

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 federal aid.

In 1976-77, state General Fund expenditures for education continue to account for the largest share of the budget dollar. The budget summary which follows indicates that in 1976-77 more than \$4.5 billion will be spent

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by the state General Fund for all facets of education (excluding capital outlay). Such expenditures represent 43.6 percent of the proposed General Fund expenditures during the budget year and 32.4 percent of all expenditures, excluding bond funds. These amounts include (1) support for the University of California, the California State University and Colleges, the public school system and state special schools, and (2) support for special programs such as Early Childhood Education, compensatory education, vocational education and debt service on public school bonds. Table 1 shows total state operations expenditures and subventions for education from the General Fund for the past fiscal year, estimated expenditures for the current year and the amounts proposed for 1976-77.

Table 1
General Fund Expenditures for Education

	<i>Actual 1974-75</i>	<i>Estimated 1975-76</i>	<i>Proposed 1976-77</i>	<i>Change from 1975-76</i>	
				<i>Amount</i>	<i>Percent</i>
State Operations:					
Department of Education	\$11,729,171	\$15,311,178	\$16,245,805	\$+934,627	+6.1% ^a
Special Schools for the Handicapped..	12,707,173	14,436,605	14,443,835	+7,230	+0.1
Advisory Council on Vocational Education	110,829	153,669	61,164	-92,505	-60.2
Division of Libraries Commission for Teacher Preparation and Licensing	2,756,754	3,289,567	3,374,307	+84,740	+2.6
Postsecondary Education Commission	9,303	1,371	—	-1,371	-100.0
University of California ^b	914,887	1,289,365	1,266,390	-22,975	-1.8
Hastings College of Law	514,566,350	587,095,381	619,042,922	+31,947,541	+5.4
California State University and Colleges ^c	2,684,019	3,172,810	3,556,773	+383,963	+12.1
California Maritime Academy	481,546,141	542,057,016	576,326,165	+34,269,149	+6.3
California Community Colleges	1,463,852	1,802,390	1,944,095	+141,705	+7.9
Student Aid Commission	1,328,791	1,783,571	1,957,632	+174,061	+9.8
	42,483,456	53,914,321	62,659,212	+8,744,891	+16.2
Totals—State Operations.....	\$1,072,300,726	\$1,224,307,244	\$1,300,878,300	\$+76,571,056	+6.3%
Local Assistance: ^d					
Early Childhood Education	40,913,066	63,200,000	97,700,000	+34,500,000	+54.6
Educationally Disadvantaged Youth	83,122,784	90,482,400	90,482,400	—	—
Compensatory Education	3,833,266	3,695,000	3,695,000	—	—
Special Elementary School Reading Program	15,349,625	13,849,625	13,849,625	—	—

Special Education Master Plan.....	300,000	10,000,000	24,000,000	+14,000,000	+140.0 ^a
Sheltered Workshops Development Centers	—	170,000	170,000	—	—
Vocational Education Career Guidance Centers.....	8,322,630	10,990,760	12,540,430	+1,549,670	+14.1
Child Development ^f	—	417,000	833,000	+416,000	+99.8
Indian Education.....	47,514	74,290	—	-74,290	-100.0
Bilingual-Crosscultural	40,758,826	47,535,811	46,653,447	-882,364	-1.9
Instructional Materials.....	610,590	560,806	600,000	+39,194	+7.0
Instructional Television	4,168,108	9,011,673	9,387,708	+376,035	+4.2
Continuous Schools..	25,031,936	27,527,178	29,735,136	+2,207,958	+8.0
Child Nutrition.....	718,028	814,000	814,000	—	—
Apportionments for Public Schools.....	—	373,000	—	-373,000	-100.0
Loans to School Districts	13,291,316	33,927,781	44,689,928	+10,762,147	+31.7
Assistance to Public Libraries.....	1,950,343,429	2,118,340,509	2,216,046,647	+97,706,138	+4.6
Legislative mandates Teacher's Retirement	367,739	-84,685	3,167	+87,852	+103.7
Debt Service to Public School Building Bonds	1,000,000	1,000,000	1,000,000	—	—
Community College Apportionments....	—	28,750	32,500	+3,750	+13.0
Community College Extended Opportunity Programs....	135,000,000	135,000,000	135,000,000	—	—
Totals—Local Assistance.....	43,191,715	34,971,573	27,448,811	-7,522,762	-21.5
	346,066,049	381,161,799	460,880,413	+79,718,614	+20.9
	6,170,500	7,656,018	11,484,027	+3,828,009	+50.0
	<u>\$2,718,607,121</u>	<u>\$2,990,703,288</u>	<u>\$3,227,046,239</u>	<u>\$+236,342,951</u>	<u>+7.9%</u>

GRAND TOTALS/

General Fund..... \$3,790,907,847 \$4,215,010,532 \$4,527,924,539 \$+312,914,007 +7.4%

^a State operations have been increased for 1974-75 and 1975-76 to reflect the expenditures for the following categorical programs: Educationally Disadvantaged Youth, Special Education Master Plan, Child Development, Indian Education, Bilingual-Crosscultural, Instructional Television and Child Nutrition.

^b Does not include \$25,243,000 1976-77 salary increases.

^c Does not include \$27,402,000 for 1976-77 salary increases.

^d Local assistance for 1976-77 has been reduced to reflect the cost of state operations for the following categorical programs: Educationally Disadvantaged Youth, Special Education Master Plan, preschool Child Development, Indian Education, Bilingual-Crosscultural, Instructional Television and Child Nutrition.

^e This increase is solely the result of a bookkeeping change. In 1975-76, the public school apportionments provided \$14 million to Master Plan districts in addition to the \$10 million credited under the Master Plan entry. In 1976-77 the apportionments will again provide \$14 million and the budget reflects a debit to the apportionment account and a credit to the Master Plan.

^f It should be noted that \$10 million has been added to the Health and Welfare Agency budget in 1976-77 for Special Assistance for Children's Programs. This expanded amount of funding will be administered by the Secretary of the Health and Welfare Agency.

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SUMMARY OF FEDERAL AID TO CALIFORNIA SCHOOLS

Federal assistance to California is composed of a wide variety of programs which are designed to provide special assistance for (1) a particular element of the pupil population, (2) instruction in specific subject areas and (3) support to relieve significant problems. Table 2 identifies the major programs and subprograms of federal assistance and indicates the anticipated amounts California will receive under each. The table demonstrates that \$403 million is anticipated in the budget year from all programs.

STATE AND LOCAL SUPPORT TO PUBLIC SCHOOLS

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

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

Table 2
Federal Support to California Schools *

	Actual 1974-75	Estimated 1975-76	Estimated 1976-77	Change from 1975-76	
				Amount	Percent
Elementary and Secondary Education Act:					
Title I: Compensatory Education					
Low-Income Families	\$113,960,213	\$142,164,193	\$128,062,203	\$-14,101,990	-10.0%
In Schools for					
Handicapped	1,882,160	2,169,878	2,026,019	-143,859	-6.6
In Institutions for					
Delinquent	1,301,218	1,594,946	1,448,082	-146,864	-9.2
In Adult Correctional Institutions	—	183,601	183,421	-180	-0.1
Migrant—Assistance to Impacted Districts	9,373,952	24,347,357	17,341,872	-7,005,485	-28.8
Migrant—Preschool	457,000	457,000	457,000	—	—
Urban and Rural Schools	619,053	4,079,039	—	-4,079,039	—
State Administration	2,160,984	2,359,590	2,464,088	+104,498	+4.4

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Subtotals, Title I	\$129,754,580	\$177,355,604	\$151,982,685	\$-25,372,919	-14.3
Title II-IV B: School Library Resources	3,053,345	16,153,187	8,987,894	-7,165,293	-44.4
Title III-IV C: Supplemen- tary Centers and Services	7,436,773	10,052,039	9,833,459	-218,580	-2.2
Title III-IV B: Guidance, Counseling and Testing ..	1,282,247	1,370,999	1,326,623	-44,376	-3.2
Title V-IV C: Strengthening the State Department	2,868,065	3,691,085	3,628,470	-62,615	-1.7
Title V-IV C: Regional Evaluation Improvement Centers	859,307	370,312	390,460	+20,148	+5.4
Subtotals, ESEA	\$15,499,737	\$31,637,622	\$24,166,906	\$-7,470,716	-23.6
Right to Read	332,607	381,664	389,990	+8,326	+2.2
Advisory Council on Vocation- al Education	66,510	179,740	197,916	+18,176	+10.1
NDEA Title III-IV B—Equip- ment and Minor Remod- eling	1,594,299	3,585,287	2,227,794	-1,357,493	-37.9
Education Professions Devel- opment Act:					
Vocational Technical	904,486	432,614	425,056	-7,558	-1.7
Vocational Education Act:					
Occupational Preparation ..	49,295,654	53,775,100	\$46,740,716	-7,034,384	-13.1
Adult Education Act (BASIC)	4,465,911	6,725,974	4,517,430	-2,208,544	-32.8
Manpower Development and Training Act:					
Occupational Preparation ..	366,720	—	—	—	—
Child Nutrition Act of 1966, PL 93-150	119,066,556	139,807,092	153,346,219	+13,539,127	+9.7
Education of the Hand- icapped Act, Title VI					
Special Education	6,053,287	11,756,324	11,756,324	—	—
Federal Education Projects (Misc.)	1,377,239	2,790,333	1,689,276	-1,101,057	-39.5
Library Services and Con- struction Act	1,374,107	4,662,380	5,565,396	+903,016	+19.4
Totals, Federal Aid	\$336,151,693	\$433,089,734	\$403,005,708	-30,084,026	-6.9%

^a Not shown in this table are federal aid from ESEA Title VII (Bilingual Education), Economic Opportunity Act—Headstart and Followthrough and funds from PL 874—Aid to Federally Impacted Areas. Funds from these four programs flow directly from the federal level to the local district and are not reflected in the Governor's Budget. In 1976-77 the total for these four programs is estimated to be \$127.8 million, an increase of \$4.3 million or 3.5 percent over 1975-76.

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

<i>Year</i>	<i>Total General Fund revenues of school districts (state and local)^b</i>	<i>State School Fund</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>
1963-64	\$2,193,337	\$839,341	\$103,443	\$942,784	38.3%	43.0%
1964-65	2,443,975	937,400	117,880	1,055,280	38.5	43.4
1965-66	2,663,827	997,288	127,473	1,124,761	37.4	42.3
1966-67	2,973,706	1,049,793	170,627	1,220,420	35.3	41.0
1967-68	3,403,000	1,271,933	169,579	1,441,512	37.4	42.4
1968-69	3,699,560	1,315,158	189,810	1,504,968	35.5	40.7
1969-70	4,067,690	1,432,997	201,851	1,634,848	35.2	40.2
1970-71	4,491,956	1,518,899	212,991	1,731,890	33.8	38.6
1971-72	4,829,150	1,500,341	240,794	1,741,135	31.1	36.1
1972-73	5,198,500	1,582,366	242,035	1,824,401	30.4	35.1
1973-74	5,879,623	2,122,340	390,967	2,513,307	36.1	42.7
1974-75 ^a	—	—	—	—	—	—

^a Final 1974-75 figures are not available.

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

^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 1976-77	\$33,302,388
Estimated 1975-76.....	31,289,780
Actual 1974-75	26,726,601
Requested increase \$2,012,608 (6.4 percent)	
Total recommended reduction	\$306,175

<i>Budget Act Item</i>	<i>Budget page</i>	<i>Analysis page</i>
335 General activities	860	663
336 EDY and Child nutrition administration	860	663
337 Driver training	859	663
340 Advisory Council on Vocational Education	864	663
341 Special schools	853	663
342 State library	864	749

State School Building Aid Fund

Requested 1976-77	\$357,068
Estimated 1975-76.....	348,884
Actual 1974-75	323,996
Requested increase \$8,184 (2.3 percent)	
Total recommended reduction	\$33,398

<i>Budget Act Item</i>	<i>Budget page</i>	<i>Analysis page</i>
338 School facilities planning	859	718

Surplus Educational Property Revolving Fund

Requested 1976-77	\$4,587,208
Estimated 1975-76.....	4,659,650
Actual 1974-75	3,908,707
Requested decrease \$72,442 (1.6 percent)	
Total recommended reduction	None

<i>Budget Act Item</i>	<i>Budget page</i>	<i>Analysis page</i>
339 Educational agency for surplus property	858	718

Department of Education

LOCAL ASSISTANCE

General Fund

Requested 1976-77	\$2,560,268,603
Estimated 1975-76.....	2,402,315,565
Actual 1974-75	2,153,201,487
Requested increase \$157,953,038 (6.6 percent)	
Total recommended reduction	\$22,377,485

<i>Budget Act Item</i>	<i>Budget page</i>	<i>Analysis page</i>
320 Early childhood education	829	705
321 Educationally disadvantaged youth	846	669
322 Compensatory education	846	672
323 Miller-Unruh reading	830	710
324 Master plan for special education	851	699
325 Occupational training for the handicapped	851	699
326 Development centers	854	701
327 Child development and preschool	845	683
328 Indian education centers	843	681
329 Bilingual education	841	673
330 Instructional television	849	697
331 Child nutrition programs	858	738
333 Assistance to public libraries	865	750
334 Mandated local programs	867	665
Statutory Transfer to State School Fund	855	719

California Environmental Protection Fund

Requested 1976-77	—
Estimated 1975-76.....	275,000
Actual 1974-75	275,000
Requested decrease \$275,000 (100 percent)	
Total recommended reduction	None

<i>Budget Act Item</i>	<i>Budget page</i>	<i>Analysis page</i>
— Conservation education	849	697

State Transportation Fund—Motor Vehicle Account

Requested 1976-77	—
Estimated 1975-76.....	100,000
Requested decrease \$100,000 (100 percent)	
Total recommended reduction	None

<i>Budget Act Item</i>	<i>Budget page</i>	<i>Analysis page</i>
— Severance aid for highway land	854	719

Driver Training Penalty Assessment Fund

Requested 1976-77	\$21,500,000
Estimated 1975-76.....	20,200,500
Actual 1974-75	18,223,968
Total recommended increase	\$6,500,000

1976-77 FUNDING BY ITEM AND SOURCE

Budget Act Item	Budget page	Analysis page
— Statutory transfer to General Fund and then to State School Fund	857	714

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

	Analysis page
1. Categorical Funds. Recommend review of critical mass concept used to establish per pupil expenditures of categorical funds.	667
2. <i>Migrant Education Unit. Delete \$33,398 from State School Building Aid Fund (Item 338).</i> Recommend deletion of one half-time community services consultant and one half-time clerical position.	668
3. <i>Educationally Disadvantaged Youth Program (EDY)—Augment General Fund Local Assistance (Item 321) by \$2.7 million.</i> Recommend augmentation to guarantee school districts will receive at least 85 percent of 1975-76 EDY allocation as a result of update of EDY allocation formula.	670
4. <i>Educationally Disadvantaged Youth Program (EDY).</i> Recommend the Department of Education submit plan to reduce EDY entitlements to school districts which demonstrate low levels of program effectiveness.	671
5. <i>Professional Development Centers.</i> Recommend Department of Education limit school district participation to three consecutive years.	672
6. <i>Bilingual Education.</i> Recommend Department of Education demonstrate its ability to coordinate program efforts directed at limited and non-English-speaking K-12 population.	676
7. <i>Bilingual Education.</i> Recommend Budget Act language to preclude state bilingual program (AB 2284) funds from supplanting any other state or federal funds available for same purpose, and that AB 2284 grants reflect availability of other resources.	677
8. <i>Bilingual Education.</i> Recommend Department of Education revise scoring criteria of language dominance survey to increase test reliability.	678
9. <i>Bilingual Education.</i> Recommend Department of Educa-	678

