bilingual education under the provisions of Chapter 1258 (AB

2284). We requested a clarification of the department's position with respect to bilingual education and the department's staff response declared that there is a large unmet need for bilingual programs but that additional state funding for local assistance would be the subject of separate legislation based on the Chapter 1258 model to be introduced in the 1974 Legislative Session.

However, the department apparently reconsidered its position because the Superintendent of Public Instruction in a letter written subsequently to the Director of Finance requested a budget augmentation for 1974-75 of \$8 million for bilingual education. Approximately \$4 million would be for continuation of the existing Chapter 1258 programs and \$4 million for expansion of the program.

The letter indicated that approximately 200,000 pupils in California public schools have limited or no English language ability. The majority of these children speak Spanish, Mandarin, Cantonese, or Tagalog at home and are unable to function in the English environment of the classroom.

1974-75 Budget

In response to this last minute request the Governor's cabinet decided to include \$4 million in the 1974-75 budget. These funds are not to support Chapter 1258 programs but to support undefined legislation to be introduced in 1974. There is apparently no argument about the need for local bilingual programs and the fact that state funds should be addressed to this program. However, there is a difference between the Superintendent of Public Instruction and the Governor's cabinet as to how to meet the need. The superintendent supports the continuation of Chapter 1258 programs. The cabinet supports as yet undefined legislation without identifying specific problems with the current recently developed program.

We can identify no demonstrated problem in the Chapter 1258 program and believe that the cabinet's position creates a great deal of unnecessary apprehension and confusion at the local district level. If new legislation is successful it will not be chaptered until after the 1974-75 Budget Act. In the interim, existing Chapter 1258 programs will be disbanded causing disruption in the delivery of services. We believe a more reasonable course of action would be to continue funding the existing program. If program changes are necessary, they can be accomplished through separate legislation which modifies existing law. Attention should be focused on applying state funds in a needy school only for the minimum time needed to establish an effective program which can subsequently be funded from other entitlement sources. When this condition has been achieved, state funds should be transferred to other needy schools for similar program initiation.

Transfer of Administration

We recommend that the Department of Education transfer its bilingual program administration from the general education support unit to the disadvantaged students support unit.

The current bilingual administration unit is located under the general education program (GEM) manager but operationally reports elsewhere, i.e., to the intermediate education program manager. Bilingualism is generally recognized as a component problem found within large elements

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of disadvantaged students. Effective solution of this problem would be facilitated by the integration of this program into the total services provided by the state for disadvantaged youth. The current organization of the Department of Education does not reflect this coordination. We suggest that the department reorganize accordingly.

Chapter 1258 Evaluation

We recommend that the Superintendent of Public Instruction submit to the Legislature by March 1, 1974, an evaluation report on the Chapter 1258, Statutes of 1972 (AB 2284), bilingual education programs in 1972-73 and by November 30, 1974 a report on the 1973-74 programs.

The Department of Education is deficient in not adequately assessing the effectiveness of Chapter 1258 and other bilingual programs in California. The department has not complied with the provisions of Chapter 1258 requiring an annual evaluation report to the Legislature on such programs. An evaluation of existing bilingual programs should be available to the Legislature before new programs are authorized.

8. INDIAN EDUCATION

We recommend that the Superintendent of Public Instruction submit to the Legislature by March 1, 1974, a report on the implementation and evaluation of the pilot programs for Indian pupils established and operated in 1972-73 pursuant to Chapter 1052, Statutes of 1972, and that a similar report on the operation of the programs in 1973-74 be submitted to the Legislature by November 30, 1974.

Chapter 1052, Statutes of 1972 (SB 1258), authorized up to 10 three-year pilot projects for Indian pupils in grades K-4 in rural school districts receiving state equalization aid and having a concentration of at least 10 percent Indian students. The program is to improve competence in reading and mathematics. The Superintendent of Public Instruction is to submit to the Legislature an annual report concerning the implementation and evaluation of the program. The act appropriated \$100,000 for the program in 1972-73 and \$400,000 for 1973-74. The Governor's Budget proposes \$260,590 in Item 336 for continuation of the local assistance program in 1974-75 and \$81,115 for Department of Education administration in Item 328.

We believe the Indian Education Program should continue through the three-year cycle as contemplated by the enabling legislation and concur in proposed total funding of \$341,705. However, we are concerned that the Department of Education has not submitted the required evaluation report for the operation of the program in 1972-73.

C. 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 22 summarizes expenditures and funding sources for all activities supervised by the division.

Table 22
Expenditure and Funding Sources for the
Division of Special Education *

	<i>Actual</i> <i>1972-73</i>	<i>Estimated</i> <i>1973-74</i>	<i>Proposed</i> <i>1974-75</i>
1. Handicapped.....	\$10,162,051	\$11,529,221	\$11,995,644
Mentally retarded.....	(325,000)	(348,912)	(379,569)
Educationally and physically handicapped	(1,297,573)	(1,550,337)	(1,246,479)
Development centers	(4,753,722)	(5,311,250)	(6,058,548)
EHA Title VI local projects.....	(2,292,132)	(2,495,219)	(2,586,397)
Educational improvement of handicapped	(1,400,624)	(1,736,585)	(1,635,582)
Gifted.....	(93,000)	(86,918)	(89,069)
2. Special schools	10,744,899	12,629,237	13,371,536
Totals	\$20,906,950	\$24,158,458	\$25,367,180
<i>Funds:</i>			
<i>State Operations:</i>			
General Fund	\$10,762,513	\$12,897,289	\$13,505,462
Federal funds.....	1,583,467	1,736,585	1,635,582
Reimbursements.....	1,433,282	1,583,115	1,627,109
Subtotal	\$13,784,262	\$16,216,989	\$16,768,135
<i>Local Assistance:</i>			
General Fund	\$4,830,556	\$5,446,250	\$6,012,630
Federal funds.....	2,292,132	2,495,219	2,586,397
Subtotal	7,122,688	\$7,941,469	\$8,599,027

* Bracketed figures are estimates of expenditures in each handicap category.

Table 23 summarizes budget act items which appropriate support for special education programs.

Table 23
Budget Act Appropriations for Special Education

<i>Item</i>	<i>Purpose</i>	<i>Amount</i>
State operations:		
328 (partial)	Division of Special Education.....	\$1,473,115
331	Special schools	12,032,347
Local assistance:		
341 (partial)	Development centers	6,012,630
Totals		\$19,518,092

1. HANDICAPPED STUDENTS

Responsibility for the many categories of handicapped students is divided between three 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 districts, (2) the Bureau for Mentally Exceptional Children which offers guidance to educable and trainable mentally retarded, educationally handicapped, and gifted programs, and (3) the federally supported Bureau for Educational Improvement for Handicapped Children which administers federal aid programs and assists local school districts to

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initiate, expand, and improve programs for handicapped children.

Table 24 summarizes expenditures for the instruction of handicapped and gifted students.

Table 24
Support for the Instruction of Handicapped Students
Including Gifted

	<i>Actual</i> 1972-73	<i>Estimated</i> 1973-74	<i>Proposed</i> 1974-75
State Level:			
Administration.....	(\$155,034)	(\$201,940)	(\$211,842)
Mentally exceptional	312,848	435,830	468,638
Physically exceptional	1,082,612	1,165,640	1,032,712
Educational improvement of handicapped	1,400,624	1,736,585	1,635,582
Special education research.....	243,279	249,697	259,685
Subtotal	\$3,039,363	\$3,587,752	\$3,396,617
Local Assistance:			
Development centers	\$4,830,556	\$5,446,250	\$6,012,630
Federal funds.....	2,292,132	2,495,219	2,586,397
Subtotal	\$7,122,688	\$7,941,469	\$8,599,027
Totals	\$10,162,051	\$11,529,221	\$11,995,644

Table 25 presents expenditures for special education programs conducted by school districts. Figures for the physically handicapped program include children who receive only a few hours a week of remedial speech and physical education and thus contribute little to ADA. The per pupil expense for the special schools includes a comprehensive residential program.

Development Centers for Handicapped Minors

Chapter 1235, Statutes of 1965, established the Development Center Program to provide day care and treatment for children unable to attend special education classes because of a severe physical handicap and/or mental retardation. The program is designed to develop basic self-help skills and to provide a placement alternative to the state mental hospitals. State allowances include \$1.75 per attendance hour plus \$675 per ADA for transportation. For the 1973-74 school year, the state appropriated \$5 million from the General Fund for development centers. State and local costs for the program are shown in Table 26

Under-Funding of Development Centers

We recommend that the Legislature fully fund pupils currently in development center programs by a General Fund augmentation of \$2.4 million in Item 341.

Eighty-one development centers are currently in operation, serving approximately 2,400 students. Under the current formula of reimbursement ($\$1.75/\text{hr.} \times 6 \text{ hrs./day} \times 230 \text{ days/yr.} = \$3,100/\text{pupil}$ plus local cost) the state's obligation for the 2,400 students already in development

Table 25
Expenditures for Special Education Programs
(1972-73)

<i>Program</i>	<i>ADA</i>	<i>Local district expenditure (millions)</i>	<i>State apportionments (millions)</i>	<i>Total expenditure (millions)</i>	<i>Percent paid by state</i>	<i>State and local expense/ADA</i>
Physically Handicapped						
Hearing.....	4,122	\$2.4	\$11.2	\$13.6	82.3%	\$3,299
Vision	1,677	1.2	3.8	5.0	76.0	2,981
Orthopedic or other	5,646	5.4	8.2	13.6	60.2	2,408
Aphasic.....	877	.5	2.6	3.1	83.8	3,534
Deaf-Blind	78	—	.5	.5	100.0	6,410
Other multihandicapped	459	.4	1.4	1.8	77.7	3,921
Pregnant minors	2,234	1.0	3.2	4.2	76.1	1,880
Other—physically handicapped	19,301	12.8	27.8	40.6	68.4	2,103
Special blind allowance	1,272	—	1.2	1.2	100.0	943
Subtotal, Physically Handicapped	35,666	\$23.7	\$59.9	\$83.6	71.6%	\$2,343
Mentally Retarded						
Educable	31,217	\$28.4	\$31.0	\$59.4	52.1%	\$1,901
Trainable	7,451	7.2	10.6	17.8	63.5	2,388
Subtotal, Mentally Retarded	38,668	\$35.6	\$41.6	\$77.2	53.8%	\$1,996
Special Transportation	19,085	\$2.6	\$8.2	\$10.8	75.9	\$565
Educationally Handicapped	42,627	37.2	70.3	107.5	65.3	2,521
Mentally Gifted	146,169	6.5	11.9	18.4	64.6	125
Development Centers	2,300	5.1	4.7	9.8	47.9	4,260
Special Schools	1,256	1.4	9.3	10.7	86.9	8,519
Totals.....	285,771	\$112.1	\$205.9	\$318.1	64.7%	\$1,113

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Table 26
Funding for Development Centers

	<i>Actual</i> <i>1972-73</i>	<i>Estimated</i> <i>1973-74</i>	<i>Proposed</i> <i>1974-75</i>
State operations	\$28,722	\$42,455	\$45,918
State local assistance	4,725,000	4,961,250	6,012,630
Local contribution	5,109,693	8,750,000	10,000,000
Total	\$9,863,415	\$13,753,705	\$16,058,548
Enrollment	2,300	2,400	2,700
Costs per enrollment	\$4,288	\$5,730	\$5,947

centers would be approximately \$5.8 million plus \$675/student for transportation for a total of \$7.5 million. The current year appropriation for development centers of \$5 million is approximately \$2.4 million below the Education Code formula derivation amount of \$7.4 million.

In addition to the \$5 million General Fund appropriation in the current fiscal year, the 1973-74 budget also anticipated the receipt of approximately \$3.3 million in Social Security Title IV-A funds for full funding and expansion of development center programs. These funds did not materialize due to changes in federal eligibility regulations.

Because federal funds did not become available, the Governor's Budget proposes that the development center program be expanded by 200 pupils for the remaining six months of the current year at a cost of \$330,000 to the General Fund without fully funding the existing program. Funds would be continued in the budget year for these pupils plus an additional 100 pupils for a total of 2,700. The 1974-75 budget provides a total increase of \$990,000 over the current fiscal year appropriation of \$5 million for this purpose, again without fully funding the state's obligation.

We estimate that an additional \$2.4 million would be required to fund the state's share for 2,700 students in development centers. There are an additional 700 pupils screened and eligible for admittance to development centers on waiting lists. The state cost to include these pupils in development center programs would be approximately \$2.2 million at an average cost of \$3,100 per pupil.

Title VI-B Funds

Education of the Handicapped Act (PL 91-230) Part B funds are available for state and local educational agencies to initiate, expand, or improve programs and projects for exceptional individuals in grades preschool-12. Approximately 5 percent of the state grant may be used for state administration of the act with the remainder for local projects and programs. State residential schools are not eligible for project funds. Current grant level is approximately \$3.4 million in 1973-74. Projects may be written to cover from one to three years. Annually, about 50 percent of total grant funds are for continued projects and 50 percent are for new projects. Table 27 provides a breakdown of Title VI-B funds for fiscal years 1971-72 through 1973-74.

Table 27
Education of Handicapped Act Title VI-B

	<i>Actual</i> 1971-72	<i>Actual</i> 1972-73	<i>Estimated</i> 1973-74
Administration.....	\$150,048	\$169,270	\$169,270
Projects	2,850,921	3,216,125	3,216,125
Total.....	\$3,000,969	\$3,385,395	\$3,385,395
Projects:			
Continuing	30	33	36
New	30	33	17
Comprehensive planning projects	—	—	7
Total.....	60	66	60

Gifted Minors

In 1961 the Legislature established a permissive program for mentally gifted minors in California. When a student's schoolwork and general mental ability test scores indicate that the student is in the top 2 percent of the statewide school population, the student is identified as gifted and eligible for programs designed to encourage academic excellence, creative problem-solving and leadership development. In 1972-73, approximately 156,000 students were enrolled in two general categories of gifted programs. Ten percent of the total gifted enrollment attended special day classes consisting of advanced instruction certified as "qualitatively different" from regular classes. Ninety percent received special services, such as the use of advanced materials in the regular classroom, tutoring, correspondence courses, college courses, or special seminars.