DEPARTMENT OF EDUCATION—Continued

- tion provide tabulation of percentage of monolingual English and limited or non-English-speaking students in AB 2284 programs.
10. Bilingual Education. Recommend Department of Education conduct survey of language facility of California teachers and provide results to school districts. 680
 11. Bilingual Education. Recommend legislation to revise the Bilingual Teacher Corps Program from grant to loan program. 680
 12. *Child Development*. Recommend \$47,013,942 of funding of Child Development programs be from state General Fund rather than federal Title XX funds and that liberated Title XX funds be used in lieu of General Fund for other social services programs. 685
 13. Child Development. Recommend Department of Education require child care centers to adhere to and not exceed federal staff-child ratio requirements. 686
 14. Child Development. Recommend Department of Education submit revised staff-child ratio requirements to become effective January 1, 1977 and Legislature adjust reimbursement rates effective July 1, 1977. 686
 15. Child Development. Recommend Department of Education encourage differentiated staffing in child care centers. 687
 16. Child Development. Recommend Department of Education submit plan for expanding use of family day care homes. 687
 17. Child Development. Recommend Department of Education submit annual child care report reflecting recipients, characteristics, expenditures and effectiveness of child care. 688
 18. Child Development. Recommend Department of Education revise specified policies for reimbursing child care agencies. 688
 19. Child Development. Recommend Health and Welfare Agency report on effectiveness of child care in reducing economic dependency. 688
 20. Child Development. Recommend Department of Education revise policies pertaining to deduction of parent fees. 689
 21. *Child Development*. *Augment General Fund support (Item 335) \$70,000*. Recommend establishment of two associate management auditor positions in Department of Education's Internal Audit Unit to review child care expenditures. 690
 22. *Child Development*. *Delete \$10 million from General Fund (Item 281)*. Recommend deletion of proposed amount for undefined expansion of children's programs. 691
 23. Mentally Gifted Minors. Recommend Department of Education revise procedures for identification of mentally gifted minors. 694

24. *Mentally Gifted Minors. Delete \$1,583,343 from General Fund apportionments for mentally gifted minors.* Recommend apportionment for mentally gifted minors be based on regular class K-12 average daily attendance (ADA) rather than total K-12 ADA. 694
25. *Mentally Gifted Minors. Delete \$2,084,472 from General Fund apportionments for mentally gifted minors.* Recommend elimination of the average daily attendance of K-3 pupils participating in the Early Childhood Education Program from apportionments for mentally gifted minors. 695
26. *Continuous Learning.* Recommend the unexpended balance of the \$800,000 appropriated by Chapter 1170, Statutes of 1973 for one-time grants to school districts with year-round programs be carried forward to 1976-77. 696
27. *Instructional Television (ITV).* Withholding recommendation approval of \$814,000 proposed in Item 330 for ITV in 1976-77 pending determination of current year ITV apportionments. 697
28. *Conservation Education.* Recommend the Department of Finance justify the proposed elimination of grants to school districts from the California Environmental Protection Program Fund. 697
29. *Special Education. Augment General Fund (Item 324) by \$1,440,000.* Recommend inflation increase for Master Plan for Special Education Pilot Project. Further recommend that Department of Education provide financial and program information concerning the pilot projects. 700
30. *Development Centers. Delete \$1,549,670 from General Fund (Item 326).* Recommend utilization of federal funds rather than state General Fund in expansion of development centers. 702
31. *Early Childhood Education (ECE). Delete \$22,100,000 from General Fund (Item 320).* Recommend ECE expansion of \$12.4 million to serve 40 percent of K-3 pupils in lieu of proposed expansion of 34.5 million to serve 52 percent of pupils. 706
32. *Early Childhood Education (ECE).* Recommend Department of Education improve ECE evaluation procedures. 707
33. *Early Childhood Education (ECE).* Recommend Department of Education submit annual ECE evaluation report by December 15. 708
34. *Early Childhood Education (ECE).* Recommend Department of Education allocate larger percentage of ECE funds to educationally needy pupils. 708
35. *Early Childhood Education (ECE).* Recommend State Board of Education adopt rules and regulations to termi- 709

DEPARTMENT OF EDUCATION—Continued

- nate unsuccessful programs in ECE school districts.
36. *Early Childhood Education (ECE)*. Delete \$234,983 from General Fund (Item 335). Recommend lower Department of Education administrative costs commensurate with our recommended local assistance funding level. 709
37. *Miller-Unruh*. Augment General Fund Local Assistance (Item 323) by \$800,000. Recommend increase to continue program at 70 percent support level. 711
38. *Miller-Unruh*. Recommend optional use of Miller-Unruh teachers in grades 4-6. 711
39. *Miller-Unruh*. Recommend maximum state subsidy of 75% for Miller-Unruh teachers. 711
40. *Miller-Unruh*. Recommend Department of Education provide additional information in annual Miller-Unruh evaluation report. 712
41. *Driver Training*. Augment \$6.5 million from the Driver Training Penalty Assessment Fund. Recommend increase in state reimbursement rate for driver training from \$60 to \$80 per pupil. 714

Program II—Administrative Support Services

42. *Adult Education*. Recommend (1) extension of budgetary cap on secondary and community college adult education, (2) factoring of adult secondary education apportionments, (3) inclusion of computational tax deduction in funding of county operated ROC/ROPs, (4) utilization of 50 minute unit to determine whether a high school student qualifies as a defined adult, and (5) inclusion of K-12 adult programs in current Postsecondary Education Commission study of community college finance. 723
43. *Adult Education*. Recommend legislation to limit apportionment credit for combination attendance in regular, adult and ROP/ROC programs. 726
44. *School District Inflation*. Recommend legislature consider (1) *Serrano* effect of inflation adjustments such as Chapter 277, Statutes of 1975 (SB 220), (2) inability of school districts to reduce costs as revenues decline because of teacher tenure laws. 727
45. *Summer School*. Recommend (1) reduction of state funding of summer school programs to reflect actual costs, and (2) Department of Education report to the Legislature on purposes and effectiveness of summer school programs. 728
46. *Serrano Considerations*. Recommend Legislature consider in review of any *Serrano* bills (1) change in entire range of distribution of ADA, (2) elimination of basic aid to high wealth school districts, (3) impact of categorical aids on revenue limits and redistribution of categorical aid based on tax effort and property wealth index. 731

47. Textbook Selection. *Delete \$54,675 from General Fund (Item 335).* Recommend disapproval of staff services analyst positions proposed for textbook selection function. 734
48. State Printer. Recommend (1) phase-out of Office of State Printing from textbook manufacturing process during 1976-77 and (2) legislation to (a) apportion all textbook funds directly to school districts, (b) restrict funds to purchase of instructional materials and (c) authorize districts to purchase directly from publisher or distributor. 734
49. Textbook Adoption. Recommend textbook minimum use period of six years. 737
50. Food and Nutrition Program. Recommend Department of Education develop accurate estimate of future state cost in food and nutrition program. 738

Program III—Departmental Management and Special Services

51. *Office of Program Evaluation—Delete \$86,517 from General Fund (Item 335)*—Recommend deletion of one consultant position for ECE evaluation and one-half consultant position for evaluation of Indian Education Centers. 742
52. Comprehensive Evaluation Plan—Recommend Department of Education annually prepare for budgetary review a comprehensive plan for educational evaluations. 743
53. Evaluation of Education Programs—Recommend Department of Education utilize statewide testing data in evaluation of education programs. 744
54. Summary of Program Evaluations—Recommend Department of Education annually prepare a summary of program evaluations. 744
55. Educational Management and Evaluation Commission—Recommend budget language to authorize Commission to spend up to \$10,000 of its budget for outside consulting services. 744
56. Indirect Costs—Recommend Department of Education respond to Department of Finance recommendations concerning indirect cost allocation system. 747

Program IV—Library Services

57. State Library—Recommend defer budget review of support for State Library until completion of feasibility study. 750

GENERAL PROGRAM STATEMENT

The budget of the State Department of Education is composed of both state operation and local assistance items. The state operation items provide support for state level administration of the public school system, the State Library and the state special schools. The local assistance items provide for specified subvention programs such as bilingual education and early childhood education. The state school apportionments for basic aid and equalization aid, which will total \$2.2 billion (K-12) in 1976-77, are not appropriated in the Budget Act. Table 1 displays all Budget Act items related to the Department of Education for 1976-77.

DEPARTMENT OF EDUCATION—Continued

Summary of Recommended Fiscal Changes
to 1976-77 Education Budget

<i>Program or Activity</i>	<i>Amount</i>	<i>General Fund</i>	<i>State School Building Aid Fund</i>	<i>Driver Training Penalty As- sessment Fund (Transfer)</i>
Migrant education	—\$33,398		—\$33,398	
Educationally disadvan- taged youth program..	+2,700,000	+2,700,000		
Child development	(+47,013,942)	(+47,013,942) ^a		
	+70,000	+70,000		
	(-10,000,000) ^b	(-10,000,000) ^b		
Mentally gifted minors	-1,583,343	-1,583,343		
	-2,084,472	-2,084,472		
Special education	+1,440,000	+1,440,000		
	-1,549,670	-1,549,670		
Early childhood education	-22,100,000	-22,100,000		
	-234,983	-234,983		
Miller-Unruh	+800,000	+800,000		
Driving Training	+6,500,000			+6,500,000
Textbook selection	-54,675	-54,675		
Office of Program Evalua- tion	-86,517	-86,517		
Subtotal—increases	+\$11,510,000	+\$5,010,000		+6,500,000
Subtotal—decreases	-27,727,058	-27,693,660	—\$33,398	
Net Change	—\$16,217,058	—\$22,683,660	—\$33,398	+6,500,000

^a Not included as a General Fund augmentation since would be offset by a General Fund reduction for other social service programs.

^b Not included in education totals since recommended reduction would be from Health and Welfare Agency Budget Act Item 281.

Budget Overview

The Department of Education's expenditure budget is organized into eight programs, elementary education, secondary education, adult education, special programs and support services, administrative support services, department management and special services, library services, and mandated local programs (legislative mandates). Table 2 displays expenditures and funding of these programs. For summary purposes we have classified as "Instruction" elementary, secondary, and adult education, and special programs and support services including mandated local programs.

The crossover between the Budget Act items shown in Table 1 and the planned expenditures shown in Table 2 is displayed in Table 3. The analysis which follows addresses all eight programs in the sequence shown in Table 2.

It should be noted that the Governor's Budget reflects a total General Fund increase of 6.5 percent (\$161,253,182) in 1976-77 over 1975-76. This

includes a proposed expansion of early childhood education by \$35 million, an expansion of the state basic and needy subsidies for school meals by \$11 million, a \$1.6 million expansion in development center services to handicapped children, \$1.5 million to establish regional adult and vocational education councils, and an expansion of demonstration programs in reading and mathematics by \$1 million. In addition, \$10 million is added to the Health and Welfare Agency's budget for expansion of children's programs. The proposed budget continues the "cap" on adult education and does not propose inflationary increases for categorical programs.

Table 1
State Department of Education
1976 Budget Act Items

<i>Item</i>	<i>Purpose</i>	<i>Actual 1974-75</i>	<i>Estimated 1975-76</i>	<i>Proposed 1976-77</i>	<i>Analysis Page</i>
Local Assistance:					
320	Early Childhood Education	\$40,913,066	\$63,200,000	\$97,700,000	
321	Educationally Disadvantaged Youth	8,122,784	90,482,400	90,482,400	
322	Compensatory Education	3,833,266	3,695,000	3,695,000	
323	Miller-Unruh Reading Program	15,349,625	13,849,625	13,849,625	
324	Special Education Pilot Pro- gram	300,000	10,000,000	24,000,000	
325	Occupational Training for Handicapped	170,000 ^a	85,000	85,000	
326	Development Centers	8,322,630	10,990,760	12,540,430	
327	Child Care and Preschool	40,758,826	47,535,811	46,590,098 ^b	
328	Indian Education Centers	350,000	310,806	600,000	
329	Bilingual Education	3,836,000	8,139,808	8,139,808	
330	Instructional Television	718,028	814,000	814,000	
331	Child Nutrition Programs	13,291,316	33,927,781	44,689,928	
332	Adult Education and Regional Occupation Centers	—	—	— ^c	
333	Assistance to Libraries	1,000,000	1,000,000	1,000,000	
334	Local Mandated Legislation	—	28,750	32,500	
	Subtotal, General fund only	\$211,965,541	\$284,059,741	\$344,218,789 ^d	
State Operations:					
335	General activities	\$10,409,263	\$11,799,401	\$13,595,848	
336	EDY and Child Nutrition Ad- ministration	742,582	1,480,538	1,692,234	
337	Driver Training	—	130,000	135,000	
338	State School Building Aid	(323,996)	(348,884)	(357,068)	
339	Surplus Property Revolving Fund	(3,908,707)	(4,659,650)	(4,587,208)	
340	Advisory Council on Vocational Education	110,829	153,669	61,164	
341	Special Schools	12,707,173	14,436,605	14,443,835	
342	State Library	2,756,754	3,289,567	3,374,307	
	Subtotal, General Fund only	\$26,726,601	\$31,289,780	\$33,302,388	
	Totals—General Fund	\$238,692,142	\$284,059,741	\$377,521,177	
	Totals—all funds	\$242,924,845	\$320,358,055	\$382,465,453	

^a Appropriated by Chapter 1472, Statutes of 1974.

^b Includes \$2,203,860 of state operations.

^c Provides control language to reflect the limitation on state apportionments for adult and ROP/ROC programs.

^d Does not include statutory transfer to state school fund of \$2,216,049,814.

DEPARTMENT OF EDUCATION—Continued

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

Program	Actual 1974-75	Estimated 1975-76	Budgeted 1976-77	1976-77 Change	
				Amount	Percent
I. Instruction:					
State operations.....	\$38,845,581	\$46,634,638	\$47,873,354	\$1,238,716	2.7%
Local assistance.....	445,256,923	573,171,270	579,252,326	6,081,056	1.1
Subtotal.....	\$484,102,504	\$619,805,908	\$627,125,680	\$7,319,772	1.2%
II. Administrative Support Services					
State operations.....	\$7,680,089	\$10,056,711	\$10,241,076	\$184,365	1.8
Local assistance.....	2,106,755,959	2,340,291,312	2,446,684,592	106,393,280	4.5
Subtotal.....	\$2,114,436,048	\$2,350,348,023	\$2,456,925,668	\$106,577,645	4.5%
III. Department Management and Special Services:					
State operations.....	\$6,516,659	\$8,889,200	\$7,304,236	\$-1,584,964	17.8
Local assistance.....	775,870	261,000	280,000	19,000	7.3
Subtotal.....	\$7,292,529	\$9,150,200	\$7,584,236	\$-1,565,964	17.1%
IV. Library Services:					
State operations.....	\$3,753,946	\$4,293,031	\$4,409,792	\$116,761	2.7
Local assistance.....	7,509,286	4,728,441	5,600,992	872,551	18.5
Subtotal.....	\$11,263,232	\$9,021,472	\$10,010,784	\$989,312	11.0
Reimbursements:					
State operations.....	\$-4,439,578	\$-5,749,262	\$-5,651,560	\$97,702	1.7
Local assistance.....	-56,988,579	-58,134,271	-57,736,725	397,546	.7
Subtotal.....	\$-61,428,157	\$-63,883,533	\$-63,388,285	\$495,248	.8%
Net Total:					
State operations.....	\$52,356,697	\$64,124,318	\$64,176,898	\$52,580	.1
Local assistance.....	2,503,309,459	2,860,317,752	2,974,081,185	113,763,433	4.0
Total.....	\$2,555,666,156	\$2,924,442,070	\$3,038,258,083	\$113,816,013	4.0%
General Fund.....	\$2,215,482,784	\$2,465,104,917	\$2,626,358,099	\$161,253,182	6.5%
State Transportation Fund, Motor Vehicle Account.....	—	100,000	—	-100,000	—
California Environmental Protection Program Fund.....	275,000	275,000	—	-275,000	—
State School Fund.....	4,847,756	3,800,000	3,950,000	150,000	3.9
Instructional Materials Fund.....	-5,323,780	16,863,885	—	-16,863,885	—
Surplus Educational Property Revolving Fund.....	3,908,707	4,639,650	4,587,208	-72,442	1.6
School Building Aid Fund.....	323,996	348,884	357,068	8,184	2.3
Driver Training Penalty Assessment Fund ..	—	200,000	—	-200,000	—
Federal funds.....	336,151,693	433,089,734	403,005,708	-30,084,026	6.9
Total Man Years.....	2,317.1	2,518.7	2,510.2	8.5	.3%