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

Failure to Report. 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.

In the *1973-74 Analysis of the Budget Bill* we recommended that the Department of Education report to the Joint Legislative Budget Committee by November 1, 1973, on simplification of the reporting requirements for gifted programs. We pointed out that districts submit voluminous reports which in some cases exceed 150 pages in length. Furthermore, the volume of material submitted made it unfeasible for the department consultants to review the reports and summarize the pertinent data for pro-

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gram review. As of this writing, a final report has not been submitted for legislative review.

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 presented the master plan to the Advisory Commission on Special Education. The commission reviewed the master plan and suggested extensive revisions. Once the plan was reviewed by the commission it was sent to all school districts in the state for field review. Consideration of school districts' recommendation was made by the commission with further master plan revisions. In December 1973 the State Board of Education acknowledged receipt of the master plan and directed the Department of Education to prepare suggested implementing legislation for approval by the board. The Master Plan for Special Education and the proposed legislation were to be approved at the January 1974 meeting of the State Board of Education.

The master plan proposes to eliminate the five categorical classifications of physically handicapped, educable mentally retarded, trainable mentally retarded, educationally handicapped and gifted by substitution of a single designation "Individuals with Exceptional Needs". All special education programs would be mandatory for pupils aged 3-21 (development centers, educationally handicapped, and mentally gifted programs are now permissive). Pupils below the mandatory age would be served upon identification of their handicap or gifted characteristics. Every school district, individually or jointly, would be required to develop a comprehensive plan to meet all of the special education needs identified in the district(s). State funding for exceptional individuals would be provided under two headings:

1. Support Services, which include:
 - a) identification, assessment, and instructional planning,
 - b) management and support services,
 - c) special transportation services, and
 - d) capital outlay, and
2. Instructional Services, which include:
 - a) special classes and centers,
 - b) a resource specialist program,
 - c) designated instruction and services and
 - d) nonpublic school services.

The master plan proposes state funding of all special education costs above the regular foundation program. Funds would be allocated on the basis of student need rather than by categorical disability.

Local Responsibilities

A major feature of the master plan is the requirement for local district comprehensive planning to meet the needs of all exceptional pupils within the given geographic boundary of the plan. Districts unable to develop a comprehensive plan would be required to join together with other districts or the county if necessary. Low incidence handicaps such as deafness or blindness would continue to be provided at the state special schools if a local comprehensive program cannot be established. Comprehensive plans would be developed based on criteria established by the State Board of Education. Plan approval by the State Board of Education would also be required before a district could begin implementation. All funds allocated by the state would pass through the county superintendent of schools to the district.

Phase-In

The Department of Education proposes a four-year phase-in period to test the feasibility of the master plan before extending the program state-wide. At the end of the four-year period the Department of Education would evaluate the phase-in results and make recommendations for changes or improvements in a report to the State Board of Education and the Legislature. In the first three years of implementation, at least five to eight plans would be developed per year. The first year of planning would be conducted entirely with federal funds. However, the second year would require \$8.0 million, the third year \$15.7 million and the fourth year \$22.9 million for a total of \$46.6 million from the General Fund for planning, implementation and evaluation.

2. 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)

Table 28
Estimated Support for Special Schools—1974-75

	<i>General Fund</i>	<i>Reimbursements from districts</i>	<i>Total local and state support</i>	<i>Enrollment</i>	<i>Expenditure per capita</i>
Special Schools					
California School for Deaf, Berkeley	\$3,182,371	\$415,000	\$3,587,371	356	\$10,076
California School for Deaf, Riverside	4,469,586	421,000	4,890,586	583	8,388
California Schools for Neurologically Hand- icapped Children,					
Northern	1,012,680	57,980	1,070,660	55	19,466
Southern	940,213	84,295	1,024,508	55	18,627
Central	857,009	50,940	907,949	55	16,508
California School for Blind, Berkeley	1,570,488	309,974	1,880,462	159	11,826
TOTALS	\$12,032,347	\$1,339,189	\$13,371,536	1,263	\$10,587

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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. A sixth residential school, the Diagnostic School for Neurologically Handicapped Children, Central California, was authorized by the Legislature by Chapter 634, Statutes of 1973, but is not expected to become operational until the spring of 1974 with full scale operations in the 1974-75 school year. Table 28 summarizes support for the schools and per capita expenditures.

Deletion of Second School for the Deaf

We recommend that the proposed funds for a new school for the deaf be eliminated (See Capital Outlay Item 389).

We recommend that the Department of Education be directed to (1) designate by June 30, 1974 those areas in the state where regional elementary and secondary deaf programs could be established, (2) assist local school districts in the designated areas to establish regional programs for the deaf by September 1, 1975, (3) return students enrolled at the schools for the deaf to local comprehensive programs that meet the requirements for education of the deaf, and (4) transfer the remaining students enrolled at the California School for the Deaf, Berkeley, who lack a comprehensive local program, to the California School for the Deaf, Riverside. (See Recommendation under Capital Outlay Item 389 deletion of funds for the School for the Deaf.)

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 meet current fire and earthquake safety requirements. The State Fire Marshal 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 special 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 necessitated the relocation of the schools. The 1973-74 Governor's Budget proposed a \$20 million appropriation to relocate the schools which was reduced by the Legislature to \$2.1 million because construction could not be started in the current year. Chapter 1120, Statutes of 1973, added an additional \$1 million for a total of \$3.1 million for site acquisition, site development and preliminary plans and drawings. The 1974-75 Governor's Budget proposes an additional \$19.9 million for a total estimated state cost for the blind and deaf schools relocation of \$23 million.

From our analysis of the relationship between state and local programs under the new state master plan it does not appear that the state should build a new school for the deaf since the facility at Riverside is adequate to handle the state's share of the combined state-local program responsibilities.

Growth of Local Programs

The ability of local school districts to initiate programs for the deaf is demonstrated from a review of statewide enrollments and enrollment growth. Table 29 shows the total enrollment for the hearing handicapped in 1972-73.

Table 29
1972-73 Statewide Enrollment for Hearing Handicapped

	<i>Deaf</i>	<i>Percent of Deaf</i>	<i>Severely Hard of Hearing</i>	<i>Percent of Hard of Hearing</i>	<i>Total</i>	<i>Percent of Total</i>
Local Program Special Day Classes and Schools						
Northern California.....	1,069		701		1,770	
Southern California.....	1,851		1,092		2,943	
Subtotal.....	2,920	77%	1,793	97%	4,713	83%
State of California Schools for the Deaf						
Berkeley.....	395		30		425	
Riverside.....	495		25		520	
Subtotal.....	890	23%	55	3%	945	17%
TOTAL.....	3,810	100%	1,848	100%	5,658	100%

Enrollments at the state schools represent 17 percent of statewide enrollment with 83 percent in local districts. In the last 10 years the number of deaf students in local programs has increased from approximately 1,700 to 3,000 students while the state schools declined from 1,000 to 829 students. Local districts have absorbed all of the program growth in the past 10 years and are responsible for the education of more pupils at both the elementary and secondary levels than the state schools for the deaf.

State School Enrollments

Table 30 shows the enrollments at the state schools for the deaf over the past four-year period for both schools. Enrollment growth has occurred only at the high school level.

Despite the demonstrated shift of program responsibilities to the local level the state special schools have continued to enroll students from areas which provide local programs. The 903 students at the two special schools for the deaf in 1972-73 were from 45 of the state's 58 counties. (Enrollment at the schools in 1973-74 is down to 829 students.) However, 748 of the 903 students in 1972-73 were from 12 counties which operate county or district programs for the deaf as shown in Table 31.

Table 31 also shows that the majority of deaf students at the state special schools are largely concentrated in a few urban counties. The policy of the Department of Education requires the special schools to serve students who (1) live in sparsely populated areas, (2) lack a comprehensive secondary educational program designed for the deaf, (3) reside in an area where

Table 30
Enrollment in California Schools for the Deaf, 1970-1974 *

<i>School Level</i>	<i>1970-71</i>			<i>1971-72</i>			<i>1972-73</i>			<i>1973-74</i>			<i>1970-71-1973-74 percent increase or decrease</i>
	<i>NC^b</i>	<i>SC^c</i>	<i>Total</i>	<i>NC</i>	<i>SC</i>	<i>Total</i>	<i>NC</i>	<i>SC</i>	<i>Total</i>	<i>NC</i>	<i>SC</i>	<i>Total</i>	
Elementary	175	266	441	150	207	357	126	186	312	97	131	228	-48%
						(-84)			(-45)			(-84)	
Junior High	157	146	303	152	134	286	67	115	182	72	114	186	-39%
						(-17)			(-104)			(+4)	
High School	152	145	297	158	183	341	200	209	409	187	228	415	+40%
						(+44)			(+68)			(+6)	
Totals.....	484	557	1,041	460	524	984	393	510	903	356	473	829	-20%

* Excludes multihandicapped enrollment at Riverside (none at Berkeley).

^b NC = Berkeley

^c SC = Riverside

TABLE 31
Partial Enrollments at the Schools for the Deaf

	<i>Enrollment</i>	<i>Percent</i>
<i>Berkeley</i>		
Alameda	95	—
Contra Costa	46	—
Fresno	26	—
Sacramento	17	—
San Francisco	22	—
San Mateo	21	—
Santa Clara	40	—
Subtotal, Berkeley	267	30%
<i>Riverside</i>		
Los Angeles	202	—
Orange	34	—
Riverside	126	—
San Bernardino	72	—
San Diego	47	—
Subtotal, Riverside	481	53%
Subtotal	748	83%
Total enrollment at both schools	903	100%

the local program does not meet the student's needs, and (4) have special circumstances such as family situation, local environment, or transportation problems. This policy is so broad as to allow practically any student to enroll even if a local program is available. We believe the present enrollment policy at the state special schools actually serves as a disincentive to the development of adequate local programs by taking students that could otherwise be served locally.

Special Education Master Plan Reinforcement

The concept of local responsibility is further reinforced by the new Master Plan for Special Education. As discussed previously, the master plan recently adopted by the State Board of Education, proposes some major changes in the way exceptional children's needs are met at the local level. The master plan proposes that all local programs for exceptional children be made mandatory. In order to assure adequate programs all districts will be required to develop a local comprehensive master plan that specifies how every exceptional child within the boundaries of the master plan will be served. If a district cannot serve all exceptional children it will be required to join with other districts or the county superintendent of schools in the formation of its plan. This policy for a local master plan should result in improved local programs for the deaf and an increase in the number of regional elementary and secondary age deaf programs. An increase in regional programs reduces the need for two state schools for the deaf.

Problem of Secondary Programs

The State Department of Education has argued that despite the department's policy shift to an emphasis on local programs for the deaf, two state deaf schools are necessary to serve secondary students who do not have

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adequate local programs. This argument is weakened since several important local secondary programs have been established. For example, the Los Angeles County Superintendent of Schools established a program which serves approximately 140 students from 20 school districts in South-East Los Angeles County (SELACO) and a program for the deaf was established by Los Angeles Unified which serves over 150 students. These two programs, particularly the SELACO program, serve as models for establishing other regional secondary deaf programs. The SELACO model was reviewed by the Superintendent of Public Instruction in 1973 and he endorsed it by stating "California should have 25 schools like SELACO."

The Department of Education has indicated that there are areas in the state where in accordance with the recent master plan additional regional programs for the deaf could be established (San Diego, Los Angeles and Sacramento Counties, and the Bay area). These areas correspond approximately with the 12 counties shown in Table 31.

The establishment of regional programs for the deaf in these areas could reduce the demand on the state special schools to the point where the School for the Deaf, Riverside, would have sufficient capacity to handle all deaf students statewide who lack a local program. Regional programs for which the state already provides financial assistance would improve programs for the deaf by increasing local enrollments and would meet the deadline for evacuation of the Berkeley facility by June 30, 1975.

Riverside Capacity

The capacity at the School for the Deaf, Riverside, is 540 residential students and 60 day students exclusive of the multihandicapped for a total of 600 students. The present deaf enrollment are 473 students at Riverside and 356 at Berkeley for a total of 829. If Riverside is operated at its residential capacity approximately 288 students would have to be returned to local programs ($829 - 540 = 288$) under our proposal. In addition, approximately 80 students are graduated each year. If these vacancies at the schools were not filled, the total enrollment shift would be further reduced to approximately 200 students.

Financial Assistance in the Development of Local Programs

Under existing law, districts can apply to the state through the state school building aid program for apportionments to construct exceptional children facilities. Eligible districts are forgiven 50 percent of the state apportionment and allowed 20 years to repay the remainder. The Legislature could divert the funds proposed for the relocation of the School for the Deaf, Berkeley, into this program to further assist local districts in developing local programs.

The policy of the state to construct a replacement facility for the School for the Deaf, Berkeley, is an unnecessary one and we recommend against such construction. We believe the establishment of local regional programs is preferable because most of the deaf students at the schools for the deaf are from urban counties which already operate district and county programs (see Table 31 page 789). Regional programs would maintain important community and family relationships for students and put the

state residential schools as the place of last resort for an educational program.

Construction of School for the Blind

The preceding arguments for elimination of the school for the deaf do not apply to the school for the blind. The enrollments at the school for the blind are approximately 130 students in the current fiscal year. Over 90 percent of the enrollment consists of multihandicapped blind with most of the normal blind educated in local districts. Because of the low incidences of statewide multihandicapped blind, it is impractical to return these students to local districts. We believe the Department of Education should continue to seek a suitable site for the relocation of the school for the blind.

Funding Error

We recommend a General Fund reduction of \$14,000 from Item 328 for the support of the Division of Special Education.

In the budget year a 0.5 consultant position reimbursed from federal vocational education funds was erroneously included in the General Fund support item for the Division of Special Education. Justification was not given for this change and we recommend therefore that the General Fund support be deleted.

D. OCCUPATIONAL PREPARATION

The Occupational Preparation Program administration in the Department of Education is a 100 percent federally funded program with a professional and clerical staff of 192 positions. The purpose of the occupational preparation unit is to (1) assist local education agencies in providing training and retraining in occupational skills, including remediation for persons with socioeconomic handicaps, (2) develop youth leadership in vocational organizations such as FFA, FHA, etc., and (3) assist teacher training institutions in the preparation and upgrading of teacher skills.

Occupational preparation including local assistance is supported by federal, state and local funds. Federal funds are authorized under the Vocational Education Act of 1968 (P.L. 90-576), the Manpower Development and Training Act (P.L. 87-415) and under the Education Professions Development Act (P.L. 90-35). Table 32 shows the expenditures and funding by source of the occupation preparation program as shown in the Governor's Budget.

Table 32
Support for Occupational Preparation

	<i>Actual 1972-73</i>	<i>Estimated 1973-74</i>	<i>Proposed 1974-75</i>
<i>Expenditures</i>	<i>\$50,651,645</i>	<i>\$70,223,466</i>	<i>\$63,900,977</i>
<i>State Operations:</i>			
<i>Federal funds.....</i>	<i>5,338,654</i>	<i>8,794,444</i>	<i>8,152,319</i>
<i>Reimbursements.....</i>	<i>146,825</i>	<i>147,200</i>	<i>154,368</i>
<i>Local Assistance:</i>			
<i>General Fund</i>	<i>500,000</i>	<i>425,000</i>	<i>425,000</i>
<i>Federal funds.....</i>	<i>44,666,166</i>	<i>60,856,822</i>	<i>55,169,290</i>

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Table 33 provides a more complete breakdown of federal funds by state administration, contracts and local assistance. This table does not reflect later adjustments shown previously in Table 32. The Department of Education was not able to provide a reconciliation of these figures with the expenditure figures shown in the Governor's Budget for Vocational education.

Table 33
Federal Support for Vocational Education

	<i>Actual 1972-73</i>	<i>Estimated 1973-74</i>	<i>Proposed 1974-75</i>
State Operations:			
Administration.....	\$3,276,139	\$4,285,144	\$4,797,848
Contracts:			
Contract Water Resources	—	9,400	9,400
Contract Surplus Property	149,627	160,000	160,000
Contract Community Colleges	727,326	811,248	811,248
Teacher Training:			
Program Operations	15,000	15,000	15,000
Agriculture	166,084	186,543	193,421
Business	95,000	97,067	97,332
Homemaking	—	8,000	8,000
Industrial	236,000	302,906	303,538
Data Processing			
Program Services	117,412	145,900	145,900
MDTA	12,503	10,000	10,000
EPDA—Part F	—	5,000	5,000
AMIDS—Teacher Training	373,563	1,000,000	1,000,000
PEDR—Direct Agreement	170,000	750,000	750,000
Subtotal—Contracts	<u>\$2,062,515</u>	<u>\$3,501,064</u>	<u>\$3,508,839</u>
Total	<u>\$5,338,654</u>	<u>\$7,786,208</u>	<u>\$8,306,687</u>
Local Assistance:			
Part A—Disadvantaged	\$1,911,290	\$1,788,364	\$1,567,034
Part B—Basic Grant	25,567,291	36,492,401	33,171,123
Part C—Research	530,978	2,111,136	1,411,136
Part D—Exemplary Programs and Projects	227,305	479,864	347,864
Part F—Consumer and Homemak- ing	1,916,047	2,469,658	2,008,458
Part G—Cooperative	1,177,471	1,055,582	1,012,082
Part H—Work Study	704,597	620,087	556,407
EPDA—Teacher Training	623,712	763,662	763,662
MDTA—Manpower Development....	11,569,778	12,370,500	12,370,500
Rural Area Redevelopment	437,697	2,000,000	2,000,000
Subtotal	<u>\$44,666,166</u>	<u>\$60,151,254</u>	<u>\$55,208,266</u>
GRAND TOTAL	<u>\$50,004,820</u>	<u>\$67,937,462</u>	<u>\$63,514,953</u>

Budget estimates in Table 32 show a \$20 million increase in the current over the past year and a \$7 million decrease in the budget year. Fluctuations from year to year result from uncertainty in the availability of federal funds. For example, the actual grant amount for the current 1973-74 year is not known even though we are over six months into the fiscal year.

Administrative Costs

Unlike most of the other federal education programs there are no federal vocational education administrative cost limitations imposed on the state. Consequently, vocational education administrative costs tend to be higher than state administrative costs in other federal programs. However, the state administrative costs shown in Table 33 also include staff initiated projects and special contracts that are not true administrative costs. Inclusion of these funds in the administrative budget tends to distort the actual state administrative costs for vocational education. The Department of Education should provide a more comprehensive budget presentation in future years that more accurately reflects the allocation of vocational education funds by program subelements.

MDTA Matching Funds

We recommend the elimination of General Fund matching support for the Manpower Development Training Act for a General Fund savings in 1974-75 of \$425,000 (Item 344).

The Federal Comprehensive Employment Training Act of 1973 (CETA) eliminates the present state matching requirements under the Manpower Development and Training Act (MDTA). Under existing federal law states are required to match MDTA funds on a 90/10 federal-state basis. The MDTA program expires as of June 30, 1974 and is superseded by CETA. The CETA manpower program contains no matching requirements. Because of the change in the federal law the appropriation contained in Item 344 in the 1974-75 Budget Act should be reduced by \$425,000.

Area Planning and Adult Continuing Education Committees

We recommend that the functions and responsibilities of the area adult continuing education coordination councils and area vocational planning committees be reviewed jointly by the Chancellor of the California Community Colleges and the State Superintendent of Public Instruction to determine whether the two groups could be combined and to report their findings and recommendations to the Joint Legislative Budget Committee by December 1, 1974.

In 1968, the Legislature directed the Department of Education, the Board of Governors of the California Community Colleges and the Department of Human Resources Development to divide the state into no more than 15 vocational planning areas and to establish no more than five pilot educational planning committees in five out of the 15 areas. Five area committees were established and have been operational for approximately three years. The area planning committees are responsible for the review of vocational programs in the area. The committees are to develop (1) short-term recommendations for the improvement of vocational education and (2) area master plans with recommendations for implementation of the plans.

Chapter 701, Statutes of 1972 (SB 94), provides for the establishment of area adult continuing education coordinating councils where there is at least one community college and one high school which offer adult classes or programs. The councils (1) make recommendations to local boards to

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eliminate program duplication and (2) “. . . make reasonable efforts to bring about agreement among district boards concerning adult and continuing education plans and offerings.”

Existing law requires the area vocational planning committees to develop and submit “an area master plan providing for maximum coordination between vocational, technical, adult, and continuing education agencies within the area . . .”. Area adult continuing education coordinating councils are also required to meet and review adult continuing education plans offerings “. . . and make necessary recommendations to the respective school boards, in order to eliminate unnecessary duplication of offerings . . .”. The responsibilities of the respective boards appear to be duplicative particularly as they relate to adult and continuing education program review. Therefore, we conclude a review is necessary to determine whether the two committees could be combined.

Regional Occupational Centers and Regional Occupational Programs (ROC/ROPs)

We recommend that the Legislature conduct an interim hearing to review the current legal status of vocational education services in regional occupation centers, regional occupation programs, high schools and community colleges.

In 1973 the Legislature directed the Legislative Analyst to conduct a study of area vocational planning committees. In the course of preparing that study we were made aware of a growing concern, especially among community colleges, over the role of ROC/ROPs in providing vocational education. The community colleges see themselves as “regional” organizations heavily involved in vocational education yet effectively excluded from the decisionmaking of ROC/ROPs. This situation has resulted in unnecessary duplication of program offerings, facilities and competition for students, among high schools, ROC/ROPs and community colleges.

In recent years there have been several items of special legislation that provide loans for the construction of single ROCs and permit the establishment of single district ROC/ROPs. The special legislation solves problems of particular school districts but does not meet the statewide need for a definition of the role of ROC/ROPs in the provision of vocational education in California. There is a need to determine (1) the optimum geographic size and population of a ROC/ROP, (2) the managerial relationship of ROC/ROPs to high school and community college vocational education programs, both for regular students and adults, (3) what vocational education programs are to be offered by which education agency and (4) a uniform funding formula for regional vocational education programs. The existing management system for vocational education among the several educational agencies promotes unnecessary duplication and consequently wastes state and local resources and therefore, we recommend an interim hearing for special legislative review.

E. GENERAL EDUCATION MANAGEMENT

The General Education Management (GEM) unit represents the consolidation of seven independent bureaus formerly operating as the Division of Instruction. These bureaus have been reorganized into a new

management structure to eliminate duplication in the administration of general education programs. Programs within GEM are assigned to one of the following six core areas:

(1) *Federal core*, including ESEA Title II and Title III, NDEA, and federally funded guidance service and adult education programs.

(2) *Health core*, including health education, drug and alcohol abuse programs, and nutrition.

(3) *Curriculum core*, including all traditional academic programs such as reading and mathematics.

(4) *Physical education and safety core*, including traffic safety, civil defense and driver training programs.

(5) *High-visibility core*, including areas of special short-term emphasis such as conservation, curriculum frameworks, bilingual-crosscultural education, and mathematics and reading task force activities.

(6) *Adult education core*, including state-funded adult education programs in high schools and county jails.

Table 34 summarizes expenditures and funding sources for each core area.

Table 34
General Education Management Expenditures and Funding Sources

Core	Actual 1972-73	Estimated 1973-74	Proposed 1974-75	Change	
				Amount	Percent
1. Federal core.....	\$23,501,613	\$23,017,904	\$18,868,234	\$-4,149,670	-18.0%
2. Health core.....	680,598	820,144	615,615	-204,529	-24.9
3. Curriculum core.....	119,238	189,732	193,746	4,014	2.1
4. Physical education and safety core.....	503,656	505,813	491,077	-14,736	-2.9
5. High visibility core.....	3,989,065	6,935,762	7,996,271	1,060,509	15.3
6. Adult education core.....	6,362,810	3,283,247	2,894,197	-389,050	-11.8
Totals.....	\$35,156,980	\$34,752,602	\$31,059,140	\$-3,693,462	-10.6
<i>Funding</i>					
<i>State Operations:</i>					
General Fund.....	\$1,663,514	\$2,039,784	\$1,954,135	\$-85,649	-4.2
Federal funds.....	2,734,814	2,815,838	2,997,459	181,621	6.4
Reimbursements.....	379,988	1,016,602	798,642	-217,960	-21.4
<i>Local Assistance:</i>					
General Fund.....	1,135,800	4,350,091	4,403,925	53,834	1.2
California Environmental Protection Program Fund.....	—	—	275,000	275,000	—
Federal funds.....	26,018,032	24,435,287	20,629,979	-3,805,308	-15.6
Reimbursements.....	3,224,832	95,000	—	-95,000	—

NDEA Title III

We recommend that state matching funds for federal NDEA Title III be reduced from \$193,572 to \$96,786 for a General Fund savings of \$96,786 (Item 330).

Title III of the National Defense Education Act (NDEA) provides funds to school districts on a project basis for the purchase of instructional equipment (projectors, recorders, charts) and for minor remodeling of classrooms. Title III support consists of two separate sections: (1) state-level

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administration support which the state is required to match on a 50/50 basis, and (2) local assistance which participating school districts are required to match on a 50/50 basis. Table 35 presents a comparison of expenditures for state-level administration with local assistance.

Table 35
NDEA Title III
Administration and Local Assistance

	<i>Actual</i> <i>1970-71</i>	<i>Actual</i> <i>1971-72</i>	<i>Actual</i> <i>1972-73</i>	<i>Estimated</i> <i>1973-74</i>	<i>Proposed</i> <i>1974-75</i>
State-level administration					
State	\$127,027	\$167,200	\$173,500	\$184,450	\$193,572
Federal	127,027	167,200	173,500	189,450	193,572
Total	\$254,054	\$334,400	\$347,000	\$368,900	\$387,144
Local Assistance (in mil- lions)					
Federal	\$3.5	\$3.5	(\$3.5)	\$1.8	\$1.8
Local	3.5	3.5	(3.5)	1.8	1.8
Total	\$7.0	\$7.0	(\$7.0) ^a	\$3.6	\$3.6

^a The federal government impounded all local assistance for this year. The Department of Education reports that these impounded funds will probably be recovered in the budget year and will be used to fund those projects originally approved for the 1972-73 fiscal year.

This table indicates that current and projected local assistance for NDEA Title III projects has been reduced by approximately 50 percent over the support level of past years. We believe that the level of local assistance represents an accurate indicator of the workload of the Title III administration staff. This staff provides direct consultation to school districts in the development, operation and evaluation of Title III projects. As the number and/or size of projects decline with the reduction in federal funds, we believe that expenditures for the state-level administration of such projects should be proportionately decreased.

The 1974-75 budget requests a Title III administrative staff consisting of eight professional positions, eight clerks and temporary help for a total cost of \$387,144 of which the state contributes one-half. We propose that this support level be reduced by 50 percent to \$193,572 in view of the fact that federal local assistance declined by 50 percent in 1973-74, and will remain at this reduced level in 1974-75. This would result in a reduction of state matching funds from \$193,572 to \$96,786. It should be noted that this reduction in support for state-level administration would be consistent with the possible phaseout of the NDEA Title III program. Federal authorization for NDEA Title III terminates at the end of the 1974-75 fiscal year.

Reading

The Department of Education has designated the improvement of reading achievement scores as a priority activity in the budget year. In addition to the regular state funding for reading improvement under early childhood education, educationally disadvantaged youth and Miller-Unruh reading programs, the department has also operated a reading task force for the past three years. This task force has worked to identify

"target" schools in the state with excessively deficient reading programs. At the same time, the task force has identified exemplary reading programs which could be implemented in these target schools to improve reading achievement. For the budget year, personnel of the reading task force have been merged with personnel responsible for the administration of the new federally funded Right-to-Read program. This program will assist selected school districts to implement and evaluate exemplary reading programs with a major emphasis on administrator and teacher in-service training.