Table 3
Crossover between Budget Act Items and Education Programs

<i>Item</i>	<i>Purpose</i>	<i>Instruction I</i>	<i>Administrative Support Services II</i>	<i>Department Management and Special Services III</i>	<i>Library Services IV</i>	<i>Total</i>
320	Early childhood education	\$97,700,000	—	—	—	\$97,700,000
321	Educationally disadvantaged youth	90,482,400	—	—	—	90,482,400
322	Compensatory education	3,695,000	—	—	—	3,695,000
323	Miller-Unruh reading	13,849,625	—	—	—	13,849,625
324	Master plan for special education	24,000,000	—	—	—	24,000,000
325	Occupational training for the handicapped	85,000	—	—	—	85,000
326	Development centers	12,540,430	—	—	—	12,540,430
327	Child development and preschool	46,590,098	—	—	—	46,590,098
328	Indian education centers	600,000	—	—	—	600,000
329	Bilingual education	8,139,808	—	—	—	8,139,808
330	Instructional television	814,000	—	—	—	814,000
331	Child Nutrition programs	—	\$44,689,928	—	—	44,689,928
333	Assistance to public libraries	—	—	—	\$1,000,000	1,000,000
334	Mandated local programs	32,500	—	—	—	32,500
335	Support, Department of Education	6,926,370	2,725,492	\$3,943,986	—	13,595,848
336	Support, EDY and nutrition programs	722,490	798,764	170,980	—	1,692,234
337	Vehicle instruction (farm)	—	135,000	—	—	135,000
338	State School Building Aid Fund	(33,398)	(323,670)	—	—	(357,068) ^a
339	Surplus Property Revolving Fund	—	(4,587,208)	—	—	(4,587,208) ^a
340	Advisory Council on Vocational Education	—	—	61,164	—	61,164
341	Special schools	14,443,835	—	—	—	14,443,835
342	State library operations	—	—	—	3,374,307	3,374,307
Totals, General Fund		\$320,621,556	\$48,349,184	\$4,176,130	\$4,374,307	\$377,521,177 ^b
^a Special funds not included in totals.						
^b Reconciles to total General Fund expenditures shown in Table 2 as follows:						
	Budget Act items, as above			\$377,521,177		
	Transfer to State School Fund			2,216,049,814		
	Miscellaneous legislation			2,479,249		
	Statutory requirements			572,723		
	Instructional materials fund			29,735,136		
Total—General Fund expenditures				\$2,626,358,099		

PROGRAM I INSTRUCTION—Continued

PROGRAM I
INSTRUCTION

Items 320-342

Table 4
Instruction Program Expenditures and Funding

Program Element	Actual 1974-75	Estimated 1975-76	Proposed 1976-77	1976-77 Change	
				Amount	Percent
A. Special Programs and Support Services:					
1. Compensatory Education	\$18,083,838	33,443,681	\$26,162,572	\$-7,281,109	21.8%
2. Bilingual-bicultural education	846,872	2,054,883	2,768,919	714,036	34.7
3. Planning and federal administration	11,080,231	19,322,415	15,490,548	-3,831,867	19.8
4. Child development	83,072,396	87,617,245	87,563,027	-54,218	.1
5. Curriculum services	3,575,436	4,355,198	3,422,039	-933,159	21.4
6. Special education	30,972,189	51,442,802	67,169,519	15,726,717	30.6
7. Mandated local programs	—	28,750	32,500	3,750	13.0
Subtotal	\$147,628,962	\$198,264,974	\$202,609,124	\$4,344,150	2.2%
B. Elementary Education:					
1. Early childhood education	41,296,539	63,728,900	98,684,923	34,956,023	54.9
2. Consolidated categorical programs	204,141,217	253,046,145	232,461,394	-20,584,751	8.1
3. General activities	548,413	707,115	783,005	75,890	10.7
Subtotal	\$245,986,169	\$317,482,160	\$331,929,322	\$14,447,162	4.6%
C. Secondary Education:					
1. General secondary education	474,082	136,587	127,417	-9,170	6.7
2. Consolidated categorical programs	25,516,405	32,654,986	29,918,026	-2,736,960	8.4
3. Traffic safety education ..	195,642	263,484	271,326	7,842	3.0
4. Vocational education	55,435,344	59,615,103	53,258,436	-6,356,667	10.7
Subtotal	\$81,621,473	\$92,670,160	\$83,575,205	\$-9,094,955	9.8%
D. Adult Education:					
1. Adult education instruction	4,571,153	7,039,155	4,932,155	-2,107,000	29.9
2. Postsecondary education (school approvals)	887,026	1,129,644	1,090,302	-39,342	3.5
3. Vocational education	3,407,721	3,219,815	2,989,572	-230,243	7.2
Subtotal	\$8,865,900	\$11,388,614	\$9,012,029	\$-2,376,585	20.9%
Totals	\$484,102,504	\$619,805,908	\$627,125,680	\$7,319,772	1.2%
State Operations	38,845,581	46,634,638	47,873,354	1,238,716	2.7
Local Assistance	445,256,923	573,171,270	579,252,326	6,081,056	1.1
General Fund	217,071,351	273,113,645	323,673,528	50,559,883	18.5
Federal funds	205,872,086	283,815,487	240,427,591	-43,387,896	15.3
Reimbursements	60,854,844	62,568,837	62,991,163	422,326	.7
State School Building Aid Fund	29,223	32,939	33,398	459	1.4
California Environmental Protection Program Fund	275,000	275,000	—	-275,000	—

The instruction program consists of the four separately identified program elements of elementary, secondary, adult education and special programs and support services.

Table 4 displays expenditures and funding for the elements of the program in the order we recommend for legislative review purposes.

A. SPECIAL PROGRAMS AND SUPPORT SERVICES

Special Programs and Support Services is responsible for assisting the education age spans with, and providing leadership in, the following components: (a) bilingual-bicultural education, (b) child development, (c) compensatory education, (d) curriculum services, (e) planning and federal administration and (f) special education.

Table 5 shows funding by element and by source for these components. These figures reflect only that portion of funds allocated to Special Programs and Support Services and do not include those funds administered by the age spans.

Table 5
Special Programs and Support Services Expenditures

<i>Program Elements</i>	<i>Actual 1974-75</i>	<i>Estimated 1975-76</i>	<i>Proposed 1976-77</i>
1. Compensatory Education	\$18,083,838	\$33,443,681	\$26,162,572
2. Bilingual-Bicultural Education	846,872	2,054,883	2,768,919
3. Planning and Federal Administration	11,080,231	19,322,415	15,490,548
4. Child Development	83,072,396	87,617,245	87,563,027
5. Curriculum Services	3,573,436	4,355,198	3,422,039
6. Special Education	30,972,189	51,442,802	67,169,519
7. Mandated Local Programs	—	28,750	32,500
Total	\$147,628,962	\$198,264,974	\$202,609,124
<i>State Operations:</i>			
<i>General Fund</i>	\$17,236,328	\$20,034,092	\$20,080,712
<i>School Building Aid Fund</i>	29,223	32,939	33,398
<i>Federal funds</i>	6,482,490	6,725,112	6,813,210
<i>Reimbursements</i>	3,236,750	4,036,987	4,001,862
<i>Local Assistance:</i>			
<i>General Fund</i>	45,559,188	61,815,109	76,806,003
<i>California Environmental Protection Program Fund</i>	275,000	275,000	—
<i>Federal funds</i>	25,945,942	55,358,725	44,135,227
<i>Reimbursements</i>	48,864,041	49,958,260	50,706,212

1. COMPENSATORY EDUCATION

The compensatory education element consists of the following programs for disadvantaged youth (1) federal and state subventions for disadvantaged youth, (2) special state compensatory education projects and (3) migrant education. While the compensatory education element has responsibility for program administration, a major portion of the services are delivered by the elementary and secondary education consolidated application process.

**PROGRAM I
INSTRUCTION—Continued**

Table 6 summarizes expenditures and funding sources for this program as proposed in the Governor's Budget.

Table 6
Compensatory Education
Expenditures and Funding Sources

	<i>Actual</i> <i>1974-75</i>	<i>Estimated</i> <i>1975-76</i>	<i>Proposed</i> <i>1976-77</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
State Operations:					
ESEA Title I.....	\$1,653,514	\$1,552,076	\$1,636,127	\$84,051	5.4%
ESEA Title I (Mi- grant).....	507,470	807,514	827,961	20,447	2.5
Educationally Disad- vantaged Youth....	742,582	870,538	893,470	22,932	2.6
State Compensatory Education Pro- grams.....	783,354	645,385	640,217	-5,168	-0.8
Subtotal.....	\$3,686,920	\$3,875,513	\$3,997,775	\$122,262	3.1%
Local Assistance:					
ESEA Title I.....	117,762,644	150,191,657	131,719,725	-18,471,932	-12.3%
ESEA Title I (Mi- grant).....	9,830,952 ^a	24,347,357	17,341,872	-7,005,485	-28.8
Educationally Disad- vantaged Youth....	83,122,784	90,482,400	90,482,400	0	0
State Compensatory Education Pro- grams.....	3,833,266	3,695,000	3,695,000	0	0
Subtotal.....	\$214,549,646	\$268,716,414	\$243,238,997	\$-25,477,417	-9.5%
Total.....	\$218,236,566	\$272,591,927	\$247,236,772	\$-25,355,155	-9.3%
General Fund.....	\$88,155,741	\$95,485,729	\$95,522,088	\$36,359	0.0%
Federal funds.....	130,051,592	177,073,259	151,681,286	-25,391,973	-14.3
State School Building Aid Fund.....	29,233	32,939	33,398	459	1.4

^a Includes \$457,000 in migrant preschool funds.

A. ESEA Title I

The federal Elementary and Secondary Education Act (ESEA), Title I provides programs for disadvantaged students in state operated institutions and for children attending schools in low-income areas.

Estimated local assistance expenditures for ESEA Title I as presented in the 1976-77 Governor's Budget are summarized in Table 7.

Table 7 indicates a reduction of \$18.5 million or 12.3 percent in Title I funds available for local assistance projects in 1976-77. This is not an actual reduction but results from the carryover of \$18.5 million in Title I funds from 1974-75 to 1975-76. This carryover increases the estimated expenditures in 1975-76 by the same amount and, when compared with the proposed 1976-77 expenditures, results in the apparent reduction.

Table 7
Elementary and Secondary Education Act, Title I

	<i>Actual 1974-75</i>	<i>Estimated 1975-76</i>	<i>Proposed 1976-77</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
Children of low-income families	\$113,960,213	\$142,164,193	\$128,062,203	\$-14,101,990	-9.9%
Institutions for delinquent children	1,301,218	1,594,946	1,448,082	-146,864	-9.2
Adult correctional institutions	—	183,601	183,421	-180	-0.1
Schools for handicapped children ..	1,882,160	2,169,878	2,026,019	-143,859	-6.6
Urban and rural schools	619,053	4,079,039	—	-4,079,039	-100.0
Total	\$117,762,644	\$150,191,657	\$131,719,725	\$-18,471,932	-12.3%

Review of Critical Mass Concept

We recommend legislative review at the budget hearing of the critical mass concept used by the Department of Education to structure and coordinate the expenditure of categorical funds in school districts.

Title V of the California Administrative Code (Section 3932) provides that "for each student receiving services under ESEA, Title I or the Educationally Disadvantaged Youth Program, the district shall verify an average expenditure per student of an amount under such programs determined annually by the Superintendent of Public Instruction. Such amount shall not be less than 30 percent of the average per student expenditure excluding categorical funds in schools in California nor more than 60 percent of this average." For 1975-76, this expenditure range is approximately \$350-\$550 per student.

In implementing this provision, the department has expanded the scope of the expenditure range to include all categorical funds included in the consolidated application which affect students receiving services under ESEA, Title I or EDY (Instructions for Comprehensive Program Planning). The actual combination of funds within the expenditure range is left to the discretion of the district as long as it does not violate the eligibility requirements of the individual funding sources.

This expenditure range, referred to as the "critical mass" is based on the premise that (a) there is a minimum level of funding necessary before additional funds have an impact on student performance (\$350) and (b) there is a maximum level of funding above which the marginal impact of additional dollars is not significant (\$550).

The critical mass concept is used by the department to structure the flow of state and federal categorical funds to school districts. The parameters for this concept, presently \$350-\$550, are based on a study done by the Department of Education in 1968-69. In reviewing the study the U.S. Department of Health, Education and Welfare stated that it was a preliminary one at best with well noted cost data limitations.

We know of no other study that has replicated the findings in the department's study. To the contrary, a 1973 study by the American Institute of Research (AIR) concluded that: "There was no evidence suggesting the existence of anything resembling a critical mass. While the critical mass concept cannot be entirely discounted as a result of this study, it seems more likely that gains are proportional to expenditures over the

PROGRAM I

INSTRUCTION—Continued

entire range of expenditures.”

The Governor’s Budget estimates that \$361 million will be expended through the consolidated application in 1976-77. Approximately 75-80 percent of these funds will be expended through the critical mass concept. The funds involved are considerable and the policy implications significant. For example, if data indicate that the minimum level of expenditure is unnecessarily high, a greater number of disadvantaged students could be served without an increase in state funds by adjusting the minimum level downward.

Neither the concept of critical mass nor the particular parameters (\$350-\$550) have been considered in depth by the Legislature. Because there is contrary evidence as to the proper parameters of critical mass and the funds allocated are substantial, we believe this issue should receive legislative review. Specifically, we believe the Department of Education should provide the Legislature with answers to the following:

- (1) What empirical evidence exists to justify the existing parameters (\$350-\$550)? What benefits are realized at varying expenditure levels? On what basis are adjustments made to the parameters?
- (2) Categorical programs are initially directed at areas of greatest impact. As programs expand and serve the relatively less disadvantaged, could the critical mass parameters be adjusted downward?
- (3) Why is critical mass applied uniformly without regard to the revenue limit of a district? Is not a student relatively more advantaged by living in a high expenditure district than a low expenditure district?

B. Migrant Education

Expenditures for this activity are shown in Table 8.

Table 8
Migrant Education

	<i>Actual</i> 1974-75	<i>Estimated</i> 1975-76	<i>Proposed</i> 1976-77	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
State operations	\$507,470	\$807,514	\$827,961	\$20,447	2.5%
Local assistance.....	9,830,952	24,347,357	17,341,872	-7,005,485	28.8
Totals	\$10,338,422	\$25,154,871	\$18,169,833	-6,985,038	27.7%

Unnecessary Staffing

We recommend the elimination of one half-time community services consultant and one half-time clerical position in the Migrant Education Unit for a savings of \$33,398 to the State School Building Aid Fund (Item 338).

Chapter 106, Statutes of 1966 (1st Extraordinary Session), authorized the expenditure of up to \$1.5 million from the School Building Aid Bond Fund for the acquisition of portable school and classroom buildings. Upon the recommendation of the Director of Compensatory Education, these portable classrooms are leased to school districts experiencing an increase in pupils resulting from the temporary influx of migrant agricultural families.

Until this year, School Building Aid Funds were used to fund one half-time consultant and one half-time clerical position in the Migrant Education Section to certify the eligibility and need for school districts to participate in this program. However, as the result of a letter of understanding between the Office of Local Assistance and the Department of Education (July 18, 1975), it was agreed that these positions would no longer be funded from the State School Building Aid Fund. Consequently, these duties have been transferred to a position funded by ESEA Title I (Migrant) funds, leaving the School Building Aid positions vacant.

This change has not been reflected in the Governor's Budget for 1976-77 which proposes to continue the positions as previously funded from the State School Building Aid Fund. Therefore, we recommend the elimination of the half-time community services consultant position and half-time clerical position for a savings of \$33,398 to the State School Building Aid Fund.

C. State Educationally Disadvantaged Youth Program

Chapter 1406, Statutes of 1972 (SB 90), established the Educationally Disadvantaged Youth Program (EDY). This program provides state funds to local school districts for compensatory education programs similar to those established under ESEA Title I.

Table 9 summarizes state operations and local assistance expenditures for the EDY program.

Table 9
State Educationally Disadvantaged Youth Program

	<i>Actual</i>	<i>Estimated</i>	<i>Proposed</i>	<i>Change</i>	
	<i>1974-75</i>	<i>1975-76</i>	<i>1976-77</i>	<i>Amount</i>	<i>Percent</i>
State operations	\$742,582	\$870,538	\$893,470	\$22,932	2.6 %
Local assistance.....	83,122,784	90,482,400	90,482,400	—	—
Total	\$83,865,366	\$91,352,938	\$91,375,870	\$22,932	0.03%

Table 9 indicates that the Governor's Budget proposes to continue the EDY program at approximately the same expenditure level in 1976-77 including sufficient funds for the continuation of Long Beach and San Diego unified school districts in the EDY program.

Roll Forward

While the Governor's Budget does not provide inflation or expansion funds for EDY, there will be additional categorical funds released by the proposed \$34.5 million to local school districts for expansion of the Early Childhood Education Program (ECE). The department estimates that 32 percent of the proposed \$34.5 million expansion will go to disadvantaged schools served by state and federal categorical programs. This could release as much as \$11.6 million in categorical funds for use in other disadvantaged schools.

The department's estimate is based upon a statistical projection and does not include a breakdown of the individual categorical funds released, i.e., EDY, ESEA, Title I, bilingual, etc. However, because all of these funds are coordinated through the department's consolidated application proc-

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ess, they will serve, in total, to a) cover inflation allowances and b) expand services to the disadvantaged population.

In addition, we believe that the issue of inflation adjustments to local school district programs should be addressed in a comprehensive manner. This occurs in the annual adjustment of the school fund apportionments (discussed later in this Analysis) and in related special legislation such as Chapter 277, Statutes of 1975 (SB 220). The Legislature will be faced with various bills which deal with inflation adjustments for education and this issue should be addressed at that time.