Mathematics

The Department of Education has provided special emphasis to the improvement of mathematics programs in school districts since statewide test results indicated a decrease in mathematic skills in the 6th and 12th grades. The department has operated a mathematics task force for three years to identify exemplary mathematics programs and program characteristics which resulted in improved student achievement. In the 1973-74 Analysis of the Budget Bill, we recommended that this task force (1) be expanded to better implement corrective mathematics programs and (2) submit a report in conjunction with the Office of Evaluation identifying precisely the weaknesses in existing mathematics programs. This report, now published, indicates that mathematics skill deficiencies appeared in grades 5 through 8, and were concentrated in computational skills, particularly in the use of fractions and decimals. These results were confirmed by a subsequent study utilizing the State of California Inventory of Mathematical Achievement test (SCIMA). In the budget year, the mathematics task force will develop and circulate a catalogue of promising practices which have been proven to result in increased student test scores, particularly in the areas of greatest deficiency such as computational skills.

Conservation Education

Chapter 1616, Statutes of 1970, directed the Department of Education to assist school districts to establish conservation education programs consisting of (1) in-service teacher training, (2) conservation classes, (3) nature centers and wildlife education camps, (4) information depositories, and (5) an internship summer program for high school students. School districts are required to submit project applications and receive support according to the merit of the project design, the availability of state funds, and the willingness of the district to provide local funds. The Department of Education has \$275,000 budgeted from the Environmental Protection Fund for grants to school districts in 1974-75. The Department of Resources has restricted the use of these funds to "high visibility" activities such as site purchase, construction of nature centers and camps, and the purchase of conservation education equipment.

Instructional Television (ITV)

We recommend that General Fund Item 337 be increased by \$270,000 to a total of \$840,000 for instructional support.

Chapter 1236, Statutes of 1965 (The Farr-Quimby Act), authorizes the Superintendent of Public Instruction to provide funds to encourage use of

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classroom instructional television. School districts and county superintendents of schools receive \$0.50 per pupil in classes taught by instructional television. Payments under this program are made on a reimbursement basis and may not exceed one-half of the cost to the local district for televised instruction.

Table 36 shows the expenditures for the instructional television program from 1972-73 to the budget year.

Table 36
Instructional Television Support

	<i>Actual</i> 1972-73	<i>Estimated</i> 1973-74	<i>Proposed</i> 1974-75
Local Assistance General Fund.....	\$567,128	\$570,000	\$570,000

The amount proposed in the budget year (\$570,000) is insufficient to meet local assistance requirements in 1974-75. Support for instructional television reached a peak in 1969-70 when \$695,000 was apportioned to local districts. Actual Budget Act appropriations for this item peaked in the following year (1970-71) when \$875,000 was appropriated. Expenditures for ITV have declined to the present level of \$570,000 due to local district financial problems and the related low priority given ITV in total district budgets.

For the budget year the Department of Education requested \$840,000 in the ITV item to meet local district reimbursement requirements because of expected increases in ITV use in 1973-74 by all districts particularly due to the development of a new television production and broadcasting facility by Los Angeles Unified School District. The Department of Finance denied this request. The state has made a commitment to reimburse local school districts under existing law at a specified formula amount. We believe that the \$570,000 recommended in the Governor's Budget is insufficient and recommend an augmentation of \$270,000 for a total of \$840,000 in 1974-75.

Educational Technology Report

In the 1973-74 Analysis of the Budget Bill we recommended that the Department of Education report to the Legislature by January 5, 1974, on (1) the present and potential uses of educational technology in 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 report has not been submitted as of this writing.

F. STATEWIDE TESTING

Information on public school pupil performance is provided primarily through a series of legislative requirements commonly referred to as the Statewide Testing Program. This program previously authorized 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. Chapter 930, Statutes of 1972, made major changes

in the statewide testing program, beginning in the 1973-74 school year. The grade 1 reading test administered in the spring has been replaced with an entry level test for all grade 1 pupils which was administered for the first time in October of the 1973-74 school year. This test is used as a baseline for school and district evaluation rather than for individual pupil assessment, and will identify schools and districts with special needs or unusually effective or ineffective programs.

A second major change to be implemented by 1974-75 is the use of sampling procedures for the tests in grades 2, 3, 6, and 12 so that all test items will not be administered to all students. This change will (1) reduce testing time (2) reduce school district costs and (3) provide a more comprehensive assessment of performance of each school and district in California.

The revised tests for grades 2 and 3 will be given for the first time in the spring of 1974. The results of these tests will be compared with the first grade entry level test results and an evaluation report will be submitted to the Legislature and to each school district. The revised tests for grades 6 and 12 will be given for the first time in the 1974-75 school year. An evaluation report of these test results will also be submitted to the Legislature and to each school district.

Performance Results

The results of the statewide reading test administered in grades 1, 2 and 3 in the spring of 1973 are reported in the Governor's Budget, Volume 2, page 343. The test results show that the median scores of California pupils are slightly above the median scores of the publisher's norm group and indicate a continuation of a slight annual improvement over the previous year.

The results of the statewide Comprehensive Tests of Basic Skills administered to all pupils in grade 6 in 1972-73 are reported in the Governor's Budget, Volume 2, page 344. Achievement test scores in spelling for sixth grade pupils in 1972-73 continued the gradual decline which has been consistent since 1969-70. Achievement test scores for sixth grade pupils in reading, language, and mathematics in 1972-73 improved very slightly reversing a three-year downward trend. However, it should be noted that median scores for California sixth grade pupils remained below the median scores of the publisher's norm group in all areas tested.

The results of the statewide Iowa Tests of Educational Development administered to all pupils in grade 12 are reported in Volume 2, page 345 of the Governor's Budget. Scores of California pupils on achievement tests in all basic skills tested, i.e., spelling, mathematics, reading, and language expression in 1972-73, continued to decline slightly from the previous year, continuing a three-year downward trend. The median scores of California 12th grade pupils remained below the median scores of the publishers' norms in all areas tested.

Publisher's Norms

It should be noted that the publisher's norm is the result of a nationwide sampling of usually 20,000 to 50,000 students and should not be considered absolute indicators of achievement levels. Publisher's norms can vary sig-

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nificantly depending on the sampling procedures and sample size.

Comparisons with the publisher's norm provide only a very general assessment of California pupils. We believe the new matrix testing system will provide a much more dependable assessment of the achievement of California pupils.

**PROGRAM II
INSTRUCTIONAL SUPPORT**

The instructional support program is aimed at improving the educational environment in which the student learns. Program expenditures and funding are shown in Table 37.

**Table 37
Expenditures and Funding Sources for Instructional Support Program**

<i>Program elements</i>	<i>Actual</i>	<i>Estimated</i>	<i>Proposed</i>	<i>Change</i>	
	<i>1972-73</i>	<i>1973-74</i>	<i>1974-75</i>	<i>Amount</i>	<i>Percent</i>
A. Direct instructional services	\$19,270,778	\$33,920,775	\$35,283,416	\$1,362,641	4.0%
B. Pupil services	83,346,991	90,286,530	90,128,284	-158,246	-0.2
Totals	\$102,617,769	\$124,207,305	\$125,411,700	\$1,204,395	0.9
Funding:					
<i>State operations:</i>					
General Fund	1,462,691	1,335,755	1,580,130	244,375	18.3
Surplus Property Revolving Fund	3,855,912	6,778,242	6,922,618	144,376	2.1
Federal funds	496,082	1,037,998	914,782	-123,216	-11.9
Reimbursements	635,676	886,092	1,009,450	123,358	13.9
Subtotal	\$6,450,361	\$10,038,087	\$10,426,980	388,893	3.9
<i>Local assistance:</i>					
General Fund	13,630,545	652,137	608,976	-43,161	-6.6
Federal funds	82,536,863	89,527,584	89,133,805	-393,779	-0.4
<i>Instructional Materials Fund—General Fund</i>					
	—	23,989,497	25,241,939	1,252,442	5.2
Reimbursements	—	—	—	—	—
Subtotal	\$96,167,408	\$114,169,218	\$114,984,720	\$815,502	0.7

A. DIRECT INSTRUCTIONAL SERVICES

Direct Instructional Services include (1) school approvals, (2) inter-group relations, (3) the Task Force on the Resolution of Conflict, (4) textbook distribution, (5) surplus property, (6) educational technology, (7) year-round schools and (8) teacher evaluation. Expenditures and funding for this element are shown in Table 38.

CURRICULUM FRAMEWORKS AND INSTRUCTIONAL MATERIALS**Selection Unit and Textbook Distribution Unit**

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

The textbook adoption process can be divided into seven sequential steps: (1) request for framework development by the State Board of Education, (2) preparation of textbook selection criteria based on the adopted framework, (3) issuance of a call for bids to all publishers by the Depart-

Table 38
Expenditures and Funding for Direct Instructional Services

Expenditures:			
State operations:			
School approvals	\$783,818	\$792,255	\$925,907
Intergroup relations	390,710	654,846	239,587
Resolution of conflict	86,622	30,685	389,005
Textbook distribution	227,254	382,554	356,411
Surplus property	3,946,362	6,850,479	6,994,561
Educational technology	105,551	169,005	163,591
Year-round schools	—	89,850	50,000
Teacher evaluation	99,879	—	—
Food services	37 ^a	391,604	— ^b
Management services	—	—	352,415
Local assistance:			
Textbooks	13,063,417	23,989,497	25,241,939
Instructional TV	567,128	570,000	570,000
Total	\$19,270,778	\$33,920,775	\$35,283,416
Funding:			
State operations:			
<i>General Fund</i>	<i>\$945,485</i>	<i>\$1,244,970</i>	<i>\$1,122,004</i>
<i>Federal funds</i>	<i>203,160</i>	<i>473,574</i>	<i>439,005</i>
<i>Surplus Property Revolving Fund</i>	<i>3,855,912</i>	<i>6,778,242</i>	<i>6,922,618</i>
<i>Reimbursements</i>	<i>635,676</i>	<i>864,492</i>	<i>987,850</i>
Local Assistance:			
<i>General Fund</i>	<i>13,630,545</i>	<i>570,000</i>	<i>570,000</i>
<i>Instructional Material Fund</i>	—	<i>23,989,497</i>	<i>25,241,939</i>

^a Reimbursements

^b Moved to Program III, Pupil Services

ment of Education, (4) publisher submission of textbooks for review by the Curriculum Commission, (5) recommendation of textbook adoption to the State Board of Education by the Curriculum Commission, (6) state board adoption of textbooks and Department of Education solicitation of district textbook orders and (7) manufacture of textbooks by the State Printer for distribution by the Department of Education or purchase of textbooks directly from the publishers by the districts. The textbook selection, adoption, acquisition and distribution process is on a two-year cycle.

Instructional Materials Fund

Chapters 929 and 1233, Statutes of 1972, established the State Instructional Materials Fund with a fixed derivation formula to replace the annual appropriation item for textbooks. The derivation amount is computed annually by the State Controller on July 1, by multiplying \$7 by the preceding school year's public and private elementary school enrollment (ADA). The formula is adjusted annually for changes indicated by the Consumer Price Index. The amount derived by this formula is \$24 million in 1973-74 and \$25.3 million in 1974-75. Table 39 shows the total support for textbook selection, production, and acquisition in recent years.

The curriculum frameworks and instructional materials selection unit and the textbook distribution unit are composed of the following elements: framework development, textbook selection, textbook adoption

INSTRUCTIONAL SUPPORT—Continued

Table 39
Textbook Budget Support

	1972-73	1973-74	1974-75
Expenditures:			
State operations:			
Curriculum commission	\$9,932	\$41,659	\$42,933
Textbook management	227,254	382,554	379,847
Textbook selection	119,238	189,732	193,746
Total	\$356,424	\$613,945	\$616,528
Local Assistance:			
Instructional materials			
Old adoptions	\$12,262,370	—	—
Royalties on prior adoptions	—	\$3,000,000	—
Warehousing and shipping prior adoptions	801,047	750,000	\$450,000
Nonpublic schools	—	1,491,338	1,916,750
Braille and large print	—	400,000	600,000
Warehousing and shipping current adoptions	—	150,000	300,000
Reserve	—	—	200,000
School district credit	—	16,596,421	20,201,281
School district cash allotment	—	1,592,240	1,561,150
Carryover	—	9,498	12,758
Total	\$13,063,417	\$23,989,497	\$25,241,939
Funding:			
State operations			
General Fund	\$338,919	\$563,945	\$566,528
Federal funds	11,959	50,000	50,000
Reimbursements	5,546	—	—
Local Assistance			
General Fund	13,063,316	23,989,497	25,241,939
Reimbursements	101	—	—

and textbook acquisition. Conduct of these activities is the responsibility of the Curriculum Development and Supplemental Materials Commission and the Department of Education. The Curriculum Commission is composed of 18 appointed members. Under the Education Code the Curriculum Commission is charged to (1) recommend curriculum frameworks to the state board, (2) develop criteria for evaluating instructional materials submitted for adoption, (3) study and evaluate all instructional materials submitted for adoption and (4) recommend to the state board instructional materials which it approves for adoption.

Framework Development

We recommend that the Department of Education's budget for curriculum framework development be reduced by \$78,800 for a savings in the budget year of \$28,800 from the General Fund (Item 328) and \$50,000 from ESEA Title V funds.

Historically, curriculum frameworks have been developed with private grants and ESEA Title V funds. In the 1973-74 Governor's Budget, \$195,000 from the General Fund was proposed by the department to convert framework development activities from federal and private funds to state

funds. The Legislature rejected the total General Fund request. In the current year the department has continued to fund the framework activities by the use of ESEA Title V funds (\$50,000) and by the redirection of General Funds (\$30,000) from the Bilingual-Crosscultural Task Force and the Mathematics Task Force.