Update of EDY Formula

We recommend a General Fund augmentation of \$2.7 million to guarantee that no school district will receive less than 85 percent of its 1975-76 EDY allocation as a result of updating the data used in determining the 1976-77 EDY apportionments.

Chapter 1406, Statutes of 1972, (SB 90) established an educational needs factor formula to determine the EDY apportionments to school districts. This formula is based upon the following three indices: (1) an index of "potential impact of bilingual-bicultural pupils", (2) a ratio of the district's "index of family poverty", and (3) a ratio of the district's "index of pupil transiency".

Following are the factors which are utilized in formulating the indices and the date at which they were collected.

Input Data for Education Needs Factor

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

This indicates that the data used to compute the EDY indices dates back to 1971-72. In the 1975-76 Budget Analysis we pointed out that the determination of educational need for 1975-76 should not be based on conditions as they existed in 1971-72. Therefore, we recommended that the department utilize the most recent data available in determining the 1975-76 EDY apportionments.

In discussing this issue before the fiscal subcommittee, representatives from the Department of Education maintained that revising the formula so late in the year would seriously disrupt planning at the school district level. Consequently, the Legislature adopted our recommendation in the Supplementary Report of the Committee on Conference but deferred the implementation date until the 1976-77 fiscal year. This would enable the department to give almost a year advance notice to school districts.

In the interim the department has chosen not to inform the affected districts. Rather, on December 23, 1975, the Chief Deputy Superintendent of the Department of Education wrote the chairmen of Assembly and Senate fiscal committees and the members of the Joint Legislative Budget

Committee and requested that the department be relieved of its obligation to comply with this directive on the basis that such a change disrupts certain district budgets.

We continue to believe that the department should use the most current data available in determining the EDY apportionments for 1976-77. Such a policy allocates funds where actually needed. However, we appreciate the short term problems that such a revision would have on the planning of some school districts. Therefore, we would recommend that the Legislature adopt language directing that school districts be guaranteed no less than 85 percent of their 1975-76 allocation. This would limit the losses to school districts which have undergone the greatest change in the past five years and is consistent with action taken by the federal government in revising the ESEA Title I formula.

Based upon estimates provided by the Department of Education, an 85 percent "hold harmless" provision would require a General Fund augmentation of approximately \$2.7 million. It should be pointed out that the estimated \$11.0 million in additional funds to serve the disadvantaged made available by the proposed ECE expansion, could probably not be used to fund the EDY augmentation because: (a) as previously discussed, the \$11.0 million estimate is made up of several categorical funds with no accurate estimate as to what proportion is represented by EDY funds; (b) there is no direct relationship between those districts having additional funds available from ECE expansion and those losing funds due to the update EDY formula; and (c) funds made available by ECE expansion cannot be transferred between districts.

Evaluation Data

The department's 1974-75 evaluations of the Title I, ESEA and EDY programs are contained in the consolidated "Evaluation Report of ECE, ESEA, Title I, and EDY 1974-75". As discussed in the ECE section of the Analysis, this evaluation contained methodological weaknesses which limited its utility for making policy decisions.

Weaknesses in the evaluations of Title I and EDY were found in the sampling procedures and the comparison groups used in the study. Because of these shortcomings discussed in the ECE and evaluation sections of this Analysis, no conclusive statements can be made concerning effectiveness of the Title I, ESEA and EDY programs.

Program Effectiveness

We recommend that the Department of Education present to the fiscal committees a plan for implementing the provisions of Education Code Section 6499.234.

Education Code Section 6499.234 provides that "For fiscal year 1974-75 and each year thereafter, . . . districts which demonstrate low levels of program effectiveness may continue to receive their computed entitlements, but the Superintendent of Public Instruction shall reduce the entitlements due such districts if he determines that such programs have limited possibilities of improved achievement."

While the Office of Program Evaluation and Research has rank ordered EDY schools based on 1973-74 data, the department has not yet taken

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action to implement this provision. We believe the department should comply with this section and should present its implementation plan for review by the fiscal committees.

D. Special State Compensatory Education

State compensatory education programs, in addition to subventions authorized under the Educationally Disadvantaged Youth Program, consist of the following special programs as listed in Table 10.

Table 10
Special State Compensatory Education Programs

	<i>Actual 1974-75</i>	<i>Estimated 1975-76</i>	<i>Proposed 1976-77</i>
a. Demonstration Programs in Reading and Math.....	\$3,041,266	\$3,045,000	\$3,045,000
b. Professional Development Centers (PDC)	650,000	650,000	650,000
Research and Teacher Education (RATE)	142,000	—	—
TOTAL	\$3,833,266	\$3,695,000	\$3,695,000

a. *Demonstration Programs in Reading and Math.* The demonstration programs in reading and math utilize innovative teaching techniques, materials and low pupil-to-teacher ratios to teach low achieving students in grades 7-9. Chapter 1127, Statutes of 1975, (SB 420) extended authority for conducting the demonstration programs to September 1, 1978, and provided an additional \$1,045,000 above the \$2,000,000 provided in the 1975-76 Budget Act. The Governor's Budget proposes to continue funding the program at the same expenditure level (\$3,045,000) in 1976-77.

b. *Professional Development Centers.* We recommend that the Department of Education be directed to limit school district participation in the Professional Development and Improvement Center Program to three consecutive fiscal years.

Chapter 1414, Statutes of 1968, (AB 920) as amended by Chapter 1499, Statutes of 1974, (AB 4151) authorized the establishment of professional development and improvement centers (PDC's) throughout the state "to offer comprehensive in-service training programs to strengthen the instructional techniques of classroom teachers in grades K-6." The legislation directed that the centers must be located in schools receiving support from either ESEA Title I, Miller-Unruh, EDY or ECE programs. Table 10 indicates that the Governor's Budget proposes to continue funding the PDC program at the same expenditure level (\$650,000) in 1976-77.

Table 11 lists the participating school districts and the length of time they have been included in the PDC program, 1969-70 through 1976-77.

The PDC program was designed to strengthen in-service training throughout the state. However, as Table 11 indicates, only eleven districts have participated in the program since 1969-70. Six of the eight districts participating in 1975-76 have been in the program for three years or longer. Two districts, Fresno and Long Beach, have been in the program the full seven years of its existence. In at least one of these districts, teachers are being cycled through the program for a second time. It should also be noted that a provision in Title V of the California Administrative

Table 11
Professional Development Center Participation

<i>School District</i>	<i>1969-70</i>	<i>1970-71</i>	<i>1971-72</i>	<i>1972-73</i>	<i>1973-74</i>	<i>1974-75</i>	<i>1975-76</i>	<i>Proposed 1976-77</i>
Berryessa.....						X	X	X
Compton.....	X	X	X					
Fresno	X	X	X	X	X	X	X	X
Long Beach	X	X	X	X	X	X	X	X
Oakland.....	X	X	X					
Pasadena.....			X ^a	X ^a	X ^a	X	X	X
Pomona					X	X	X	X
Richmond	X							
Tehama				X	X	X	X	X
Upland.....							X	X
Visalia.....				X	X	X	X	X

^a Funded through Research and Teacher Education (RATE) program.

Code virtually assures that the same eight districts will continue to receive funding in 1976-77.

Presently, the department has no plans to rotate the program among other school districts. We believe that three years is sufficient for a school district to develop and implement a program based on the PDC concept. After that time the program should become part of the continuing district responsibility for in-service training and other districts should be given the opportunity to compete for the funds.

Consequently, we recommend that the Department of Education be directed to limit school district participation in the PDC program to three consecutive fiscal years. This provision could be phased in gradually by annually terminating the two projects with the longest time in the program and reallocating the funds to other eligible districts. This would also require a change to that provision of Title V, of the California Administrative Code (Section 13040), providing continuation of funding for the existing programs in 1976-77.

2. BILINGUAL EDUCATION

The Language Dominance Survey conducted by the Department of Education in March 1975 identified a total of 233,520 limited-English speaking (LES) and non-English speaking (NES) children in California public schools. The special language needs of these students are served by a variety of state and federal programs with the major program emphasis provided through the Bilingual Education Act established by Chapter 1258, Statutes of 1972 (AB 2284). This program was increased by \$4.5 million or approximately 113 percent in 1975-76.

Proposed expenditures for Chapter 1258 programs are displayed in Table 12.

Table 12
**State Appropriations for Bilingual Education Pursuant to
Chapter 1258, Statutes of 1972 (AB 2284)**

	<i>Actual</i>	<i>Estimated</i>	<i>Proposed</i>	<i>Change</i>	
	<i>1974-75</i>	<i>1975-76</i>	<i>1976-77</i>	<i>Amount</i>	<i>Percent</i>
State operations.....	\$164,040	\$354,318	\$375,307	\$20,989	5.9%
Local assistance	3,836,000	8,139,808	8,139,808	—	—
Total	\$4,000,040	\$8,494,126	\$8,515,115	\$20,989	0.2%

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The Governor's Budget proposes to continue the program at approximately the same level in 1976-77 with an increase of only \$20,989 or 0.2 percent, all of which is in state operations. However, it should be noted that the proposed \$35 million expansion of Early Childhood Education (ECE) will also provide for expansion of Chapter 1258 programs by (a) replacing existing Chapter 1258 funds with ECE expansion funds where applicable and (b) rolling forward the Chapter 1258 funds to schools not presently served.

Survey of Funding Sources

In our 1975-76 Budget Analysis we indicated that there were a minimum of eleven state and federal programs directed at the LES and NES population in California. At that time the Department of Education was unable to provide information on either the number of LES and NES students served or funds expended by those programs on bilingual education. We indicated that these data were essential both for program coordination and for the determination of budget priorities. Consequently, the Legislature adopted language in the Supplementary Report of the Committee on Conference relating to the Budget Bill directing the department to submit "an unduplicated count of students served and dollars expended in bilingual-bicultural programs." The department conducted the survey in April 1975 and released the results in December 1975. A summary of the findings is provided in Table 13.

The results indicate that a total of \$45 million was expended in 1974-75 to provide services to 133,000 limited and non-English speaking students at an average expenditure of \$337 per student. This includes programs funded from federal and state sources only. The department also reported that a total of \$19.8 million in district funds served 70,000 students. However, it was unable to determine the extent to which district funds merely supplemented state and federal programs or provided entirely separate services.

While the survey does indicate that substantial resources other than Chapter 1258 funds are available for bilingual education (including significant district funds), we do not believe that it provides sufficient information to: (a) ensure that all available resources are being properly allocated and coordinated, and (b) determine priorities for bilingual program expansion. Specifically, we are concerned with the following issues:

(1) Because the survey was conducted by questionnaire at the end of the school year and without advance notice or instruction, there was considerable confusion on the part of school and district personnel as to how the form should be completed. Consequently, department staff had to spend substantial time checking back with districts to correct such fundamental reporting errors as the inclusion of ECE funding (which is limited to grades K-3) in the high school program.

Table 13
State and Federal Programs Serving Limited-English (LES) and
Non-English Speaking (NES) Children, 1974-75

<i>Funding Source</i>	<i>LES and NES Students Served</i>	<i>Program Expenditures</i>	<i>Cost Per Student</i>
STATE FUNDING			
Bilingual Education Act of 1972, Chapter 1258/1972 (AB 2284) "Only"	8,701	\$1,797,634	\$206
Bilingual Pilot Programs Chapter 1521/1971 (AB 116) "Only"	508	145,038	285
Miller-Unruh, Chapter 841/1972 AB 612 "Only" ^a	3,690	807,594	219
Educationally Disadvantaged Youth Chapter 1406/ 1972 (SB 90) "Only"	8,670	2,187,487	252
Early Childhood Education Chapter 1147/1972 (SB 1302) "Only"	10,319	2,223,617	215
Total State	31,888	\$7,161,370	\$224
FEDERAL FUNDING			
ESEA, Title VII	12,148	\$6,188,561	\$509
Elementary and Secondary Educ. Act (ESEA) Title I "Only"	12,872	4,166,196	323
ESEA, Title I (Migrant)	7,150	884,193	123
Emergency School Aid Act (ESAA) "Only"	4,842	3,065,293	633
Total Federal	37,012	\$14,304,243	\$386
COMBINED FUNDING			
English as a Second language, Title I, ESEA/EDY (SB 90), ECE, etc.	42,922	\$15,115,388	\$352
Bilingual Education: Combination of any of the above programs	21,252	8,364,000	393
Total Unduplicated Student Count	133,074	\$44,945,001	\$337

^a This funding source provided \$243,000 in 1974-75. The department notes that some districts also included funds from the Miller-Unruh Reading Specialist Program.

(2) The survey understates total funds expended and students served. The data summarized were based on surveys completed by only 49 percent of the schools in the state. While the results suggest that these schools represent a majority of the state's bilingual K-12 population, we still must question the extent to which other resources are as yet unreported. For example, the department's evaluation indicates that approximately 11,300 LES/NES students were served by Chapter 1258 programs in 1974-75. However, the survey results show only 8,700, a difference of 2,600 students.

(3) In addition, the survey understates funds expended and students served in particular programs. For example, Title I (migrant) provided approximately \$17 million for migrant education in California in 1974-75. Approximately \$7 million of this total was received subsequent to the April survey. However, of the remaining \$10 million the survey reports only \$0.9 million being expended on limited and non-English speaking students, leaving an expenditure gap of \$9.1 million. While migrant funds are used for a variety of purposes (health, community liaison, etc.) over one half of the total funds are allocated to "instructional services". Thus, we believe that migrant services are underreported.

(4) The survey is only a summary of expenditures *as reported* by districts. It does not include any portion of categorical funds which districts

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are receiving to meet the needs of the limited and non-English speaking students but may be expending for other purposes, e.g., general reading aides instead of bilingual aides.

It should also be noted that the department's survey was conducted in 1974-75. Several programs including the state funded Bilingual-Bicultural and Early Childhood Education programs and the federally funded Title I (Migrant) program have been significantly expanded for the 1975-76 fiscal year. Thus, the total expenditure for 1975-76 and 1976-77 should be even higher.

The department has indicated that it does not intend to conduct the survey again in 1975-76. However, similar information will be gathered through the consolidated application in 1976-77. This document is presently in the draft stages and is being revised by department staff.

Departmental Coordination

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

We noted in our 1975-76 Analysis that the departmental effort in bilingual education was fragmented and uncoordinated. No single unit within the department was responsible for directing or monitoring all of the bilingual programs and there was little coordination between units.

Over the past year the department has attempted to coordinate its efforts by departmental reorganization and restructuring the consolidated application (A-127) which is designed to enable schools and school districts to coordinate a variety of state and federal categorical funds into a comprehensive program.

In reorganizing, the department (a) abolished the matrix organization and (b) upgraded the bilingual task force to the status of a full unit, and placed it under the supervision of the Associate Superintendent for Special Programs and Support Services.

For 1975-76 the department included bilingual-bicultural funds (Chapter 1258) as part of the consolidated application and more importantly, stated that "Each school is required to provide for the needs of all students whose primary language is not English." This applies to any school submitting a consolidated application, not simply those receiving Chapter 1258 funds.

Because these changes have only recently become effective it is too early to assess their impact. While we believe that these are positive steps toward a more coordinated program, two potential problems still exist:

(1) Under the latest departmental reorganization, formal program responsibility for the bilingual-bicultural unit lies with the Associate Superintendent for Special Programs and Support Services. At the same time, responsibility for monitoring all programs under the consolidated application lies with the Elementary and Secondary Field Services Teams, which are separate units under separate supervision. We are aware that this separation has caused some confusion in school districts as to which unit

should be contacted and for what purpose.

(2) The requirement that each school provide for the needs of all students whose primary language is not English will be difficult to enforce. The combination of a large paper workload and what has so far been minimal coordination between the bilingual unit and the field service teams could restrict the monitoring and compliance efforts of those groups in ensuring that the requirement is met.

The department is presently attempting to formalize the coordination effort between the field service teams and the bilingual-bicultural unit. This coordination is essential before any additional state funds are expended in bilingual-bicultural education.

Displacement of Funds

We recommend that Budget Act language be included directing that funds appropriated pursuant to Chapter 1258, Statutes of 1972, (AB 2284) shall not supplant any state or federal funds which may be used for the same purpose. We further recommend that the Department of Education adjust the amount of Chapter 1258 bilingual grants to reflect the availability of other resources.

The Department of Education presently makes Chapter 1258 bilingual grant award determinations without regard to other resources available to the district for bilingual education. Once Chapter 1258 funds are awarded to a district, they are generally included in the "critical mass" concept which requires an expenditure range of \$350-\$550 from applicable categorical aid per disadvantaged student. While this is intended to coordinate services for the disadvantaged, it can actually result in the displacement of funds for NES and LES students.

For example, if the award of Chapter 1258 funds should result in a school exceeding the \$550 maximum, then Title I and EDY funds, in at least the excess over \$550, must be moved to another school. These displaced funds may or may not be used for LES students, depending upon the ethnic composition of the district. Even if the additional Chapter 1258 funds do not result in a school exceeding the critical mass, there is still no mechanism to ensure that these funds will not be used to replace the school's existing resources serving the LES students.

We believe that this displacement of funds contradicts efforts to coordinate all available resources to serve LES and NES students. Chapter 1258 funds should not be used simply to release other categorical funds which were serving the same population.

Therefore, we recommend that budget language be adopted directing that Chapter 1258 funds may not be used to supplant existing state or federal categorical funds. In implementing this provision, we further recommend that in determining the bilingual grant awards, the department consider all available resources. Specifically, the grant award should reflect an amount equal to the difference between program costs and available resources.

This would maximize existing resources available for serving LES students by requiring that districts use other categorical funds related to LES students to support their bilingual program; then only the additional funds

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needed would be provided by Chapter 1258. The result would be to avoid displacement of other categorical funds and to allow Chapter 1258 funds to serve more LES students.

Revise Language Dominance Survey

We recommend that the Department of Education revise the scoring criteria of the language dominance survey to increase test reliability.

Chapter 1258, Statutes of 1972, (AB 2284) requires each school district to ascertain, not later than the first day of March, the number of LES and NES students within its system. The results of this census are to be reported to the Department of Education by the first day of April of each year. The instrument used by the department to collect and aggregate the data is the language dominance survey.

Table 14 summarizes those data for the past three surveys.

TABLE 14
Language Dominance Survey (1973 through 1975)

	March 1973	March 1974	Percent Increase	March 1975	Percent Increase
Limited English speaking only	140,651	158,342	+12.6%	174,949	+10.5%
Non-English speaking only	47,508	44,803	-5.7	58,571	+30.7
Total.....	188,159	203,145	+8.0%	233,520	+15.0%

An accurate census of the NES and LES student populations is essential in identifying educational need and allocating available funds to meet that need. We question the reliability of these data because there has been substantial variation in the results collected over the past two years. For example, while the combined number of limited and non-English speaking students increased by 8 percent and 15 percent respectively in the past two years, the non-English speaking decreased by 6 percent one year and increased by 31 percent the next.

We believe that part of the problem is due to the survey instrument itself. While we have no difficulty with the questions used to determine language dominance, we believe that the criteria used to score student responses are too vague to provide reliable data. This is an especially important factor because the test is administered at the school level, sometimes by parent volunteers or paraprofessionals unskilled in interpreting and scoring test results. Therefore, we recommend that the scoring criteria be reworked to provide greater specificity to those scoring responses, and, hopefully, to increase test reliability.

High Number of Monolingual English Students

We recommend that the Department of Education provide the fiscal committees with a tabulation of the impact of the language contained in Item 316, Budget Act of 1975, limiting appropriations for monolingual English students in Chapter 1258 programs.

Chapter 1258, Statutes of 1972, (AB 2284) requires that at least 33 percent of the students enrolled in any class funded by that program must be monolingual English. Data on actual program participation indicates that

in 1973-74 56 percent of the students were monolingual English and in 1974-75, 50 percent were monolingual English.

The Legislature attempted to reduce the high percentage of monolingual English students by including language in the Budget Act of 1975 (Item 316) which provided that no funds appropriated for Chapter 1258 programs could be expended for those monolingual English-speaking students whose enrollment in a bilingual class would reduce the percentage of NES and LES students below 67 percent.

In implementing this provision, the department surveyed the Chapter 1258 programs in November 1975, to determine the effect of the budget language. As of this writing, these data were not tabulated. Because the high percentage of monolingual English students has a substantial effect in increasing the program costs of meeting the needs of LES and NES students, we believe the department should tabulate the data and provide the results to the legislative fiscal committees.

It should be noted that because the language contained in Chapter 1258 requires $\frac{1}{3}$ of the students in a class to be monolingual English, and the Budget Act of 1975 requires that $\frac{2}{3}$ must be limited or non-English speaking, schools are required to comply with a specific ratio which may be very difficult to achieve in practice. The 1976-77 Governor's Budget proposes to revise the budget language by expanding the number of monolingual English students permitted from 33 percent to 40 percent. We believe this is an appropriate change that will provide districts with some degree of flexibility while continuing to increase the actual participation rate of LES and NES students from 50 percent (1974-75 participation) to 60 percent.

Bilingual Evaluation

Under the Bilingual Education Act of 1972, the Department of Education is required to submit an annual evaluation report to the Legislature. This report was not available for our review in this Analysis. The department has indicated that it will be available during the legislative hearings on the Budget Bill.

Bilingual Exam

In last year's Analysis we pointed out that the department's bilingual evaluation was inadequate to provide the Legislature with any quantifiable measure of student performance. The department maintained that this was due in large part to the lack of a valid test to measure student achievement by LES and NES students.

Consequently, the Legislature augmented the 1975-76 budget by \$300,000 (Item 322.1) to provide for the development, standardization and implementation of a bilingual scholastic achievement test in the Spanish language. Budget Act language was included directing the department to submit a progress report to the Legislature and Governor by January 1, 1976, with a final report due on June 30, 1976.

We are aware that the department released a "Request for Proposal" (RFP) to prospective bidders on November 20, 1975. This RFP contained a target completion date of January 15, 1977. Two bids were received, neither of which satisfied the requirements of the RFP. Consequently, the department is redrafting the RFP and will have to delay the target com-

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pletion date even further. The department anticipates that the test will be available for implementation by September 1977.

Bilingual Teachers

We recommend that the Department of Education conduct the survey of language facility of California teachers in conjunction with the language dominance survey and provide a tabulation of results to participating school districts.

Chapter 1096, Statutes of 1973, (SB 1335) required the Department of Education to (a) serve as a clearinghouse for bilingual-bicultural personnel; (b) assist school districts in the recruitment of such personnel; and (c) submit a five-year projection on the need for bilingual-crosscultural teaching personnel to the Legislature by September 1, 1974.

The department has indicated that due to the lack of an appropriate instrument to ascertain teachers' linguistic capabilities and failure to agree on the definition of linguistic competencies, it was unable to make valid projections of the future need for bilingual-crosscultural teachers. However, the department did conduct a survey to determine the language facility of teachers employed in the public schools as of April 1975. This survey was conducted in conjunction with the survey of bilingual students and funding source and consequently reflects some of the same limitations discussed previously.

The survey identified a total of 25,303 teachers as having facility in more than one language (12,271 elementary teachers and 13,032 high school teachers). Of this total, 14,246 or 56.3 percent, were listed as proficient in English and Spanish. While, again, this provides a gross estimate of the language facility of California teachers, it is of very limited utility in coordinating available resources. For example, there is no information on the number of LES and NES students in these schools or on the number of teachers actually teaching in a bilingual classroom.

At a time when there is an overall surplus of teachers but an apparent shortage of qualified bilingual teachers, we believe this survey could assist school districts in coordinating existing resources (teachers) with need (LES and NES students). This could be done by conducting the teacher survey in conjunction with the language dominance survey (which identifies the number of LES and NES students). The information from these two surveys could then be correlated, tabulated and provided to the school districts. This would enable the department to fulfill the statutory requirement to serve as a clearinghouse for bilingual-bicultural personnel while minimizing the additional workload on the school districts.

Revise Bilingual Teacher Corps

We recommend legislation to revise the Bilingual Teacher Corps Program from a grant to a loan program.

Chapter 1496, Statutes of 1974, (AB 2817) established the Bilingual Teacher Corps Program and appropriated \$4.8 million for allocation from 1974-75 through 1978-79. The program provides a grant of \$1,500 plus certain expenses (approximately \$200) for bilingual teacher aides enrolled

in approved bilingual teacher training programs.

Table 15 summarizes the state operations and local assistance expenditures for the program.

Table 15
Bilingual Teacher Corps

	<i>Actual</i> 1974-75	<i>Estimated</i> 1975-76	<i>Proposed</i> 1976-77	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
State operations	\$17,135	\$97,717 ^a	\$73,222	\$-24,495	-25.1%
Local assistance	—	685,148	1,076,778	391,630	57.2
Totals	\$17,135	\$782,865	\$1,150,000	\$367,135	46.9%

^a Includes \$21,000 for 0.5 evaluation position not continued in 1976-77.

The goal of the Bilingual Teacher Corps is to increase the number of bilingual teachers in California public schools. However, there is no way of ensuring that a student will actually teach upon completion of the program. Rather, upon completion of this training there may be considerable opportunity for a person fluent in more than one language to enter an alternative profession. Because we have a need for bilingual teachers and because the state is making substantial investment in this effort (\$4.8 million) we believe the trainees should also be asked to make a commitment.

We recommend legislation to revise the Bilingual Teacher Corps program from a grant program to a loan program similar to the National Direct Student Loan Program (formerly the National Defense Student Loan Program). Under this program, a certain percent of the outstanding loans would be cancelled for each year spent as a bilingual teacher in a school district up to full forgiveness after a specified period.

If a student decided to enter another profession the loan would be repaid to the state. The effect on a student who made a career as a bilingual teacher would be identical to the existing grant program—no cost to the individual. However, it would have the advantage of providing additional motivation to continue as a bilingual teacher and also provide the state with a means of achieving the primary purpose for its investment.

Indian Education Centers

Chapter 1425, Statutes of 1974, (SB 2264) authorized the establishment of up to 10 California Indian Education Centers to serve as educational resource centers in Indian communities.

Table 16 summarizes the state operations and local assistance expenditures for the program.

Table 16
American Indian Education Centers

	<i>Actual</i> 1974-75	<i>Estimated</i> 1975-76	<i>Proposed</i> 1976-77	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
State operations	\$12,194	\$68,130 ^a	\$73,500	\$5,370 ^b	7.9% ^b
Local assistance	59,321	601,485	600,000	-1,485	-0.3
Total	\$71,515	\$669,615	\$673,500	\$3,885	0.6%

^a Includes \$18,130 from federal ESEA Title V funds for program evaluation.

^b Actual General Fund increase of \$23,500 (47.0%) resulting from assumption of federally funded evaluation position by General Fund in 1976-77.

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As the expenditure data in Table 16 indicate, 1975-76 is the first full year of operation for the Indian Center program. The Governor's Budget proposes to continue the local assistance funding at the same expenditure level for 1976-77. Total state operations will increase by only \$5,370 (7.9%). However, General Fund expenditures will increase by \$23,500 (47.0%) due to the funding of the evaluation position from the General Fund in 1976-77. This position discussed is in our review of the Office of Program Evaluation and Research.

Indian Early Childhood Education

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

Table 17 summarizes the state operations and local assistance expenditures for the program.

Table 17
Indian Early Childhood Education

	<i>Actual</i> 1974-75	<i>Estimated</i> 1975-76	<i>Proposed</i> 1976-77	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
State operations.....	\$35,743	\$—	\$—	—	—
Local assistance	260,590	250,000	—	\$-250,000	-100.0%
	\$296,333	\$250,000	—	\$-250,000	-100.0%

The Indian ECE program is in its third full year of operation in 1975-76. Because the legislation specified that this was to be a three year program, funds are not provided in the Governor's Budget for 1976-77. The Department of Education is considering continuing the project within the expansion funds provided for the statewide ECE program, but no decision has been made as of this writing.

3. PLANNING AND FEDERAL ADMINISTRATION

The Planning and Federal Administration Unit is responsible for: (a) providing planning assistance to all offices within Special Programs and Support Services; (b) providing staff services to the Educational Innovation and Planning Commission; and (c) administering federal programs funded through the newly consolidated Title IV of the Elementary and Secondary Education Act (ESEA).

ESEA Title IV includes former categorical programs funded by (a) ESEA Title II, school library resources, (b) ESEA Title III, guidance, counseling and testing, (c) ESEA Title III, supplementary centers and services, (d) ESEA Title V, strengthening state department (which remains the responsibility of executive unit), and (e) National Defense Education Act Title III.

Table 18 shows funding by element and by source for these units.

Table 18
Planning and Federal Administration

	<i>Actual</i> 1974-75	<i>Estimated</i> 1975-76	<i>Proposed</i> 1976-77
ESEA II	\$1,146,810	\$4,770,410	\$2,616,832
ESEA III, Guidance, Counseling and Testing	924,926	986,072	941,696
ESEA III, Supplementary Centers and Services	7,083,010	9,651,429	9,437,911
ESEA V	258,155	262,209	266,315 *
NDEA III	1,667,330	3,652,295	2,227,794
Total	\$11,080,231	\$19,322,415	\$15,490,548
<i>Funding</i>			
<i>State Operations:</i>			
General Fund	\$89,358	\$67,008	\$—
Federal funds	1,311,314	1,335,226	1,410,950
Reimbursements	2	—	—
<i>Local Assistance:</i>			
Federal funds	9,679,557	17,920,181	14,079,598

* Details shown with Departmental Management.

4. CHILD DEVELOPMENT/PRESCHOOL

Child development services of the Department of Education include child care services and the state preschool program with expenditures and funding as shown in Table 19.

Table 19
Child Development/Preschool
Expenditures and Funding

	<i>Actual</i> 1974-75	<i>Estimated</i> 1975-76	<i>Proposed</i> 1976-77	<i>1976-77</i>	
				<i>Amount</i>	<i>Percent</i>
a. Preschool education					
State operations.....	\$516,159	\$600,286	\$620,064	\$19,778	3.3%
Local assistance	21,259,000	23,153,044	23,153,044	—	—
Subtotal	\$21,775,159	\$23,753,330	\$23,773,108 *	\$19,778	.1%
b. Child care services					
State operations.....	\$1,402,013	\$2,202,176	\$2,203,860	\$1,684	.1%
Local assistance	68,528,932	74,153,200	74,085,152	—68,048	.1
Subtotal	\$69,930,945	\$76,355,376	\$76,289,012	\$—66,364	.1%
Combined Total					
State operations.....	\$1,918,172	\$2,802,462	\$2,823,924	\$21,462	.8
Local assistance	89,787,932	97,306,244	97,238,196	—68,048	.1
Total	\$91,706,104	\$100,108,706	\$100,062,120	\$—46,586	—
General Fund	\$41,274,741	\$48,136,097	\$47,273,511	\$—862,586	1.8
Federal funds	457,000	457,000	457,000	—	—
Reimbursements	49,974,363	51,515,609	52,331,609	816,000	1.6

* \$12,499,093 of the preschool program is included in elementary education and \$11,274,015 in special programs and support services.

A. Child Care Services

Pursuant to Chapter 670, Statutes of 1972, (AB 99) the Child Development Act, as amended by Chapter 1191, Statutes of 1973, (AB 1244) the State Department of Education has administrative responsibility for a variety of child care services for children from prekindergarten through age 14.

Major goals are (a) to enhance the educational performance of participant children, (b) to assist families in becoming self-sufficient by enabling

PROGRAM I
INSTRUCTION—Continued

parents to work or receive employment training, and (c) to provide families with a full range of child development services in the areas of education, supervision, health, nutrition, social services, parent participation, and parent education.

Table 20 summarizes the scope of child care services provided in 1975-76. The table indicates that more than 500 agencies are serving an estimated 77,000 children.

Table 20
Child Development Programs
Fiscal Year 1976/76

<i>Type Care</i>	<i>No. of Contracting Agencies</i>	<i>No. of Sites</i>	<i>No. of Children (est.)</i>
General Child Development ^a	228	792	48,150
Campus Children's Centers.....	30	44	2,050
Migrant/Rural Agricultural Centers	13	47	2,800
Standard Agreements (County Departments..... of Public Social Services)	52	Not Available	3,550
School-Age Parenting and Infant Development Programs.....	12	14	240 ^b
Pilot Study	1	Not Available	1,000 ^c
State Preschool Program ^d	186	796	19,400
TOTALS	522	1,693	77,190

^a Includes County Contract Programs, Children's Centers, and Innovative Child Care Programs.

^b Infants/toddlers only; does not include school-age parents, pregnant minors, or non-parent students.

^c Estimated 1,500 families due to receive subsidies when in full operation.

^d Includes school districts, county superintendents, and private agencies.

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, including adaptation of existing programs as necessary; (2) adopt rules, regulations and standards for accreditation of neighborhood family day care homes administered by the department; (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 lower income families who qualify under federal Title XX regulations and to other low-income and disadvantaged families; and (7) generate maximum federal reimbursement for federally eligible children.