Violation of Legislative Intent

We believe that the redirection and use of General Funds for framework activities in the current year is a violation of legislative intent and we further question the continued use of ESEA Title V funds. The 1974-75 budget proposes to expend \$78,800 (\$28,000 General Fund and \$50,000 ESEA Title V) for framework development activities.

Need for Frameworks

The department contends that frameworks are needed by the state to develop criteria for use in the selection of instructional materials and are needed by local districts in "establishing or improving their planning, evaluation and program development capabilities." We remain unconvinced that frameworks are necessary for either of the suggested purposes and question whether the state should support the development and dissemination of frameworks. This funding request was rejected last year by the Legislature after hearing similar arguments and we recommend deletion of the request in the budget year.

If frameworks are needed by local education agencies perhaps framework development and dissemination could be established on a reimbursement basis with charges to local districts for development costs. There is precedent for charging for curriculum materials developed and produced by the State Department of Education, and the fiscal apparatus necessary for charging districts is already established. The true need and value of frameworks to local districts could be more accurately reflected by charges to districts.

California Editions

We recommend that the State Printer print only those instructional materials adopted by the State Board of Education that will be economical to reprint throughout the period of adoption.

Chapter 929, Statutes of 1972, broadened textbook adoptions to make many more titles available for the local school district selection. For example, in 1972-73 there were 803 titles in adoption in all curricula subject areas. In the 1973 adoption for three subject areas, science, health and music, 625 titles were adopted which brings the total number of textbooks now in adoption to 1,349 titles. In the reading and literature adoption now under way, over 5,000 titles were submitted for consideration. It is apparent that the Legislature's desire for a larger local selection is being achieved. The larger selection, however, tends to reduce the size of textbook orders. The smaller orders are generally uneconomical for the State Printer to print especially after the first year because annual replacements average only 10 percent. For example, in the science, health and music adoption, the largest order was for 39,000 copies compared with orders under the old adoption system of 450,000-500,000 copies. If the State Board

INSTRUCTIONAL SUPPORT—Continued

edits a textbook and the State Printer prints the book as a California edition there may be insufficient orders in subsequent years to justify reprinting the material. In such a situation districts would be forced to purchase unedited replacement copies direct from publishers, which would create curriculum difficulties for teachers.

While the State Printer has demonstrated substantial cost savings for the state, the benefits resulting from California editions may no longer be economical or practical if the textbooks cannot be reprinted each year of the adoption. We believe the State Printer should be limited to printing those instructional materials that will have sufficient reprint orders to justify manufacture at the State Printing Plant throughout the six-year adoption.

Textbook Warehouse

We recommend that: (a) the Department of Education and the Office of State Printing (OSP) cooperate in developing supportable estimates of the total volume and cost of textbooks to be produced by the OSP during the 1974-75 fiscal year for distribution to local school districts and (b) the estimates be presented when the Department of Education and Department of General Services budgets are considered by the legislative fiscal committees. (See our Analysis of the Department of General Services, Office of State Printer discussed under Item 166.)

As mentioned above, the recent changes in the textbook law have made a greater variety of textbooks available for local district selection. However, the dollar amounts available were not significantly increased, resulting in smaller textbook orders per title. The smaller textbook orders per title has caused a sharp decline in both the volume and total cost of textbooks produced by the State Printer. Because the Education Code limits the State Textbook Warehouse budget to 10 percent of the textbook production cost at the State Printing Plant we believe the volume and total cost declines for textbook production will have a serious impact on the operation of the State Textbook Warehouse.

The Textbook Warehouse has a staff of 13 warehouse and clerk positions plus 6.3 positions in temporary help, with a proposed budget of \$750,000 in 1974-75. Currently, estimates of textbook volume and production cost by the Department of Education and the Office of State Printer vary greatly. For example, the Governor's Budget estimates 23 million textbooks will be produced by the OSP in the current year and the budget year, while the Department of Education estimates 3.6 million in the current year and 8 million in the budget year. We believe the Department of Education and the Office of State Printer should cooperatively develop firm estimates of the total volume and cost of textbooks to be produced by the Office of State Printer in 1974-75 and present the estimates at the time their respective budgets are heard before the legislative fiscal committees.

B. PUPIL SERVICES

Pupil services include funding and state level administration for food services and guidance services. Expenditures and funding of these elements are shown in Table 40.

Table 40
Expenditures and Funding of Pupil Services

<i>Expenditure</i>	<i>Actual 1972-73</i>	<i>Estimated 1973-74</i>	<i>Proposed 1974-75</i>
1. Food services.....	\$83,147,735	\$89,670,804	\$89,667,624
2. Guidance services.....	199,256	615,726	460,660
Total	\$83,346,991	\$90,286,530	\$90,128,284
<i>Funding</i>			
<i>State operations:</i>			
General Fund.....	\$517,206	\$90,785	\$458,126
Federal funds.....	292,922	564,424	475,777
Reimbursements	—	21,600	21,600
Subtotal	\$810,128	\$676,809	\$955,503
<i>Local assistance:</i>			
General Fund.....	—	\$82,137	\$38,976
Federal funds.....	\$82,536,863	89,609,721	89,133,805
Subtotal	\$82,536,863	\$89,609,721	\$89,172,781

FOOD SERVICES

The Department of Education's Food Services office is responsible for administering several programs of food supplementation for pupils while they are attending school. These programs are federally subsidized under the National School Lunch Act and Child Nutrition Act. Table 41 summarizes estimated federal allocations for these programs in 1973-74, and 1974-75.

Table 41
ESTIMATED 1973-74 AND 1974-75 FEDERAL LOCAL ASSISTANCE
FOOD SERVICES EXPENDITURES BY PROGRAM

	<i>Estimated 1973-74</i>	<i>Estimated 1974-75</i>
Federal program:		
School lunch		
General assistance	\$23,354,983	\$24,467,125
Special assistance to needy children.....	50,502,286	53,160,301
School breakfast	6,018,617	6,620,478
Special milk.....	7,208,917	7,208,917
Special food services		
Year round.....	1,690,765	1,859,841
Summer	5,300,000	7,380,000
Nonfood assistance (equipment)	1,858,334	4,500,000
	\$95,933,902	\$105,196,662

The Governor's Budget estimates federal subsidies of only \$89,094,829 in both 1973-74 and 1974-75. However, the Department of Education now projects the larger federal subsidies reflected in Table 41.

The purpose of the School Lunch Program is to provide a nourishing

INSTRUCTIONAL SUPPORT—Continued

lunch to a maximum number of pupils of high school grade or under. A revision in federal regulations in November 1973 retroactive to July 1, 1973, increased federal participation in the School Lunch Program from 8 cents to 10 cents per lunch. In conjunction with this general program the Special Assistance to Needy Children Program provides free or reduced price lunches for needy pupils of high school grade or under. Federal regulations were revised in November 1973, retroactive to July 1, 1973, to increase from 40 cents to 45 cents the federal allowance per school lunch for this program. This subsidy is in addition to the 10-cent subsidy provided under the School Lunch Program.

The revised federal regulations of November 1973 also provide for semiannual adjustments to the federal subsidies based on changes in the "food away from home" series of the Consumer Price Index.

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

Increased Local Cost

School districts have experienced increased costs of providing school lunches and breakfasts due to inflation. The Department of Education advises that the average cost of a school lunch has substantially increased from the estimated statewide average of 65 cents in 1972-73. As mentioned above, the federal government has increased the basic subsidy for a type A lunch from 8 cents to 10 cents per lunch. It has also increased the subsidy for a free lunch to a needy child from 40 cents to 45 cents per lunch. Following is a comparative breakdown of the estimated average cost per lunch in 1972-73 and 1974-75 showing a substantial increase in net local cost of 8 cents per school lunch.

Table 42
School Lunch Cost Breakdown

	1972-73	1974-75
Estimated average cost per lunch.....	\$0.65	\$0.80 ^a
Basic type A subsidy	\$0.08	\$0.10
Free lunch or pupil charge.....	0.40	0.45
USDA commodities	0.07	0.07
Total subsidy	\$0.55	\$0.62
Net local cost	\$0.10	\$0.18

^a Department of Education estimates this average cost at 75 cents—85 cents by June 30, 1974.

The Legislature passed SB 1264 in the 1973 legislative session which would have appropriated \$27,874,000 to provide a state subsidy of 5 cents to 10 cents for each type A lunch or breakfast served to any school pupil. This measure was vetoed by the Governor who indicated that local districts should establish their own funding priorities in accordance with their needs and concerns. Presumably, these funding priorities would be associated with the use of state foundation program allocations and locally generated funds. We believe that, due to the inflationary spiral which food products are undergoing, the fiscal committees should be aware of this issue.

Matching Requirements

We recommend that the Department of Education submit a report to the fiscal committees by March 1, 1974, comparing the state matching fund requirements of the National School Lunch Program with estimated state funds utilized by local agencies in the School Lunch Program in 1973-74 and projected for 1974-75.

Federal law requires state and local education agencies to provide matching funds, including fees paid by pupils, of \$3 for every federal dollar allocated for the School Lunch Program. Table 43 reflects state and local matching requirements for each federal dollar allocated to the School Lunch Program.

Table 43
School Lunch Program
State and Local Matching Requirements

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

The table indicates that the state matching share per federal dollar is 18 cents in 1973-74 and 1974-75 and should increase to 30 cents by 1977-78.

The Department of Education estimates that the federal school lunch subsidy will amount to \$23.4 million in 1973-74 and \$24.5 million in 1974-75. This would require state matching funds of \$4.2 million in 1973-74 and \$4.4 million in 1974-75. By letter dated December 12, 1973, the United States Department of Agriculture's Western Region Program Director, Child Nutrition Programs, requested the Department of Education to reassess its state matching fund allocations in 1973-74 and 1974-75 in view of (1) the increase in federal subsidy to 10 cents and (2) the increase in the state's matching rate to 18 cents in 1973-74 and 1974-75.

There are two ways by which the state matching fund requirement can be met: (1) by a General Fund local assistance appropriation to subsidize school districts food services programs, such as the Duffy-Moscone Family Nutritional Education and Services Act of 1970, or (2) by establishing that a pro rata portion of the state foundation program allocation to school districts is utilized in their food services programs.

The United States Department of Agriculture has agreed that the state's matching fund requirement can be met by state foundation program allocations to school districts to the extent that such allocations can be demonstrated to provide a pro rata share of the local agencies' expenditures for food service programs.

Possible Deficiencies

A preliminary assessment by the Department of 30 large school districts participating in the school lunch program indicates that state matching funds may be deficient in both 1973-74 and 1974-75.

If the portion of state foundation program allocations to school districts

INSTRUCTIONAL SUPPORT—Continued

utilized in the districts' food services programs is not sufficient to meet the state's matching fund requirement and since no state funds are provided specifically in either the current or budget year for local assistance in the School Lunch Program, there is a potential violation of federal regulations which could result in the withdrawal of federal funds.

**PROGRAM III
SCHOOL ADMINISTRATION SUPPORT**

The School Administration Support Program assists school districts to comply with regulations and reporting requirements established by the Legislature. The program consists of (1) the school district management assistance team, (2) school facilities planning assistance, (3) management services, and (4) administrative services. Table 44 presents expenditures and funding sources for this program.

**Table 44
School Administration Support
Expenditures and Funding Sources**

<i>Expenditures</i>	<i>Actual</i>	<i>Estimated</i>	<i>Proposed</i>	<i>Change</i>	
	<i>1972-73</i>	<i>1973-74</i>	<i>1974-75</i>	<i>Amount</i>	<i>Percent</i>
A. Management assistance team	\$248,964	\$362,959	\$347,932	\$-15,027	-4.1%
B. School facilities planning	503,498	558,580	531,579	-27,001	-4.8
C. Management services	322,583	321,487	— ^a	—	—
D. Schoolbus driver training	202,157	178,433	32,991	-145,442	-81.5
E. Administrative services	54,235	—	—	—	—
Local assistance: year-round schools	—	800,000	800,000	—	—
Totals	\$1,331,437	\$2,221,459	\$1,712,502	\$-508,957	-22.9
<i>Funding</i>					
<i>State operations:</i>					
General Fund	573,754	502,610	179,678	-322,932	-64.2
Federal funds	248,964	362,959	347,932	-15,027	4.1
School Building Aid Fund	256,801	300,010	291,579	-8,431	2.8
Reimbursements	251,918	255,880	93,313	-162,567	-63.5
<i>Local Assistance:</i>					
General Fund	—	800,000	800,000	—	—

^a Moved to Program II.

BUREAU OF SCHOOL PLANNING

We recommend elimination of four professional positions and related clerical staff from the Bureau of School Planning for a savings of \$160,000. (Item 328, —\$146,687 and Item 329, —\$13,313)

The Bureau of School Planning provides planning assistance to school districts in all phases of school construction. The bureau consists of one bureau chief and 13 school planning professionals who (1) assist school districts to prepare master plans for school construction, (2) review and approve site acquisition and school construction plans, and (3) develop guidelines, publications and research information regarding new educational planning and design techniques. Table 45 presents funding sources for the bureau.

Table 45
Bureau of School Planning
Funding Sources

	<i>Actual</i> 1972-73	<i>Estimated</i> 1973-74	<i>Proposed</i> 1974-75
General Fund.....	\$198,872	\$181,123	\$146,687
School Aid Building Fund.....	256,801	300,010	291,579
Fee reimbursements.....	47,825	77,447	93,313
Total	\$503,498	\$558,580	\$531,579

The Bureau of School Planning provides school planning assistance to three types of school districts: (1) small rural school districts which lack local planning staffs, (2) school districts which apply for state school building aid loans, and (3) school districts which apply for earthquake safety loans to repair unsafe school facilities. Table 46 presents the projected workload of the bureau in terms of the number of district applications to be received for state school building and earthquake safety aid.

Table 46
Bureau of School Planning Workload
Number of Applications

<i>Program</i>	<i>Actual</i> 1972-73	<i>Estimated</i> 1973-74	<i>Proposed</i> 1974-75
State School Building Aid	94	70	70
Earthquake Safety	153	130	60
Total	247	200	130

Declining Workload

This table indicates a significant decline in the actual and projected number of applications for state loans. This decline is caused by the leveling off of school enrollments throughout the state and the anticipated phaseout of earthquake aid programs as districts complete the renovation of unsafe facilities. The table indicates that applications for state loans declined by 19 percent from 1972-73 to 1973-74 and are estimated to decline by 35 percent from 1973-74 to 1974-75 for an average decrease of 27 percent. This decline is expected to continue at a less precipitous rate in future years. We believe that the number of applications for state loans is an appropriate workload indicator for the Bureau of School Planning. The primary responsibility of the bureau is to assist loan applicants to develop district master plans and to design effective school facilities. It is clear that this workload depends directly on the number of district applications. Therefore, we believe that the staff of the bureau should be reduced by four professional positions (28 percent of the existing staff) and related clerical staff to reflect the decline in workload from 1972-73 to 1974-75 for a savings of approximately \$160,000. This staff reduction would leave a professional staff of 10 school planners to continue to provide assistance to a diminishing number of state school building aid applicants and to serve as a clearinghouse for school facility planning information.

SCHOOL ADMINISTRATION SUPPORT—Continued**PROGRAM IV****SCHOOL FINANCE AND STATE AID TO SCHOOL DISTRICTS****Administration and Apportionments of State Aid**

The school finance and state aid to school districts program includes the two elements of (1) administration and apportionment of state aid and (2) administrative research. Table 47 summarizes funding and expenditures for these program elements.

The administrative research function is involved with preparation of various reports which are required by law. The administration and apportionment of state aid function is involved with transfers from the State School Fund for apportionment to local school districts and the administration of the County School Service Fund.

Table 47 shows that approximately \$2.1 billion will be expended from the General Fund for apportionments in the budget year. These apportionments are for grades K-12 inclusive. Community college apportionments for 1974-75 were separated into a special fund by Chapter 940, Statutes of 1973, and are discussed under Item 366 of this Analysis. The current year apportionment of \$2.2 billion consists of \$1.9 billion for grades K-12 and \$.3 billion for community colleges.

School Apportionments System**Public School State Aid**

The system of public school apportionments is controlled by constitutional and statutory provisions. This system is generally considered to have three component parts:

1. *Derivation.* The amount of money authorized for annual transfer from the General Fund to the State School Fund for support of the public schools 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 \$385.72 per ADA.

2. *Distribution.* After the State School Fund is derived, it is distributed into various categories for educational programs and activities specified by statute. Programs supported include basic and equalization aid which make up the state's share of the foundation program, the County School Service Fund and allowances for special education 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 allocated to the foundation program which is designed to guarantee to public school pupils a prescribed level of financial support. The

Table 47
School Finance and State Aid to School Districts Program
Funding and Expenditures

	<i>Actual</i> <i>1972-73</i>	<i>Estimated</i> <i>1973-74</i>	<i>Proposed</i> <i>1974-75</i>	<i>Change</i> <i>Amount</i>	<i>Percent</i>
A. Administration and apportionment of state aid					
1. State operations	\$612,733	\$556,813	\$593,500	\$36,687	6.6%
2. Local assistance	1,582,657,657	2,201,870,186	2,071,385,216	-130,484,970	5.9
B. Administrative research					
1. State operations	162,612	259,629	276,735	17,106	6.6
Totals	\$1,583,433,002	\$2,202,686,628	\$2,072,255,451	-\$130,431,177	5.9%
Funding					
State operations					
General Fund	\$775,345	\$816,442	\$870,235	\$53,793	6.7%
Local assistance					
General Fund	1,579,262,193	2,198,298,336	2,068,656,612	-129,641,724	5.9
General Fund (loan recoveries)	291,670	-343,150	-271,396	71,754	20.9
State School Fund	2,576,376	2,950,000	2,700,000	-250,000	8.4
California Water Fund	75,611	37,000	—	-37,000	—
Motor Vehicle Transportation Fund	—	300,000	300,000	—	—
Driver Training Penalty Assessment Fund					
State Transportation Fund	271,807	—	—	—	—
General Fund Federal Impact aid	—	628,000	—	-628,000	—

SCHOOL FINANCE—Continued

total program amounts in 1974-75 will be \$825 per ADA for elementary districts, \$900 per ADA for unified districts, and \$1,010 per ADA for high school districts. The state's share of the above amount consists of \$125 per ADA for basic aid to all districts and additional support to certain districts, depending on their assessed valuation per ADA, in the form of equalization aid which enables them to reach the total guaranteed amount.

The 1974-75 foundation program levels shown previously have been increased \$60 over the 1973-74 level in accordance with the statutory provision that such adjustments would be made if the change from the preceding year compared to the second preceding year in the statewide ratio of assessed valuation per ADA is 7 percent or more.

School District Revenue Control

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

Apportionment Data

State School Fund apportionment data are shown in Table 48

Table 48
APPORTIONMENT ESTIMATES
1972-73—1974-75

	<i>Actual 1972-73</i>	<i>Estimated 1973-74</i>	<i>Estimated 1974-75</i>
Elementary:			
Basic aid	\$395,162,350	\$391,250,000	\$390,750,000
Equalization aid ^a	374,826,011	658,422,100	705,689,200
Totals	\$769,988,361	\$1,049,672,100	\$1,096,439,200
High School:			
9-12 basic aid	\$178,405,875	\$181,500,000	\$184,250,000
9-12 equalization aid ^a	152,528,680	271,483,000	318,825,200
Adults, basic aid	7,084,125	7,375,000	7,500,000
Adults, equalization aid	3,731,174	3,964,800	4,608,000
Totals	\$341,749,854	\$464,322,800	\$515,183,200
Community College:			
13-14 basic aid	\$58,109,625	\$58,875,000	(\$61,854,000) ^b
12-14 equalization aid	98,758,817	167,441,200	(204,914,500) ^b
Adults, basic aid	13,205,625	13,662,500	(14,710,000) ^b
Adults, equalization aid	12,576,881	13,308,800	(18,510,500) ^b
Totals	\$182,650,948	\$253,287,500	(\$299,989,000) ^b
County School Service Fund:			
Elementary Foundation Program	\$4,476,313	\$7,124,000	\$7,800,000
High School Foundation Program	6,222,944	13,905,000	15,715,000
Totals	\$10,699,257	\$21,029,000	\$23,515,000
Totals, Foundation Program	\$1,305,088,420	\$1,788,311,400	\$1,635,137,400

County School Service Fund:			
Direct service	\$3,643,410	\$3,654,700	\$3,640,000
Other purpose	15,779,199	15,976,260	15,912,000
Totals	\$19,422,609	\$19,630,960	\$19,552,000
Special Education:			
Physically handicapped	\$66,004,283	\$69,829,320	\$70,658,640
Mentally retarded	31,641,687	33,537,410	34,418,520
Special transportation	11,698,890	12,701,386	12,987,772
Transition	3,278,660	5,000,000	-
Subtotals	\$112,623,520	\$121,068,116	\$118,064,932
Educationally handicapped	60,601,698	67,345,490	75,005,280
Mentally gifted	11,478,089	12,500,000	13,800,000
Regular transportation	32,276,188	36,300,000	41,000,000
Adjustments (miscellaneous funds, special education costs, increase/decrease prior year ADA)	-15,818,583	-15,633,000	-19,633,000
Totals per E.C. 17303.5	\$1,525,671,941	\$2,029,522,966	\$1,882,926,612
Special Apportionments and Programs:			
State teachers' retirement system increase:			
elementary	\$25,746,091	\$29,200,000	\$32,350,000
High school	10,626,930	12,840,000	15,300,000
Community college	2,939,389	3,550,000	(4,430,000) ^b
Totals	\$39,312,410	\$45,590,000	\$47,650,000
Driver training	\$16,392,196	\$18,000,000	\$19,600,000
Project connected	75,611	37,000	-
Community college handicapped adults	385,422	1,629,000	(1,361,000)
Pilot programs for mentally retarded	152,600	-	-
Severance aid for highway land	271,807	300,000	300,000
Master Teacher Program	104,000	-	-
Assistance to new community college districts	-	326,370	(549,173) ^b
Totals	\$1,582,365,987	\$2,095,405,336	\$1,950,476,612
Educationally Disadvantaged Youth Program	-	81,180,000	81,180,000
Early childhood education	-	25,000,000	40,000,000
Grand Totals	\$1,582,365,987	\$2,201,585,336	\$2,071,656,612

^a Includes supplemental support for 1972-73.

^b Shown for comparison purposes, figures not included in totals. Pursuant to Chapter 940/73, the community college apportionments are displayed in the budget for the Board of Governors of the California Community Colleges.

Table 49 reflects the enrollment ADA used in the apportionment computations.

Table 49
Public School Enrollments—ADA

Level	1972-73	1973-74	1974-75
Elementary	3,167,256	3,122,300	3,082,350
High School	1,430,611	1,456,000	1,470,000
Community college	464,926	482,473	505,651
Adult high school	58,107	59,000	60,000
Adult community college	108,667	114,141	121,923
Total	5,229,567	5,233,914	5,239,924

**PROGRAM V
LIBRARY SERVICES**

The Library Services program (1) furnishes reference materials and services for state government officials and employees, (2) maintains a library specializing in California history, and (3) provides consultant and resource services to the 192 city and county public libraries in the state. The State Library also provides leadership to the state-funded cooperative public library system. More than two-thirds of the public libraries in the state have been consolidated in 21 cooperative systems which permits the coordination of book selection and processing, circulation and inventories, and reference service activities. Expenditure and funding sources for the four elements of the Library Services Program and local assistance to the cooperative library system are summarized in Table 50.

**Table 50
Expenditures and Funding Sources of the Library Services Program**

	<i>Actual 1972-73</i>	<i>Estimated 1973-74</i>	<i>Proposed 1974-75</i>	<i>Change Amount Percent</i>	
Program Elements:					
A. Reference and research for the Legislature and state agencies	\$555,986	\$589,257	\$733,594	\$144,337	24.5%
B. Statewide library support and development	3,149,119	7,190,764	7,803,819	613,055	8.5
C. Special clientele services	684,518	1,464,983	1,072,306	-392,677	-26.8
D. State Library support services.....	724,890	874,802	683,535	-191,267	-21.9
	<u>\$5,114,513</u>	<u>\$10,119,806</u>	<u>\$10,293,254</u>	<u>\$173,448</u>	<u>1.7</u>
Funding:					
<i>State Operations:</i>					
General Fund.....	\$2,023,989	\$2,374,449	\$2,660,346	-285,897	-12.0
Federal funds.....	2,265,218	6,252,463	6,099,242	-153,221	-2.4
Reimbursements	25,306	492,894	533,666	40,772	8.3
<i>Local Assistance:</i>					
General Fund.....	800,000	1,000,000	1,000,000	—	—

General Fund support for special clientele services (Element C) in 1974-75 includes (1) a \$145,300 augmentation for one additional librarian and five clerks in the handicapped loan service unit as provided by Chapter 878, Statutes of 1973, (SB 281) and (2) a \$210,072 augmentation to transfer the compressed speech unit for handicapped persons from the Department of Education to the handicapped loan services unit in the State Library.

Table 51 presents General Fund support by budget item.

**Table 51
Budget Act Appropriation
for Library Service**

<i>Item No.</i>	<i>Title</i>	<i>Amount</i>
State operations		
333	State Library	\$2,660,346
Local assistance		
343	Assistance to Public Libraries	1,000,000
Total		<u>\$3,660,346</u>

The State Library receives federal funds under the Library Services and Construction Act (LSCA) for state-level operations and local assistance. Table 52 summarizes federal support by title.

Table 52
Federal Support
Library Services and Construction Act (LSCA)

<i>Title</i>	<i>1972-73</i>		<i>1973-74</i>	
	<i>Actual entitlements Received</i>	<i>Impounded</i>	<i>Total</i>	<i>Estimated Entitlements</i>
Title I, Library services	\$2,081,348	\$3,097,202	\$5,178,550	\$3,683,133
Title II, Library construction	—	1,040,735	1,040,735	—
Title III, Library networking.....	99,034	461,661	560,695	99,153
	<u>\$2,180,382</u>	<u>\$4,599,598</u>	<u>\$6,779,980</u>	<u>\$3,782,286</u>

This table indicates that approximately 68 percent of the 1972-73 LSCA entitlement was impounded by the federal government. The State Librarian reports that these funds have now been released and will be used to reinstate projects discontinued or curtailed in 1972-73 as a result of reduced federal support such as reference centers, outreach projects to rural and poverty areas without library services, library projects in state institutions, and service to the handicapped. The table also presents the estimated entitlements for the 1973-74 fiscal year, although to date the State Library has received only \$218,305 for such state-level operations as the development of a union catalog and automated book processing services.

Library Studies

In the 1973-74 Analysis of the Budget Bill, we recommended that the State Librarian be directed to develop a new formula by November 1, 1973, for allocating state support to the cooperative public library systems. In response to this recommendation and the availability of federal funds, the State Librarian decided there was need for a more comprehensive study on all aspects of the cooperative system and requested a one year extension of the deadline for the development of a new allocation formula. This study will be performed by an independent contractor and is expected to cost approximately \$200,000 in federal Library Services and Construction Act funds. The Department of Finance has also embarked on a major study of public library services in the state. Both agencies contend that duplication between the two studies will be avoided by the appointment of a special steering committee to coordinate the direction and scope of both studies. The State Library study will concentrate on the improvement of the cooperative public library system. The Department of Finance study will investigate procedures for coordinating all public, academic, and private libraries in the state.

PROGRAM VI **DEPARTMENTAL MANAGEMENT AND SPECIAL SERVICES**

This program consists of two budgeted elements plus indirect cost units and service units which are allocated to all programs. Table 53 summarizes

LIBRARIES—Continued

expenditures and funding for these elements and units.