Funding

Table 21 summarizes budgeted state and federal funds for child development programs in 1975-76 and as proposed by the Governor's Budget for 1976-77.

The table indicates proposed state/federal funding of child care programs in 1976-77 of about \$75.9 million. This is essentially the same as for the current year. In addition to the state/federal allocations, there is an estimated \$29 million of local funds allocated to these programs. The table

Table 21
Child Development Programs
Budgeted State and Federal Funds
1975-76 and 1976-77

	<i>Budgeted 1975-76</i>		<i>Proposed 1976-77</i>	
	<i>General Fund</i>	<i>Federal Funds</i>	<i>General Fund</i>	<i>Federal Funds</i>
Children's Centers:				
Federally eligible	\$10,367,588	\$23,499,000		
State means test	5,193,720	—		
Total	\$15,561,308	\$23,499,000	\$15,573,509	\$23,499,000
Chapter 177/1972 (AB 282)	\$5,264,574 ^a	\$11,964,942	\$5,264,574	\$11,964,942
Chapter 670/1972 (AB 99)	4,488,000	10,200,000	4,488,000 ^b	10,200,000
Subtotal	\$25,313,882	\$45,663,942	\$25,326,083	\$45,663,942
Campus children's centers	\$893,000 ^c	\$225,000 ^c	\$893,000 ^c	\$225,000 ^c
Special allowances:				
Rent	298,551	—	298,551	—
Handicapped	501,420	—	501,420	—
Migrant child care	763,000	1,582,000 ^d	763,000 ^e	1,582,000 ^d
High school infant care	600,000	—	600,000	—
Pilot study	142,000	—	63,000	—
Total	\$28,511,853	\$47,470,942 ^f	\$28,445,054 ^g	\$47,470,942 ^f
COMBINED TOTALS		\$75,982,795		\$75,915,996

^a Plus \$1,188,314 local maintenance of effort funds.

^b Secretary of Health and Welfare Agency, Item 281. This item also includes an additional \$10 million to be administered by the Secretary Health and Welfare Agency.

^c Plus \$373,000 local matching funds.

^d Includes \$457,000 federal ESEA Title I funds.

^e Includes \$457,000 in EDD Item 296(d) and \$306,000 in Item 327(a).

^f Includes \$47,013,942 of Title XX Social Services funds.

^g Consists of: Item 281.....\$4,488,000
 Item 296(d) (part only) 457,000
 Item 327(a) 23,437,054
 Chapter 1191, Statutes of 1973..... 63,000

\$28,445,054

NOTE: In addition to the above, local funds for children's centers programs are generated by means of school district override taxes. The Office of Educational Liaison report of December 1975, estimates these revenues totaled \$27.3 million in 1974-75.

indicates a proposed expenditure of \$63,000 in 1976-77 for the child care pilot study authorized by Chapter 1191, Statutes of 1973 (AB 1244). A Budget Bill control section 10.4 has been proposed which would extend the appropriation for this study until June 30, 1977. We concur with this extension of time to complete the study.

Current Issues

In our December 1975 report, "Current Issues in Publicly Subsidized Child Care", we reviewed state supported child development programs and updated our August 1974 report. In the December report, we made recommendations concerning a number of policy issues. We are restating some of these recommendations hereafter for consideration by the legislative fiscal committees.

Funding Switch

We recommend that \$47,013,942 of the funding of Child Development programs in 1976-77 presently proposed from federal Title XX social services funds be appropriated instead from the state General Fund. The

**PROGRAM I
INSTRUCTION—Continued**

liberated Title XX funds should be utilized in lieu of proposed General Fund appropriations for other social services programs such as homemaking/chore services for no net General Fund increase.

As indicated in our December report, this switch of funding would be at no additional cost to the General Fund but would remove state operated child development programs from unnecessarily stringent federal regulations such as (a) maintenance of high staff-child ratios and (b) provision of comprehensive services to all participant children. Through this shift of funding, the state would be able to design child care programs which best fit the circumstances whether or not the programs conform to federal regulations. We believe this policy could lead to reductions in per pupil costs without reducing program quality.

Adhering to Regulations

We recommend that, as an interim measure, the Department of Education require publicly subsidized child care centers to adhere to and not exceed federal staff-child ratio requirements.

In our report, we noted that subsidized centers, in order to receive federal funds, must maintain a staff-child ratio of 1:5 for children three to four years of age and 1:7 for children four to six years of age. The sample of subsidized centers in our 1974 study actually had an average over-all ratio of 1:4.6, with centers exceeding federal staffing requirements by an average of 17 percent.

A number of studies have demonstrated that the ratios required by federal regulations are certainly adequate to ensure quality care and in fact may be more stringent than necessary to maintain quality programs. We believe that immediate cost savings in subsidized care can be achieved without reduction in quality through an interim policy requiring centers to adhere to federal staff-child requirements rather than exceeding these requirements.

Staff-Child Ratios

We recommend that the Department of Education submit to the Legislature by November 1, 1976, revised staff-child ratio requirements for publicly subsidized child care centers to go into effect under state financing of child care services.

We further recommend (a) that these requirements take effect on January 1, 1977 and (b) that the Legislature adjust reimbursement rates for subsidized child care beginning July 1, 1977, in accordance with these new requirements.

A substantial body of research indicates that although staff-child ratios affect the quality of child care, a wide range of ratios are associated with quality care. This research indicates that ratios of teaching staff to children ranging from 1:4 to 1:10 are associated with quality programs. Additional information concerning the relationship between staff-child ratios and quality in California programs will be forthcoming in July 1976, from the Child Care Pilot Study currently being conducted by the Department of Education. We believe that the available information provides an ade-

quate basis for the development of revised staff-child ratio requirements by November 1, 1976. We anticipate that these revised requirements will be less stringent than current requirements and we believe that reimbursement rates for subsidized child care should be adjusted accordingly.

Differentiated Staffing

We recommend that the Department of Education issue child care guidelines which encourage differentiated staffing through employment of (a) teachers holding children's center permits, (b) teacher aides, and (c) volunteers.

Numerous child care studies which have been conducted in California and elsewhere demonstrate that formal educational qualifications of staff are not associated with the quality or effectiveness of child care programs. These studies have generally found that a high proportion of people with full teaching credentials is not a prerequisite for a quality program. Nevertheless, our 1974 study showed that the average publicly subsidized center had 2.3 teachers for each teacher aide or volunteer.

In order to meet federal regulations, centers must have only one teacher for every two teacher aides or volunteers. These and other data indicate that many centers are "top heavy" in that (a) teachers with regular credentials and children's center permits are filling positions that aides and volunteers could fill and (b) teachers with regular credentials are being hired for positions that teachers with children's center permits could fill. We believe the use of differentiated staffing under which the teaching function is performed by a wide range of personnel, many of whom do not have regular teaching credentials, could lead to significant cost savings without impairing the quality of subsidized child care.

Family Day Care Homes

We recommend that the Department of Education submit to the Legislature by March 1, 1976, a plan for expanding the use of family day care homes in the provision of publicly subsidized child care.

Family day care is provided for children in homes other than their own by a paid family day care operator. From the parents' point of view, family day care is often the most desirable arrangement for their children because it usually is close to home, relatively inexpensive, flexible in hours, and offers the kind of close personal care that is particularly desirable for very young children.

Analyses of the overall supply of child care indicate that there are over three times as many child care slots available in family day care homes as there are in day care centers in the community at-large. Nevertheless, only approximately 3,600 of the 56,000 children receiving subsidized care in 1975-76 are being served in family day care homes. Thus, the pattern found in subsidized child care at the state level is one of preferential funding of day care centers vis à vis day care homes. This pattern is found despite the fact that quality child care can be provided at significantly reduced costs through the mechanism of family day care homes. Consequently, we believe that existing resources should be redirected to the greater use of day care homes in the provision of subsidized child care.

**PROGRAM I
INSTRUCTION—Continued****Annual Report**

We recommend that the Education Code be amended to require the Department of Education to submit to the Legislature annually by November 1 a report on (1) the recipients of publicly subsidized child care, (2) the characteristics of subsidized child care services, (3) the total state expenditures for each type of publicly subsidized child care, and (4) the program effectiveness as measured by the educational development of participant children.

In preparing our December report, we found it extremely difficult to obtain useful and reliable data regarding the various publicly subsidized child care programs in the state. Other groups preparing state-level analyses have had the same problems. These problems indicate that the quality of information on child care programs must be improved as a step toward improving state level decision making and management.

Present statutory requirements for reporting information to the Legislature concerning child care programs are inadequate. Reports are required for three relatively small components of the state's publicly subsidized child care services. However, no requirement exists for annual, comprehensive reporting of information concerning publicly subsidized child care services. Thus, we believe the Education Code should be amended to require the Department of Education to submit to the Legislature an annual report containing statistical data, cost data and educational effectiveness data concerning publicly subsidized child care programs.

Policy Revision

We recommend that the Department of Education revise present policies for reimbursing child care agencies (1) for profit, (2) for children's unexcused absences, and (3) for capital outlay/instructional equipment purchases of over \$300 without prior approval of expenditures.

Publicly subsidized child care is extremely costly, averaging \$2,625 per child for a standard day care year. This is approximately twice the cost of nonsubsidized centers and family day care homes. In our December report, we described a number of reimbursement policies adopted recently by the Department of Education which we believe could lead to further increases in the costs of subsidized care. In view of the already high costs of subsidized care, we believe these recently initiated reimbursement policies should be eliminated.

Effectiveness

We recommend that the Health and Welfare Agency report to the Legislature by August 1, 1977, on the effectiveness of publicly subsidized child care in reducing economic dependency.

As described earlier, one of the major objectives of subsidized child care is aiding economically dependent families to achieve reduced dependency. An important finding of our December report was that subsidized child care appears to be having only a minor impact on achieving this objective. However, limitations in current procedures for measuring pro-

gram effectiveness make it impossible to reach any definitive conclusions concerning this issue. In recognition of this fact, recently instituted federal regulations require that states (a) conduct detailed evaluations of the extent to which child care and other social services are effective in reducing economic dependency and (b) submit the first federally required report conforming to these detailed requirements in July, 1977. We believe that such a report should be required by the Legislature regardless of whether subsidized child care is supported through state or federal funds.

Parent Fees

We recommend that the Department of Education rescind its present field directive to child care contracting agencies which authorizes reimbursement of child care operating costs up to the maximum per hour reimbursement levels specified by Education Code 16780, without deducting parent fees.

Education Code, Section 16780 specifies that "the maximum reimbursement level for child-hour cost within a child development program for children age two years or over shall be one dollar and five cents (\$1.05), or the actual program costs, whichever is less, minus parent fees. For children under two years of age in child development programs, the maximum reimbursement level shall be one dollar and twenty-five cents (\$1.25), or actual program costs, whichever is less, minus parent fees." (The Budget Act of 1975 revised these maximums to \$1.14 and \$1.35 respectively.)

The Department of Education's guidelines to child care operating agencies, CDU-180 dated March 13, 1975, provide that parent fees are to be deducted from total program costs and the balance will be reimbursed up to the maximum per hour reimbursement rate of \$1.05 or \$1.25 (now \$1.14 and \$1.35).

We believe the Department of Education has misinterpreted Education Code Section 16780 which specifies that programs costs be reimbursed up to the maximum per hour rates less parent fees. The effect of the department's policy is to utilize fees as an offset against local costs instead of against the state's cost.

Auditor's Needed

We recommend that (1) the Legislature authorize two associated management auditor positions in the Department of Education's Internal Audit Unit to conduct office and field reviews and reconcile expenditure reports of child care operating agencies with reports of independent auditors and (2) \$70,000 be augmented to Item 335 of the 1976-77 Budget Bill for this purpose.

Of the 340 agencies operating child care programs, 217 are private agencies. They receive over \$25 million, or 33 percent of total state/federal funds allocated to child care. As noted in our December report, audits by the federal Health, Education and Welfare Agency and the State Auditor General over the last several years have identified problems, particularly in the financial procedures of the private agencies with which the department contracts.

To deal with problems identified in these audits, the department now requires child care programs operated by private agencies to be audited

**PROGRAM I
INSTRUCTION—Continued**

annually by independent auditors. The department has issued audit guidelines for this procedure.

School districts and county agencies with which the department contracts are also audited annually. These audits are conducted in conformity with Department of Finance procedures.

According to the Department of Education, (a) neither its child development unit nor its internal audit unit has staff to monitor adequately expenditure reports and the audit process, and (b) this lack of staff led to continued criticism by control agencies at both the federal and state level. Consequently, the department has proposed establishing three Associate Management Auditor positions within its Internal Audit Unit. We believe the monitoring function is important, and that the capability should be established to perform this task, but believe two auditors will be sufficient to initiate this program.

Undesignated Expansion Funds

We recommend that \$10 million proposed in Item 281 for expansion of children's programs be deleted in the Governor's Budget and carried in the appropriate legislation.

The Governor's Budget proposes an augmentation of \$10 million for additional children's programs in the Health and Welfare Agency for a total of \$14,488,000 in Item 281. Of this amount, \$4,488,000 is the same amount as appropriated in the current year for programs initially authorized by Chapter 670, Statutes of 1972 (AB99). Consistent with current year procedures, this amount is proposed to be transferred to the Department of Education which is assigned management responsibility for all state supported child care programs.

With respect to the additional \$10 million, the Governor's Budget provides no program definition, stating only that "this expanded amount of funding will be administered by the Secretary of the Health and Welfare Agency".

Our recommendation to delete the \$10 million augmentation is based on six concerns. *First*, a report issued in December 1975, by the Health and Welfare Agency's Office of Educational Liaison recommends against expenditure of additional child care funds in the absence of a statewide needs assessment. It seems inconsistent for the Governor's Budget to propose an additional \$10 million for child care when the agency to which the funds are to be allocated has recommended against expenditure of additional funds at this time.

Second, the findings and recommendations in the December 1975 report of the Legislative Analyst entitled *Current Issues in Publicly Subsidized Child Care* deal with (a) several ways of reducing the cost of existing child care programs and (b) procedures for redirecting existing funds to less costly forms of child care such as family day care. Cost savings from the recommended procedural changes in the report could be reallocated to fund expanded children's programs. We believe it is fully consistent with the Governor's stated policy of reassessing priorities within existing resources to fund additional children's programs through the savings which can be readily achieved within current funding.

Third, it should be noted that a number of careful analyses present strong evidence contradicting generally held assumptions concerning the need for additional subsidized child care. These analyses, summarized in a May 1975 report by Stanford Research Institute, indicate that estimates of the need for child care have been based on formulas which do not consider the current informal arrangements used and preferred by the majority of potential users of subsidized child care. When current arrangements are considered in these formulas, the actual need for additional subsidized care is likely to be substantially smaller than present estimates indicate. These analyses also indicate that the majority of families generally are satisfied with their current child care arrangements.

Fourth, we believe further expansion of child care programs should be generally held in abeyance pending the results of the pilot study authorized by Chapter 1191, Statutes of 1973 (AB 1244). This study will contain important information concerning the quality and costs of alternative child care delivery systems. It will provide a foundation for major decisions concerning alternatives to present child care policies. The completion date for the study is June 1977.

Fifth, any separate legislation which the Governor might propose to expand children's programs should be reconciled with existing law which assigns to the Department of Education management responsibility for all "state supported child care programs". We believe such legislation should include any necessary appropriation.

Sixth, The Governor's Budget does not identify the children's programs which would be financed with the additional \$10 million. We believe it is unreasonable to appropriate additional funds in the absence of a clear definition of the intended objectives and nature of expanded services.

B. State Preschool Program

Chapter 1248, Statutes of 1965, (AB 1331) instructed the State Department of Social Welfare to contract with the State Department of Education to operate a statewide system of preschool programs for three to five-year-old children from low-income families. This legislation required all programs to follow program guidelines developed by the Department of Education. Chapter 670, Statutes of 1972 (AB 99) provided a new specification for various child development programs, including part-day educational programs for pre-kindergarten children. Chapter 1005, Statutes of 1973 (AB 451) authorized continuation of the state preschool program.

Table 22 summarizes the scope of the preschool program since 1971-72. The table indicates about the same number of children have been served for the last four years.

Table 22
Scope of Preschool Program Since 1971-72

Year	Number of Applicant Agencies	Number of Sites (est.)	Number of Children (est.)
1971-72.....	166	669	16,317
1972-73.....	191	852	19,445
1973-74.....	184	852	19,449
1974-75.....	184	852	19,400
1975-76.....	186	796	19,400

PROGRAM I
INSTRUCTION—Continued

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

Table 23 summarizes funding of the preschool program since 1971-72.

Table 23
Funding of Preschool Program Since 1971-72

<i>Year</i>	<i>State</i>	<i>Federal Matching</i>	<i>Total</i>
1971-72	\$5,122,000	\$15,366,000	\$20,488,000
1972-73	5,328,453	15,985,359	21,313,812
1973-74	23,314,100	—	23,314,100
1974-75	21,812,000	—	21,812,000
1975-76	23,512,720	—	23,512,720
1976-77	23,773,108	—	23,773,108 *

* Includes \$23,153,044 local assistance, Item 327 (b), and \$620,064 state operations, Item 335.

The table indicates a slight increase of \$260,388 in the total proposed 1976-77 appropriation over the 1975-76 appropriation. However, the local assistance portion, \$23,153,044, remains the same. This could cause some reduction in level of service in 1976-77, particularly in programs operated by private non-profit providers. However, we believe any program reductions could be largely offset by the introduction of the same types of savings we are recommending for the other child development programs. The proposed state operations amount of \$620,064 includes an inflationary increase to provide the same level of support as the current year.

We believe the preschool program should continue in 1976-77 at the current level of operation. At the completion of the child care pilot study we will review all child care programs including the inter-relationship of the preschool program.

5. CURRICULUM SERVICES

The Curriculum Services Unit, formerly General Education Management (GEM), provides consulting services to local districts in a variety of educational areas. Programs within curriculum services are assigned to the following seven areas: (1) state mandated curriculum activities, including all traditional academic programs, (2) health education, including drug and alcohol abuse and nutrition programs, (3) pupil personnel services, (4) mentally gifted minors, (5) continuous learning (year-round schools), (6) disaster preparedness and (7) other curriculum activities, including conservation education, educational technology and instructional television.

Expenditures and revenues for this program as presented in the Governor's Budget are shown in Table 24.

Table 24
Curriculum Services

	<i>Actual</i> 1974-75	<i>Estimated</i> 1975-76	<i>Proposed</i> 1976-77	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
State Mandated Curriculum Activities.....	\$776,787	\$530,346	\$567,507	\$37,161	7.0%
Health Education	676,030	887,465	846,266	-41,199	-4.6
Pupil Personnel Services	484,442	536,320	378,734	-157,586	-29.4
Mentally Gifted	141,064	191,058	169,147	-21,911	-11.5
Continuous Learning	56,755	533,210	69,834	-463,376	-86.9
Disaster Preparedness	136,630	172,483	193,600	21,117	12.2
Other Curriculum	1,301,728	1,504,316	1,196,951	-307,365	-20.4
	\$3,573,436	\$4,355,198	\$3,422,039	\$-933,159	-21.4
<i>State Operations</i>					
<i>General Fund</i>	\$1,233,669	\$1,290,464	\$1,296,430	\$5,966	0.5%
<i>Federal funds</i>	1,068,755	1,027,655	1,011,609	-16,046	-1.6
<i>Reimbursements</i>	200,032	456,079	300,000	-156,079	-34.2
<i>Local Assistance</i>					
<i>General Fund</i>	718,028	1,246,500	814,000	-432,500	-34.7
<i>California Environmental Protection Program Fund</i>	275,000	275,000	—	-275,000	-100.0
<i>Federal funds</i>	77,952	59,500	—	-59,500	100.0

A. Mentally Gifted Minors

In 1961 the Legislature enacted a permissive program for Mentally Gifted Minors (MGM) in California. The legislation was intended to provide a "qualitatively different" program for those students whose general intellectual capacity places them within the top 2 percent of all students of their grade level throughout the state.

In 1975-76 approximately 186,000 students (full-time equivalents) are enrolled in gifted programs at an estimated General Fund cost of \$15.4 million. The 1975-76 Governor's Budget proposes the same General Fund expenditure for 1976-77.

Program Evaluation

During consideration of the 1975-76 Governor's Budget by the Legislative fiscal committees, it was noted that the MGM program had been in existence since 1961 and had never been evaluated. Consequently, the Legislature adopted language in the Supplementary Report of the Committee on Conference directing the department to "conduct an evaluation of the mentally gifted minors program and present its findings to the Legislature not later than February 1, 1976."

Although the evaluation has not been completed in time for consideration in this analysis, the department indicates that it will be available prior to the legislative hearings on the Budget Bill.

Overenrollment of Gifted Students

While the MGM program was established to serve only the top 2 percent of all students, the actual enrollment has historically exceeded that limit. Table 25 indicates the difference between actual MGM enrollment (full-time equivalents) and enrollment as 2 percent of K-12 Average Daily Attendance (ADA) for 1971-72 through 1974-75.

PROGRAM I
INSTRUCTION—Continued

Table 25
MGM Enrollment 1971-72 through 1974-75

	<i>Actual MGM Enrollment (FTE)</i>	<i>Enrollment as* 2% of K-12 ADA</i>	<i>Overenrollment</i>
1974-75.....	178,329	83,727	94,602
1973-74.....	167,415	84,078	83,307
1972-73.....	143,051	85,136	57,915
1971-72.....	113,318	86,135	27,183

* Based on K-12 regular class ADA

One result of the overenrollment of students in the gifted program, was that state funding was expanded from 2 percent of the preceding year's ADA to 3 percent in 1969 (Chapter 784, Statutes of 1969). At the same time, the legislation continued to specify that the program was designed for only the top 2 percent of all students.

Present law authorizes General Fund support of \$100 per MGM student enrolled in an approved program and \$50 for identification (with apportionments limited to 3 percent of the preceding year's ADA). However, because more than 3 percent of the K-12 ADA is enrolled in MGM courses, there are not sufficient funds available to provide the full support authorized by statute. Therefore, the Superintendent of Public Instruction has administratively prorated available funds so that in 1975-76 approximately \$78 is provided for each student and \$40 for identification.

Identification

We recommend that the Department of Education revise the procedure for the identification of mentally gifted minors.

The overenrollment of MGM students is related directly to the identification process. Most gifted students are identified by means of an intelligence test, typically the Stanford-Binet, which is normed nationally. A cut-off score for enrollment in the program is established based on a national norm which theoretically identifies the top 2 percent of students taking the test. However, because California students have scored above the national norm, the existing procedure for establishing a cut-off score results in greater than 2 percent of California students being identified as mentally gifted.

We recommend that the Department of Education revise the procedure for identifying MGM students to reflect the performance of the top 2 percent California students only. This standard should then be applied to those students being considered for enrollment in the MGM program in 1976-77 and thereafter. Over time, this would gradually reduce the total program enrollment down to the top 2 percent of students as provided in existing legislation.

Revise MGM Apportionments

We recommend that apportionments for the mentally gifted minors program be based on regular class K-12 average daily attendance (ADA) only for a General Fund savings of \$1,583,343.

Education Code Section 6426 specifies that apportionments for mentally gifted minors are to be based on 3 percent of the preceding year's K-12 average daily attendance. In implementing this provision the Department

of Education has based apportionment computations on total average daily attendance (ADA) which includes ADA generated by regional occupation centers, adult classes, summer school, special education programs and opportunity schools.

We believe that using such a total ADA is inappropriate because it results in (1) double counting of ADA (special education) and (2) including segments which have no MGM program (adult education). Therefore, we recommend that the department revise the basis upon which it computes MGM apportionments to include only that segment directly affected, i.e., the K-12 regular class ADA. Based upon 1974-75 ADA this would result in an estimated General Fund savings of \$1,583,343. $[4,714,154 \text{ (total K-12 ADA)} - 4,186,373 \text{ (regular class ADA)}] \times .03 \text{ (statutory ADA limit)} \times \$100 \text{ (statutory MGM allowance)}]$.

Program Duplication

We recommend that the 1976-77 apportionments for the Mentally Gifted Minors program be limited to 3 percent of the preceding year's K-12 ADA minus the ADA reported for grades K-3 in schools receiving Early Childhood Education funds in 1976-77 for an estimated General Fund savings of \$2,084,472.

The Mentally Gifted Minors program (MGM) was established to meet the unique needs of the top 2 percent (per grade level) of students in grades K-12. To support this objective the state authorizes \$100 per gifted student plus \$50 per student identified.

The Early Childhood Education program (ECE) established by Chapter 1147, Statutes of 1972, is designed to assure "a comprehensive restructuring of primary education in California kindergarten through third grade to more fully meet the unique needs, talents, interests and abilities of each child." In 1976-77, the budget will provide \$140 per ECE pupil plus an additional \$70 per disadvantaged ECE pupil for approximately 50 percent of the K-3 ADA.

Thus, in grades K-3, there is an overlap in program intent and funding for students who participate in both the MGM and ECE programs.

Because the ECE program is designed to meet the unique needs of each child, we believe that continuation of MGM programs in ECE schools duplicates what should already be provided within the ECE structure.

Therefore, we recommend that control language be added to the Budget Bill to limit MGM apportionments for 1976-77 to 3 percent of the preceding year's K-12 ADA exclusive of the ADA reported for grades K-3 in schools receiving ECE funds in 1976-77. Based upon the following assumptions, this would result in an estimated General Fund savings of \$2,084,472 in 1976-77 as follows:

- (a) Savings realized from \$100 MGM program allowance
 $(1976-77 \text{ K-3 ADA in ECE schools}) \times 3\% \times (\text{statutory MGM allowance})$
 $624,000 \times .03 \times \$100 = \$1,872,000$
 - (b) Savings realized from \$50 MGM identification allowance
 $624,000 (1976-77 \text{ K-3 ADA in ECE schools}) \times .03 \text{ (MGM enrollment funding limit)} \times .2270 \text{ (ratio of annual MGM identification to annual pupils funded)} \times \50
 $\$712,472$
- | | |
|-----------------------|-------------|
| 1976-77 Total Savings | \$2,084,472 |
|-----------------------|-------------|

PROGRAM I **INSTRUCTION—Continued**

These savings would be increased by any further expansion of the ECE program in future years.

B. Continuous Learning

Chapter 1170, Statutes of 1973 (SB 1107) appropriated \$800,000 to establish a continuous school program, commonly called year-round schools, in California. The program provides one-time grants of up to \$25,000 to cover the start-up costs of those school districts (above 500 average daily attendance) which initiate a year-round education program.

Table 26 summarizes the expenditures for state operations and local assistance as presented in the Governor's Budget.

Table 26
Continuous Learning

	<i>Actual</i> 1974-75	<i>Estimated</i> 1975-76	<i>Proposed</i> 1976-77	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
State operations	\$56,755	\$160,210	\$69,834	\$-90,376	-56.4%
Local assistance	—	373,000	—	-373,000	-100.0
Total	\$56,755	\$533,210	\$69,834	\$-463,376	-86.9%

Table 26 indicates a total reduction of \$463,376 or 86.9 percent in the 1976-77. The decrease in state operations is due primarily to the one-time only cost of a national conference on year-round education held in California in 1975-76. Those costs are to be reimbursed to the state from participant fees.

Actual Expenditures

The budget portrayal of local assistance expenditures is inaccurate indicating zero expenditures for the program in both 1974-75 and 1976-77. These figures are not based upon actual expenditures but rather reflect technical accounting adjustments.

Based upon actual expenditures to local school districts, approximately \$295,000 of the original \$800,000 had been allocated to fifteen school districts (as of January 1, 1976). Approximately \$222,000 of this was expended in 1974-75.

The department indicates that requests from an additional six districts for \$108,000 is in the process of approval. Assuming that all six requests are approved, this would total \$403,000 expended, leaving a balance available of \$397,000. While there is no accurate expenditure schedule available for the remainder of these funds, we estimate that most will be available for expenditure in 1976-77.

Continue Appropriation

We recommend that control language be adopted to reappropriate the unencumbered balance of funds appropriated pursuant to Chapter 1170, Statutes of 1973, to be available for expenditure for the purposes of that act until June 30, 1977.

Chapter 1170 provides that districts initiating year-round programs have until July 1, 1979 to apply for their one-time grants. However, because the legislation did not specify that the \$800,000 appropriation was available "without regard to fiscal year", any unencumbered balance will revert to the General Fund at the end of three years (December 30, 1976).

We believe that the appropriation should be available for the length of the program, or until it is fully expended. Therefore, we recommend that control language be adopted to reappropriate the unencumbered balance until June 30, 1977. If unencumbered funds are still available beyond that date, they could be reappropriated through future budget acts.

C. Instructional Television

We recommend that the Legislature withhold approval on Item 330, Instruction Television (ITV), until the latest apportionment figures are available.

The preliminary apportionment figures for ITV in the current year indicate a decline in demand for ITV apportionments.

Table 27 shows apportionments for ITV.

Table 27
Apportionments for Instructional Television

	<i>Actual</i> <i>1974-75</i>	<i>Estimated</i> <i>1975-76</i>	<i>Proposed</i> <i>1976-77</i>
Budgeted	\$840,000	\$814,000	\$814,000
Actual	718,028	696,439	—
Difference.....	\$121,972	\$117,561	—

The apportionment amount in the current year is based on a preliminary estimate. However, the Governor's Budget projects a demand of \$814,000, the same as the budget year. Because of this apparent reduced demand we recommend that the Legislature withhold approval of this item to consider a potential program reduction at the time the final apportionment figure is available.

D. Conservation Education

We recommend that the Department of Finance provide more complete information on the elimination of conservation education local assistance funding for the Department of Education at the time the budget is heard before the respective fiscal committees.

For the past and current budget years the Department of Education has received \$275,000 from the California Environmental Protection Program Fund to provide grants to school districts for conservation education. This amount has been discontinued in the budget year. According to the Governor's Budget, all funds will be retained for administration by the Resources Agency.

No justification for this change is provided. We believe more complete information should be available to the respective fiscal committees at the time this section of the Department of Education's budget is heard.

**PROGRAM I
INSTRUCTION—Continued****E. Educational Technology**

In our previous Analysis we pointed out to the Legislature the lack of positive program achievement by the educational technology unit in the Department of Education. In consequence, we recommended its elimination.

During the budget hearings the department indicated that staffing problems had prevented achievement of the unit's objectives, and assurance was given by the Deputy Superintendent for Programs that the department had a continuing interest and commitment to educational technology. With that assurance, the committees rejected our recommendation but requested a review of this unit in 1976.

To date, the unit continues to languish because (1) the department has transferred one of the four consultant positions to the ECE unit including the General Fund support, (2) another position is unfilled, and (3) there is continuing personnel turnover. In consequence of these actions by the department, we question whether the commitment given to the fiscal committees in 1975 has been carried out. Review at the hearings is appropriate. Should the Legislature wish to reconsider elimination of the two consultant positions in accordance with our 1975 recommendation we estimate a potential General Fund savings of \$85,000 in 1976-77.

6. SPECIAL EDUCATION

The Special Education program element of the Special Programs and Support Services unit is composed of the activities and local assistance to school districts for the support of education programs for exceptional students. Exceptional students are children who require special assistance beyond the regular school program because of mental or physical handicaps.

Components of the Special Education element include: (1) the Master Plan for Special Education, (2) educational improvement for the handicapped, (3) research and development, (4) special schools, (5) clearing-house depository and (6) other special education programs.

These components include services to deaf, blind, orthopedically handicapped, multi-handicapped, educable and trainable mentally retarded and educationally handicapped. In addition, the federal aid through the Education for the Handicapped Act (PL 93-380) assists local school districts to initiate, expand and improve programs for handicapped children.

Table 28 summarizes expenditures and funding sources for all activities supervised by this element.

The increase from \$10 million to \$24 million for local assistance for the Master Plan is an accounting change for 1976-77. In 1975-76, as well as in 1976-77, approximately \$14 million from the regular apportionment accounts will be spent in Master Plan districts. In the 1976-77 budget explicit account of this fact is taken by debiting the regular accounts and crediting the Master Plan for these expenditures.

Table 28
Expenditure and Funding Sources for Special Education Element

<i>Components</i>	<i>Actual 1974-75</i>	<i>Estimated 1975-76</i>	<i>Proposed 1976-77</i>
Master Plan:			
State Operations	\$91,503	\$317,655	\$318,845
Local Assistance	300,000	10,000,000 ^a	24,000,000
Education Improvement for Handicapped:			
State Operations	3,062,950	3,130,062	3,157,089
Local Assistance	2,990,862	8,626,262	8,599,235
Research and Development:			
State Operations	298,523	331,191	369,054
Special Schools:			
State Operations	14,629,380	16,450,164	16,509,900
Clearinghouse Depository:			
State Operations	203,486	253,137	261,900
Other Special Education Programs:			
State Operations	1,072,855	1,173,571	1,243,066
Local Assistance	8,322,630	11,160,760	12,710,430
Total	\$30,972,189	\$51,442,802	\$67,169,519
State Operations:			
General Fund	\$14,369,878	\$16,502,159	\$16,676,300
Federal funds	3,062,425	3,130,062	3,157,089
Reimbursements	1,926,394	2,023,559	2,076,463
Total	\$19,358,697	\$21,655,780	\$21,859,854
Local Assistance:			
General Fund	8,622,630	21,160,760	36,710,430
Federal funds	2,990,862	8,626,262	8,599,235
Total	\$11,613,492	\$29,787,022	\$45,309,665

^a An additional \$14 million in apportionments was utilized for this program.