Table 53
Departmental Management and Special Services
Expenditures and Funding

	<i>Actual</i> 1972-73	<i>Estimated</i> 1973-74	<i>Proposed</i> 1974-75
A. Departmental management	\$2,959,040	\$4,410,820	\$4,402,693
B. Special services	210,516	444,992	537,493
Subtotal	\$3,169,556	\$4,855,812	\$4,940,186
C. Indirect cost units	3,846,892	3,800,584	4,275,121
D. Service units	333,874	712,346	730,092
Subtotal	\$4,180,766	\$4,512,930	\$5,005,213
Total	\$7,350,322	\$9,368,742	\$9,945,399
<i>General Fund</i>	<i>\$304,755</i>	<i>\$2,272,079</i>	<i>\$2,172,284</i>
<i>Federal funds</i>	<i>2,821,850</i>	<i>2,539,514</i>	<i>2,469,673</i>
<i>Reimbursements direct</i>	<i>42,951</i>	<i>44,219</i>	<i>298,229</i>
<i>Distributed costs</i>	<i>4,180,766</i>	<i>4,512,930</i>	<i>5,005,213</i>

The Governor's Budget displays a third element, priority programs, the costs of which are included in departmental management.

A. DEPARTMENTAL MANAGEMENT

The departmental management program is subdivided into executive, program administration and management services. Table 54 summarizes estimated expenditures for this activity.

Table 54
Departmental Management Expenditures

	<i>Actual</i> 1972-73	<i>Estimated</i> 1973-74	<i>Proposed</i> 1974-75
Executive	\$1,388,070	\$2,950,826	\$2,863,055
Departmental administration	889,687	716,465	732,153
Management services	681,283	743,529	807,485
Total	\$2,959,040	\$4,410,820	\$4,402,693
<i>General Fund</i>	<i>\$240,395</i>	<i>\$2,050,329</i>	<i>\$1,884,961</i>
<i>Federal funds</i>	<i>2,675,694</i>	<i>2,316,272</i>	<i>2,219,503</i>
<i>Reimbursements</i>	<i>42,951</i>	<i>44,219</i>	<i>298,229</i>

1. EXECUTIVE

The executive subelement consists of the: (a.) superintendent's office, (b.) deputy superintendents for programs and administration, (c.) office of program planning and development, (d.) office of program evaluation and research, (e.) governmental affairs, (f.) Mexican-American liaison office, (g.) liaison with nonpublic schools, (h.) information dissemination office, and (i) legal office.

Office of Program Planning and Development (PPD)

We recommend the deletion of three professional and two clerical positions in the office of program planning for a 1974-75 budget reduction of \$111,017.

The office of program planning and development is authorized 21 positions in the current year which are concerned with developing a department master plan, assisting in implementing new programs or changes in existing programs and providing staff support to the instruction program matrix. Approximately \$500,000 is budgeted for this unit in 1973-74.

The 1974-75 budget proposes that this unit be increased by an additional three professional and two clerical positions (\$111,017) to provide a total staff of 26 positions (19 professional and 7 clerical) with a budget of \$673,065. The increased staffing represents positions from the organization redirection and development task force which terminates July 1, 1974, since matrix implementation has been accomplished.

The department argues that the staff increase would in effect provide a specific program and policy assistance subunit housed within the office of program planning but operating independently thereof to aid the superintendent's cabinet and specifically the chief deputy. We believe that this budget decision would result in a poor organizational structure which would hamper the effectiveness of the office of program planning's leadership. Program planning and policy assistance to the chief deputy and the superintendent's cabinet has been adequately provided for within the office's existing 21 authorized positions. Assistance to the cabinet can be accomplished by including the chief of the office at cabinet meetings instead of augmenting his staff for this purpose. We recommend that the five additional positions be deleted.

Office of Program Evaluation and Research

The office of program evaluation and research was established in July 1971 to consolidate in one unit all evaluation functions of the State Department of Education. The office reports directly to the Superintendent of Public Instruction through the chief deputy superintendent and thus functions independently from the deputy superintendents for program and administration. We believe it is important that the office have this independence so that an objective assessment can be made of program operations free of influence or bias from program managers.

The office (1) provides technical services to other department units, the State Board of Education, and the Legislature, and (2) conducts an evaluation of all specially funded programs or projects operated through the Department of Education. The activities of the office are carried out in three areas: (1) evaluation services; (2) state assessment; and (3) management information. A fourth subproject, research services, is to be added in 1974-75.

The Governor's Budget proposes that the office will operate in 1974-75 at the current year staffing level with funding increased only for normal cost-of-living allowances except the state assessment unit which administers the statewide testing program.

Unfunded Study of High and Low Performing School Districts

Chapter 1094, Statutes of 1973 (SB 1109) provided for a two-year study of the relationship of pupil achievement to educational environment. An analysis will be made of the educational factors in schools where pupils with similar social and demographic characteristics achieve consistently

MANAGEMENT—Continued

higher or lower than expected.

The Legislature appropriated \$100,000 for the two-year study. The Governor vetoed \$50,000 of this amount stating that the second year funding should be through the normal budgetary process. The 1974-75 budget does not include such funding. However, we believe the Legislature should provide funding to continue the program through completion based upon Department of Education reestimate of total cost requirements.

Statewide Testing Unit

This unit is authorized seven professional and 3.5 clerical positions in the current year with a budget of \$753,000. The Governor's Budget proposes \$943,000 for this unit in 1974-75 with six professional and three clerical positions. Funding for 1974-75 is \$295,500 (federal Title V ESEA funds) and \$647,500 (state General Fund). The budget increase of \$190,000 is to cover the increased state cost of development, printing, distribution, royalties, analysis and reporting associated with the new matrix testing system, less the reduction of one professional and one-half clerical positions, plus related operating expenses.

Statewide Testing Costs

We recommend an augmentation of \$232,735 for the state assessment unit to provide \$32,735 for one additional education evaluation and research consultant plus related operating expenses, and \$200,000 for the estimated cost of scoring the grade 2, 3, 6 and 12 tests.

We recommend a state General Fund augmentation of \$32,735 to support the additional position and the allocation of federal Title V ESEA funds for the scoring costs.

We believe this unit should be continued in 1974-75 with the seven professional positions authorized in the current year. The development and operation of the revised statewide testing program required by Chapter 930, Statutes of 1972, (see Analysis discussion page 798) has resulted in the state assuming a greater role in the management of the program. The Department of Education is responsible for designing and implementing revised matrix tests in grades 2, 3, 6 and 12 in all California schools. This includes supplying all test instruments to each school district and providing for uniform scoring of all tests by an independent agency. The State Department of Education must establish and refine the sampling procedure as the new program is implemented, provide for equating the new tests with the previous tests and make a much more comprehensive statewide assessment of the performance of California pupils than was done under the previous statewide testing program. We do not believe this unit should be reduced in size during such a critical transition in the statewide testing program.

The augmentation of \$200,000 to score grades 2, 3, 6 and 12 tests is necessary because under the revised matrix testing program authorized by Chapter 930 all tests will be scored by an independent scoring agency. Since all school districts will be included in this requirement a legislative counsel opinion dated October 18, 1973, declares this to be a state-mandat-

ed cost directed by Chapter 930. The Department of Education estimates there will be 1,243,000 tests scored for grades 2, 3, 6 and 12 at 18 cents each. This would amount to \$234,000. However, we believe the Department's estimate is high and that the scoring costs should not exceed \$200,000.

We are recommending a Title V ESEA funds augmentation of \$200,000 for the scoring costs. However, if during the budget hearings it is subsequently determined that additional Title V ESEA funds are not available we will recommend an allocation from the General Fund.

2. PROGRAM ADMINISTRATION

The program administration subelement consists of the following division managers and immediate staffs: (a.) division of financial resources and distribution of aid, (b.) division of administrative services, (c.) general education management, (d.) special education, (e.) compensatory education, (f.) vocational education, (g.) division of libraries, (h.) matrix management: (1) early childhood education management, (2) intermediate education management, (3) secondary/adult education management.

3. MANAGEMENT SERVICES

The management services subelement consists of the: (a.) budget office, (b.) fiscal reports office, (c.) accounting office, (d.) business services office, (e.) contract analysis office, (f.) internal audit office, (g.) EDP management office, (h.) EDP information systems office, (i.) personnel and training office, (j.) bureau of publications, (k.) management analysis office.

Failure to Comply With Legislative Directive

We recommend that the deputy superintendent for administration's office provide a written analysis by April 2, 1974, of problems and recommended solutions to their inability to comply with the 1973 Budget Conference Committee directive concerning a preliminary program budget.

The 1973 budget conference committee report directed that "the Department of Education present a preliminary 1974-75 budget to the Department of Finance and Joint Legislative Budget Committee by November 1, 1973. This preliminary budget should clearly show (for the past, current and budget years) the allocation of all resources including personnel and operating expenses by program total and program element."

Voluminous descriptive material was presented to the designated offices in written form in October 1973. Unfortunately, the essence of this material, i.e., "the allocation of all resources including personnel and operating expenses by program total and program element," was missing until December. The absence of such material greatly hampers executive and legislative staff analysis of education issues and programs administered by the department.

We do not believe that a November 1 due date for this material is unreasonable. Experience with other major state education programs such as the CSUC's has demonstrated that such a timeline can be met. We recommend that an explanation of the department's position be made. We also recommend that the data be presented for all subelements identified

MANAGEMENT—Continued

in the budget. It is only of limited use to know that \$156 million will be spent for compensatory education programs. We must also know the breakdown by components, i.e., Title I, EDY demonstration programs, etc., before an analysis can be complete.

Deficient Budget Presentation

We recommend that the office of Deputy Superintendent for Administration give high priority to improving its budget and reporting system in 1974-75.

Not only was the budget data information submitted by the department late, it was seriously deficient in the accuracy of the information provided. The inability of the department to reconcile its program budget to its line item budget nearly resulted in a deletion of the whole program budget in the Governor's printed document. Last minute changes allowed major totals to reconcile enough to print the budget. However, totals within programs still represent more of an approximation than a technically accurate expenditure plan.

Examples of this phenomenon include:

- (a) The Governor's Budget (p. 388) reports a Title I expenditure in 1972-73 of \$126.2 million but department worksheets only reflect an expenditure of \$122.1 million.
- (b) The Governor's Budget (p. 385) reports a Title V expenditure in 1972-73 of \$2,543,000 but department worksheets only report \$2,286,616.
- (c) Proposed Budget Bill expenditures of \$40 million for the instruction program of Early Childhood Education is not shown in Program I—Instruction, but in Program IV—School Finance and Administrative Research.
- (d) Despite the extensive writeup on the high priority teacher evaluation project, the budget detail reflected no expenditure of funds for this purpose either in the current or budget years.

Out-of-State Travel

We recommend that the Department of Education out-of-state travel budget be reduced 25 percent for a savings of \$53,244 (\$5,000 from the General Fund and \$48,244 from federal funds).

The 1974-75 budget proposes that the Department of Education expend \$212,976 for out-of-state travel. This represents a 9.2 percent increase over the current year 1973-74 budget of \$196,406 and a 150 percent increase over the actual 1972-73 expenditure of \$82,817. At the time of this analysis the Department of Education is unable to supply a breakdown of the proposed expenditure between General Fund and federal funds. However, a review of the past year and current year budgets reflects that the General Fund has provided approximately \$20,000 per year for this purpose.

Table 55
1973-74 Budgeted Out-of-State Travel
State Department of Education

<i>Purpose</i>	<i>Man-days</i>	<i>Man-years</i>	<i>Trips</i>	<i>Average days per trip</i>
Group conferences	603	2.7	144	4.2
Workshops	97	0.4	20	4.8
Federal meetings	283	1.3	80	3.5
Totals	983	4.4	244	4.0

We concur that there is a need for state personnel to confer with federal officials despite the fact that the department maintains an office in Washington, D.C. However, it appears to us that the use of out-of-state travel, particularly for conferences, is excessive. The Department of Education should implement more restrictive policies in this area and our recommended reduction of 25 percent will aid in such implementation.

ESEA Title V Funding

Of significant aid to the department's operation is the federal ESEA Title V program which is authorized for the purpose of "strengthening state departments." The use of these funds by the California Department of Education is shown in Table 56.

Table 56
ESEA Title V Expenditures by Departmental Function

<i>Function</i>	<i>Actual 1972-73</i>	<i>Estimated 1973-74</i>	<i>Proposed 1974-75</i>
Program planning and development	\$498,229	\$494,023	\$562,048
Program evaluation	526,813	499,791	521,506
Organization redirection and development	164,676	111,722	111,017
Management systems development	112,874	237,362	243,667
Curriculum planning and development	10,896	81,207	48,950
Management information system	494,735	169,997	162,221
Urban education task force	38,834	—	—
Career education task force	82,774	120,619	125,637
Bilingual-crosscultural task force	92,942	—	—
Intergroup conflict task force	—	30,685	—
Guidance and counseling task force	25,000	—	—
Year-round schools task force	—	80,051	50,000
School district management assistance teams ..	238,843	329,408	309,659
Student liaison	—	17,768	32,916
Mexican-American advisory	—	53,210	53,162
Nonpublic school liaison	—	43,785	44,350
	<u>\$2,286,616</u>	<u>\$2,269,628</u>	<u>\$2,265,133</u>

B. SPECIAL SERVICES

The special services element supports the following:

(a) The state board of education, (b) educational commission of the states, (c) advisory commissions and committees, (d) advisory council on vocational education.

State Board of Education

We recommend the deletion of the \$4,000 augmentation budgeted in 1974-75 for board member secretarial aid.

The 1974-75 budget proposes an expenditure level of \$84,000 for support of the 10-member state board of education. Included within this amount

MANAGEMENT—Continued

is a staff of one professional and 2.1 clerical positions and related operating expenses and equipment. Included as an augmentation to operating expenses is \$4,000 to provide additional secretarial services, e.g., Kelly Girl, Manpower, etc. to the individual board members at their home residences.

We question the propriety of such an expenditure particularly as it appears to establish a precedent for numerous other state boards and commissions. It is the general state policy to provide clerical assistance to the various boards through staff centrally located at the related state agency office. We recommend the deletion of the \$4,000 augmentation as a less than necessary expenditure and we endorse the existing policy which provides adequate assistance.

Educational Commission of the States

We recommend that the office of program planning critically evaluate the educational benefits of California's participation in the Educational Commission of the States and submit a report with recommendations to the Joint Legislative Budget Committee by December 1, 1974.

California is one of 45 states which are members of the Education Commission of the States. The commission is located in Denver, Colo., and is

Table 57
Allocation of Indirect Cost Units

	<i>Actual</i> 1972-73	<i>Estimated</i> 1973-74	<i>Proposed</i> 1974-75
Superintendent's office	\$473,765	—	—
State board	79,963	—	—
Legislation coordination office.....	110,398	—	—
Legal office	144,629	—	—
Deputy for administration	54,773	—	—
Grants and funds office	49,253	—	—
Deputy for program	70,729	—	—
Management financial resources and distribu- tion of aid	54,955	\$55,355	\$58,957
Fiscal management services	42,677	41,788	50,944
EDP management.....	18,390	—	—
Budget office	129,375	250,714	263,497
Fiscal reports office.....	91,374	229,892	306,111
Accounting office.....	571,185	882,214	967,525
Business service office	512,994	257,548	276,342
Contract analysis office	31,370	50,338	56,311
Internal audit unit.....	1,418	70,473	78,110
Management administrative services	58,244	53,272	60,329
Personnel and training office	203,898	250,935	263,520
Management analysis office	90,391	118,723	142,734
Management—vocational education.....	—	167,154	184,942
Management—special education.....	173,534	201,940	211,842
Management—compensatory education	132,100	141,763	147,454
Management—State Library	184,615	160,315	311,068
Management—general education	118,412	243,104	245,435
Statewide cost allocation	448,450	625,056	650,000
Totals, indirect costs	\$3,846,892	\$3,800,584	\$4,275,121
Less distributions to programs.....	-3,846,892	-3,800,584	-4,275,121

designed to facilitate communication and relation between educators and policy matters. California has seven commissioners, the Governor, two legislators and four educators, and pays an annual dues of \$24,000. We believe that the value of participation in such an organization should be evaluated periodically. We have been unable to obtain a recent evaluation of California's benefits from membership and recommend that the office of planning conduct such an activity.

C. INDIRECT COST UNITS

The indirect cost units are administrative departmental activities which support and are distributed to all programs on the basis of direct labor costs incurred by the programs. Table 57 summarizes the allocations of these units.

D. SERVICE UNITS

The service units are departmental activities which provide direct services to all programs but which are centralized to avoid duplication and to permit greater efficiency. The service units charge for services provided at established billing rates which absorb costs of operation. Table 58 summarizes expenditures of these units.

Table 58
Expenditures of Service Units

	<i>Actual</i> <i>1972-73</i>	<i>Estimated</i> <i>1973-74</i>	<i>Proposed</i> <i>1974-75</i>
Publications office	\$301,615	\$429,324	\$426,001
Audiovisual services	32,259	43,193	44,862
EDP management	—	95,621	103,914
Duplicating services	—	86,118	93,171
Word processing center	—	58,090	62,144
Totals, service unit costs	\$333,874	\$712,346	\$730,092
Less user charges	-333,874	-712,346	-730,092

CONTRIBUTION TO TEACHERS' RETIREMENT FUND

Item 345 from the General
Fund

Budget p. L-61 Program p. II-416

Requested 1974-75	\$135,000,000
Estimated 1973-74	135,000,000
Actual 1972-73	135,000,000
Requested increase—None	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

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

Prior to Chapter 1305, Statutes of 1971, teachers' contributions were based on a schedule which varied with the members' sex and age at entry into the system, averaging 7.4 percent of salary. The school districts con-

CONTRIBUTION TO TEACHERS' RETIREMENT FUND—Continued

tributed 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 *Never* funded because the employer (district) contributions were inadequate to cover the employer obligation for benefit payments. As a result, the unfunded accrued liability of the system exceeded \$4 billion in 1971.

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

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

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

COMMISSION FOR TEACHER PREPARATION AND LICENSING

Item 346 from the Teacher Credentials Fund

Budget p. 201 Program p. II-424

Requested 1974-75	\$1,928,819
Estimated 1973-74.....	2,414,219
Actual 1972-73	1,755,855
Requested decrease —\$485,400 (20.1 percent)	
Total recommended reduction	None

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Examination Development. Recommend Legislature (1) direct commission to curtail expensive examination development program in favor of program directed towards modifying existing examinations and (2) direct commission to administer such examinations as an alternative system.

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2. Control List. Recommend Legislature direct commission 828 to adopt and promulgate written procedures for students to enter on an appeals basis the Fisher Act control list after the December 1, 1973, cutoff date.

ANALYSIS AND RECOMMENDATIONS

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

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

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

<i>Functions</i>	<i>Actual 1972-73</i>	<i>Estimated 1973-74</i>	<i>Proposed 1974-75</i>	<i>Change</i>
a. Approved Programs	\$234,858	\$274,957	\$281,336	6,379
b. Examination Development.....	143,012	774,931	237,798	-537,133
c. Licensing	1,102,767	1,080,172	1,080,437	265
d. Standards.....	356,184	284,159	329,248	45,089
e. Administration	(469,053)	(477,699)	(495,032)	17,333
f. <i>Teacher Evaluation Study</i>	—	342,000	1,200,000	858,000
Totals	\$1,836,821	\$2,756,219	\$3,128,819	\$372,600
<i>Teacher Credentials Fund</i>	\$1,755,855	\$2,394,219	\$1,928,819	\$465,400
<i>Federal funds</i>	80,966	342,000	1,200,000	858,000
<i>General Fund</i>	—	20,000	—	-20,000

Ryan Act Reforms

The Ryan Act was enacted by the Legislature to reform California's system of educating and credentialing elementary and secondary school teachers. Under the educational reform aspects of the act, (1) decreased emphasis is placed on school of education courses (no more than 12 units of professional preparation courses including reading methodology can be required prior to student teaching), (2) students are required to be exposed to fieldwork in school districts to a greater extent (the act requires one semester of full-time student teaching), (3) provision is made for a liberal arts-diversified degree (84 units equally distributed among (a) English, (b) social sciences, (c) humanities and fine arts, and (d) mathematics and the physical or life sciences), (4) all students of education must be trained to teach reading (a minimum of three units), and (5) students are encouraged to complete a partial credential within four years in order to achieve immediate employment and obtain a life credential within the following five years.

The credentialing reforms of the Ryan Act (1) created the Commission for Teacher Preparation and Licensing, responsible to the State Board of

COMMISSION FOR TEACHER PREPARATION AND LICENSING—Continued

Education, consisting of 15 voting members appointed by the Governor and five ex officio nonvoting members, (2) authorized the credentialing of teachers either through a commission-approved examination to insure course and content knowledge or through a commission-approved academic program in specified areas at an institution of higher education, and (3) established one basic teaching credential and one basic services credential with subauthorizations by disciplines as shown in Schedule A. No credential, however, would be required to serve as chief administrative officer of a school district.

Schedule A
Credentials Authorized by the Ryan Act

I. TEACHING CREDENTIAL: with authorizations in**A. Single subject instruction in**

- ^a1. English
2. Physical science
3. Mathematics
4. Social science
- ^a5. Industrial arts
6. Physical education
- ^a7. Business
- ^a8. Music
- ^a9. Art
- ^a10. Home economics
- ^a11. Languages
12. Government
13. History
14. Life science

^aB. Multiple subject instruction**C. Specialist instruction in (including but not limited to)**

- ^a1. Early childhood education
- ^a2. Reading specialist
3. Mathematics
4. Special education
- ^a5. Bilingual—cross-cultural

D. Designated subjects (technical, trade, or vocational education)**II. SERVICES CREDENTIAL:****A. Pupil personnel services, (including but not limited to)**

1. Child welfare and attendance
2. Counseling
3. School psychology
4. School social work

^aB. Health services**^aC. Library science****^aD. Administration service****Concern About Implementation**

We are concerned as to whether the transition to the Ryan Act has been administered by the commission in a timely and efficient manner so as not

^aGuidelines approved by commission.

to delay or unnecessarily hinder current college students in achieving their teaching or service credentials. Areas of specific attention include (1) development of subject matter examinations, (2) related waiver by the commission of academic programs which fulfill the examination requirements, and (3) creation of a control list of all students who can reasonably achieve a partial or complete Fisher Act credential by September 15, 1974.

Modifying Examination Procedures

We recommend that the Legislature (1) direct the commission to curtail its expensive examination development program in favor of a program directed towards modifying existing examinations and (2) direct the commission to administer such examinations as a secondary alternative rather than as the primary system for credentialing teachers.

Perhaps the most unusual aspect of the Ryan Act is the requirement that "the adequacy of subject matter preparation and the basis for assignment of certified personnel shall be determined by the successful passage of a subject matter examination as certified by the commission, except as specifically waived . . ." It is currently estimated that full implementation of the Ryan Act will require the certification of 22 examinations to cover the single subject, multiple subject, reading, administrative and services areas.

The act required the commission to create subject matter advisory panels consisting of recognized leaders in the subject matter fields. Various panels of approximately five members each were designated between October 1971 and June 1972. (Due to 1973 legislation, panels in government, history and life sciences are still to be designated.) Their duties were to establish the scope and content of knowledge in each subject matter area i.e. English, mathematics, etc., and to determine if there were existing national examinations which were adequate to test such knowledge.

Except for the multiple subject and reading examinations the panels determined that existing examinations were inadequate to meet their scope and content determinations and that the commission should proceed to develop new examinations which contained adequate subject matter scope and content as recommended by the panels and adopted by the commission.

Time Table Problems

The commission's original planning timetable called for all of the examinations to be available to students in the fall of 1974. To aid in this purpose the Budget Act of 1973 provided, in Item 313.1, a \$350,000 General Fund loan to the commission.

As of January 1974 only two examinations are available, seven single subject scope and content documents have been cleared for examination development, and seven adoptions are outstanding (see schedule A). The seven adopted statements were offered to private examination development companies for bid. Two companies made bids to the commission. However, the bids were so high that the commission rejected them and directed the staff to negotiate with the companies for lower bids. These negotiations are currently underway, and none of the \$350,000 which the commission in May of 1973 maintained was needed "immediately" has

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been encumbered. Unanticipated surpluses have allowed the \$350,000 to be available from the Credential Fund instead of the General Fund. The commission has requested an additional \$600,000, for 1974-75 which is not included in the budget.

We believe the \$350,000 provided in 1973-74 is adequate to accomplish the examination development responsibilities, particularly if the funds are utilized to adapt existing examinations. Additional augmentations would be excessive, in light of (1) legislative concern expressed at a special hearing of the Assembly Education Committee on November 13, 1973, that the examinations were merely a secondary alternative, rather than the primary, means to a credential and (2) the commission's estimate that their planned \$1 million development program will result in a \$50-\$60 application fee.

Examination Waivers

As the alternative to the examination process, the Ryan Act specifies that "the commission shall waive the subject matter examination requirements for graduates of accredited public and private institutions of higher education who hold subject matter degrees specified by the commission. Eligibility for an examination waiver can only be achieved when the subject matter degree is one which is listed by the commission . . ."

The commission has interpreted this requirement to mean that the institutions' academic programs will be approved under the waiver provisions when they comply with the extensive examination scope and content requirements specified by the various subject matter panels. This policy will require a detailed analysis of each English, government, etc., degree program in all the state's institutions of higher education.

Many institutions of higher education are concerned that the commission's interpretation of the Ryan Act is overprescriptive. The act makes no mention of academic degree scope and content analysis. As stated previously, it merely says "eligibility for an examination waiver can only be achieved when the subject matter degree is one which is listed by the commission . . ." Thus, an accredited English degree would satisfy the English category and consequently simplify the credentialing process in accordance with the intent of the Ryan Act. We recommend this approach.

Control List

We recommend that the Legislature direct the commission to adopt and promulgate written procedures for students who desire to enter on an appeals basis the Fisher Act control list after the December 1, 1973, cutoff date.

Those students who can reasonably complete a partial or full credential under the Fisher Act by September 15, 1974 are not covered by the Ryan Act. In an attempt to avoid hardships, the commission adopted the concept of a control list of Fisher Act students (commonly referred to as the "Lock List") in April 1973. While there was some discussion of the list procedure, a definitive directive was not issued to the institutions of higher education until September 28, 1973. This document requires the institutions to analyze their students' status and no later than December 1, 1973,

submit a list of persons who are in credential programs for which the institution is approved and who can reasonably be expected to complete at least a partial Fisher Act credential by September 15, 1974, in the program in which they are enrolled. The directive is a brief 1½ page statement which allows each institution a broad range of discretion particularly as it decides which part-time students will be on the list. Since there were some 70 institutions administering the lists within a two-month period, the criteria for inclusion varied. Students with similar characteristics could enter the list at one institution, but not at another. Students who dropped out for a semester in fall 1973 did not enter the list. There is no clear written statement from the commission explaining (1) whether there will be an appeals process to add names to the December 1, 1973, list, (2) by whom it will be administered, or (3) how it will be administered. We suggest a need for administrative clarification of these matters.

Student Confusion

These issues create a large element of apprehension and confusion among education students. Ryan Act students who are three-fourths through their B.A. degree program are counseled that subject area examinations have not been developed nor have any college academic programs which would serve to waive the examinations been approved by the commission. These students are advised (1) to trust that their current college programs will be approved by the commission and (2) that if they must eventually take examinations, the examinations will be developed on time and the student's knowledge in the various subject areas will be sufficient for successful completion of the examination whose scope and content in many popular areas such as mathematics and social sciences is yet to be defined by the commission. We view this to be a disturbing situation at best. Hopefully the budget review process will aid in clarifying and relieving current problems associated with implementing the Ryan Act.

HIGHER EDUCATION

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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. Information on higher education organiza-