Table 29 summarizes budget act items which appropriate support for special education programs.

Table 29
Budget Act Appropriations for Special Education

<i>Item</i>	<i>Amount</i>
State Operations	
341 Special Schools	\$14,443,835
Local Assistance	
324 Master Plan for Special Education Pilot Program	\$24,000,000
325 Occupational Training for Handicapped	85,000
326 Development Centers	12,540,430

A. Master Plan for Special Education

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

The MPSE has been implemented by six selected Responsible Local Agencies (RLA) in the current year: (1) Sacramento Unified, (2) Stanislaus County, (3) Contra Costa (exclusive of Mt. Diablo Unified and Richmond Unified), (4) Santa Barbara County, (5) Santa Monica and (6) Humboldt and Del Norte Counties.

**PROGRAM I
INSTRUCTION—Continued**

Table 30 shows the six implementation areas with negotiated budgets and average cost/pupil for 1975-76.

Table 30
Enrollment and Budget Data for Six Responsible
Local Agencies in 1975-76 Implementation of
the Master Plan for Special Education

<i>Responsible Local Agencies (RLA)</i>	<i>Total Enrollment Projected</i>	<i>Special Ed. Enrollment Projected</i>	<i>Percent of Total Enroll.</i>	<i>Negotiated Budget</i>	<i>Cost per Pupil</i>
Contra Costa County	55,762	5,776	10.3	\$5,700,000	\$987
Humboldt-Del Norte.....	25,012	2,200	10.1	2,400,000	1,091
Sacramento Uni- fied.....	44,148	4,772	10.8	4,500,000	943
Santa Barbara Co.	56,382	4,761	8.4	5,300,000	1,113
Santa Monica Unif.	13,116	1,379	10.5	1,400,000	1,015
Stanislaus County..	50,110	4,285	8.6	4,200,000	980
Total	244,530	23,173	9.5 (average)	\$23,500,000	\$1,014 (average)

In addition to the six RLAs, approximately ten RLAs are funded in the current year to develop a comprehensive local plan. Of these 10 RLAs, the Department of Education anticipated funding an additional four Master Plan areas in 1976-77. However, the Governor's Budget provides no expansion monies.

Statutory Adjustment

We recommend that the Legislature augment Item 324, Master Plan for Special Education Pilot Project by \$1,440,000 to adjust for inflation.

It is important to note that Chapter 1532, specifically provided for an inflation adjustment of the special education allowances for those RLAs involved in Master Plan implementation. Such an adjustment is not included in the Governor's Budget.

Further, we recommend that the Department of Education provide the fiscal committees with the following information: (1) the number of pupils enrolled in each participating RLA as of December 31, 1975, (2) the projected enrollments by June 30, 1976 and for 1976-77, (3) the estimated contract amount that will be unexpended in each RLA as of June 30, 1976 and (4) the estimated number of pupils in the six RLAs that could be funded under Education for the Handicapped Act, Title VI-b in the current and budget years.

This information is needed to make an accurate estimate of the augmentation required to adjust for inflation. We believe the Legislature should withhold final approval of this item until that information is provided.

Evaluation

We also want to bring to the attention of the Legislature our concerns with regard to the Master Plan evaluation design and its expected outcomes. These concerns are: (1) unnecessary redundancy between the

structured interview and other elements of the evaluation, and (2) inadequacies in the evaluation in terms of process and product measurement.

The evaluation design by the department seeks to collect data from the RLAs in three areas:

1. Baseline information—information obtained prior to program implementation for purposes of comparison with later program outcomes.
2. Process information—information on the degree to which the specified elements of the program have been implemented as planned.
3. Product information—information obtained for purposes of determining program attainments.

Collection of this information is to be supplemented by conducting (1) a structured interview, (2) an on-site audit, and (3) an annual self-report by the Director of the RLA. We consider these reporting requirements redundant. It appears that both the on-site audit and the structured interview will collect similar information. We believe the department should reassess the need for both an audit and an interview.

This is the first year of Master Plan operation in school districts. Full statewide implementation, if the program is successful, is projected for the 1978-79 fiscal year. Under these time constraints, full implementation legislation probably would be required in the 1977 legislative session. This constraint will allow only one to two years of evaluation time to test the premises of the Master Plan. Because of the potential cost of Master Plan implementation statewide (projected to be in excess of \$300 million), we consider the evaluation period to be short.

In particular, the current evaluation will not provide an adequate measure of change in process and product characteristics unless it is over a longer period of time. This is because pre-Master Plan data are not uniformly available. Adequate comparison of Master Plan and non-Master Plan districts will not be possible in a period of two years or less with the department's evaluation design.

Finally, we want to point out that the Master Plan is only one model with a single delivery system. This limits the Legislature to one comparison—i.e., the existing categorical programs with the Master Plan delivery system. We believe policy decisions concerning special education should be based on an analysis of alternative models varying in approach and cost. Because of these and other concerns, we intend to conduct a study of special education programs this year.

B. 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 (\$1.89 in 1975-76 and 1976-77) per attendance hour plus \$675 per ADA for transportation. For the 1975-76 school year, the state appropriated \$11.0 million from the General Fund for

**PROGRAM I
INSTRUCTION—Continued**

development centers.

State costs for the program are shown in Table 31.

**Table 31
State Support for Development Centers**

	<i>Actual 1974-75</i>	<i>Estimated 1975-76</i>	<i>Proposed 1976-77</i>
State operations	\$46,716	\$42,200	\$87,721
State local assistance	8,322,630	10,990,760	12,540,430
Total	\$8,369,346	\$11,032,960	\$12,628,151
Enrollment	2,828	3,438	3,820

The proposed expenditures of \$12,628,151 in 1976-77 includes (1) \$1,549,670 for local assistance to increase development center enrollments by 472 pupils and (2) \$45,521 for state operations to add a consultant plus clerical support for state administration.

Unnecessary Augmentation

We recommend that the \$1,549,670 augmentation for development center expansion be deleted. (Reduce Item 326 \$1,549,760).

Chapter 407, Statutes of 1974, (SB 1782) mandated development center programs beginning September 1, 1978 and required an orderly phase-in of pupils in order that all would be served by 1978. We agree with that approach. However, recent federal legislation has made in excess of \$10 million available for programs for the handicapped under the Education for the Handicapped Act Title VI-b.

Federal guidelines require that first priority for expenditure of these funds be for serving school age children not in school. The entire augmentation in the Governor's Budget is to serve pupils in this category. In fact, local education agencies have already submitted funding requests to enroll over 300 pupils in the current year from these additional EHA VI-b funds.

These funds will continue to be available in the budget year. Therefore, we recommend that the General Fund augmentation be deleted and funding for development center expansion be provided from federal funds.

C. Special Schools

The State of California operates six special schools to provide services to handicapped minors whose districts of residence do not offer adequate special education services.

Table 32 summarizes support for the schools and per capita expenditures.

Diagnostic School Central—Purchase

In the last Analysis we recommended the purchase of the Fresno diagnostic school. That recommendation was approved and the Legislature included \$1.7 million in the budget for purchase of the facility.

Table 32
Enrollments and Cost/Pupil in Special Schools 1976-77

	<i>Enrollments</i>	<i>General Fund Cost/Pupil</i>	<i>School District Reimbursements/Pupil</i>	<i>Federal funds/pupil</i>	<i>Total cost/pupil</i>	<i>Total local and state support</i>
School for the Blind.....	126	\$14,108	\$1,587	\$2,188	\$17,883	\$2,253,245
Diagnostic schools for Neurologically Handicapped ^a						
North	41	29,288	732	1,024	31,044	1,272,823
Central.....	37	27,062	325	—	27,387	1,013,310
South	37	31,442	540	6,522 ^b	38,504	1,424,663
Schools for the Deaf						
Berkeley	364	10,528	894	939	12,361	4,499,533
Riverside	564	9,696	446	578	10,720	6,046,326
	<u>1,169</u>	<u>\$12,356</u>	<u>\$795</u>	<u>\$972</u>	<u>\$14,123</u>	<u>\$16,509,900</u>

^a The three diagnostic schools actually serve approximately 500 pupils in any given year but the figures in this table represent full-time equivalents.

^b This large federal fund expenditure is due to a high cost project for the autistic that is funded through this school.

**PROGRAM I
INSTRUCTION—Continued**
Purchase Delay

The Public Works Board approved the "acquisition by negotiation or condemnation if necessary" at its meeting of November 24, 1975. An offer has been made and it was rejected. Consequently, it appears that acquisition will be by condemnation. The Department of General Services reports that this could take from nine months to a year, or longer, depending on the court calendar and/or the willingness of the owners to negotiate an out of court settlement.

Rent Deficiency

Anticipating the purchase of the facility in the current year the Governor deleted \$167,000 from the school's budget for rent payments in 1976-77. We believe the Legislature should consider restoring these funds before final passage of the Budget Bill if satisfactory progress towards purchase has not been accomplished in the current year.

(It is important to note that the Special Schools have had General Fund savings of over \$300,000 annually. It might be appropriate to pay the rent from these savings on a short term basis.)

New Schools for the Deaf and Blind

The Legislature has authorized the expenditure of \$23.5 million to relocate the schools for the deaf and the blind away from the present site in Berkeley.

In December 1974, the Public Works Board approved the purchase of approximately 92 acres in Fremont as a site for the two schools. Architects have been retained and program parameters established. Presently, the architects are working on a Master Plan for the site to determine which facilities would be appropriate for joint use.

When the architects submitted their initial program plans they estimated a total facility cost of approximately \$50 million. Subsequently, the Department of Education has reduced the program and related costs to approximately \$43.0 million. The Governor's Budget includes an augmentation to the existing appropriation of \$19.3 million for a total budgeted amount of \$42.8 million. Projected occupation is the fall, 1979. For our recommendation on these funds, see the capital outlay analysis.

B. ELEMENTARY EDUCATION

As displayed in Table 33, Elementary Education includes early childhood education, consolidated categorical programs and general activities.

**Table 33
Elementary Education Program**

	<i>Actual 1974-75</i>	<i>Estimated 1975-76</i>	<i>Proposed 1976-77</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
1. Early childhood education	41,296,539	63,728,900	98,684,923	34,956,023	54.9%
2. Consolidated categorical programs	204,141,217	253,046,145	232,461,394	-20,584,751	8.1
3. General activities	548,413	707,115	783,005	75,890	10.7
Subtotal	\$245,986,169	\$317,482,160	\$331,929,322	\$14,447,162	4.6%

1. EARLY CHILDHOOD EDUCATION

Chapter 1147, Statutes of 1972, (SB 1302) authorized an early childhood education (ECE) program for children in grades K-3. The program began operation in 1973-74. The major objectives of the ECE program, as described by the Department of Education, are to have every elementary school in California "restructure" its primary program so that all resources utilized by the school—local, state and federal—are integrated into a comprehensive educational program that pursues the goal of meeting the unique needs of each child.

Among other things, this framework of comprehensive reform emphasizes the importance of parental participation and community involvement in the educational program of the school. The student achievement objectives of the program are that:

"The participating pupils will develop an increased competency in the skills necessary to successful achievement in later school subjects such as reading, language and mathematics." (Education Code Section 6445) and

"All pupils who have completed the third grade of the state's educational system will have achieved a level of competence in the basic skills of reading, language, and mathematics sufficient to continued success in their educational experiences." (Education Code, Section 6445.1)

State funding of the ECE program in 1975-76 totals over \$63.2 million. These funds are allocated to districts on the basis of \$140 per pupil for all students in ECE schools, plus an additional \$70 per pupil for those students who have a demonstrated educational need. The per pupil allocations are spent primarily to reduce the pupil-adult ratio in each class, to provide in-service training for school personnel, to provide for parent education and parent participation, and to purchase special instructional materials.

Table 34 shows ECE participation and state funding since the program began in 1973-74.

Table 34
Early Childhood Education Program Participation and State Funding

Factors	1973-74	1974-75	1975-76	Proposed 1976-77	1976-77 Change	
					Amount	Percent
Appropriations						
Local assistance	\$25,000,000	\$40,000,000	\$63,200,000	\$97,700,000	\$34,500,000	54.6%
State operations.....	161,828	338,357	528,900	984,923	456,023	86.2
Number of districts funded	800	829	846	846	—	—
Number of schools funded.....	1,016	1,322	1,800	2,620	820	45.6
Estimated number of children served..	172,073	280,000	400,000	618,000	218,000	54.5
Percent of K-3 population * ..	14%	23%	33%	52%	19%	—

* 1.2 million estimated statewide K-3 pupils.

**PROGRAM I
INSTRUCTION—Continued**

As can be seen in the table, local assistance funding in the ECE program increased from \$25 million in 1973-74 to \$63.2 million in 1975-76. The 1975-76 funding level is sufficient to include approximately 33 percent of the state's kindergarten through third grade students in the program.

For 1976-77, the Governor's Budget proposes a local assistance program increase of \$34.5 million, or 54.6 percent, for a revised total of \$97.7 million. This would serve an estimated 52 percent of the state's K-3 pupil population, an increase of 19 percent over the current year program.

Program Augmentation Recommended

We recommend that the Early Childhood Education Program be expanded to serve approximately 40 percent of California K-3 pupils in 1976-77, and that \$75,600,000 be appropriated for this purpose for a 1976-77 budget savings of \$22.1 million.

Our primary policy position towards expanding the ECE program is that prudent fiscal management be exercised until the program has clearly proven its effectiveness. This policy should not be interpreted in any way as prejudging the ultimate success or failure of the program.

Our primary reason for caution in program expansion concerns the administrative problem of maintaining quality control when large-scale expansion is attempted too quickly. Serving 40 percent of eligible pupils is an increase of 7 percent over the 33 percent currently being served. We believe this is a reasonable rate of expansion which is a) consistent with previous expansion and b) prudent in view of questionable program effectiveness. In contrast, we seriously doubt the wisdom of attempting to expand the program by 19 percent in a single year. We believe this rate of expansion cannot be managed effectively.

A second reason for limiting program expansion to this level is that existing state evaluations suggest questionable program effectiveness. Evaluation data presented by the Department of Education have been inadequate for measuring effectiveness, with the exception of data from the statewide testing program. These data have shown apparently inconsistent patterns, with some data suggesting slight achievement gains associated with ECE program participation and other preliminary data suggesting that a slightly lower proportion of ECE schools score within and above predicted levels of achievement than is found statewide.

The Legislature is currently funding a \$200,000 independent evaluation of the ECE program which will be concluded in November 1976. It appears precipitous to provide large program expansion with its substantial attendant costs until the results are known. Our review of this evaluation design indicates that it will offer much more reliable data on student achievement and on aspects of institutional reform than are currently available.

Further need for caution in expanding the ECE program derives from

a large body of educational research which suggests that only some schools are likely to incorporate reform efforts successfully. This research shows that in the remainder, reform programs are likely to be implemented with considerable difficulty, if at all. These facts, coupled with the absence of definitive data establishing program effectiveness, lead us to the conclusion that the ECE program should not be expanded to serve more than approximately 40 percent of the eligible population at the present time.

The ECE program guidelines and implementation appear to be quite sound. In numerous schools, the operation of the program appears to have been undertaken successfully. It is for these reasons that program expansion to serve about 40 percent of the K-3 population can be justified.

Improvement of Current Evaluation Procedures Needed

We recommend that in future evaluations of the ECE program the Department of Education use (1) data collection instruments of established technical quality, (2) appropriate sampling procedures for reporting achievement data which is representative of the program population and (3) adequate comparison groups for determining the impact of the ECE program.

The department conducted an evaluation of the program on its own initiative for the 1974-75 school year. However, significant methodological problems make the majority of findings in the study inadequate as a basis for judging program effectiveness.

The department's 1974-75 ECE evaluation is contained within its consolidated "Evaluation Report of ECE, ESEA Title I, and EDY 1974-75". The principal shortcomings in the evaluation are (a) the use of data collection instruments of questionable technical quality, (b) the lack of representative sampling, and (c) the absence of adequate comparison groups.

Measurement of program effectiveness in the evaluation utilized instruments focused on (a) institutional change and (b) student achievement. The instruments used for assessing institutional change were of questionable reliability and validity. In contrast, the instruments used in achievement testing are well-established and highly acceptable in terms of technical quality.

Two other problems hinder the quality of the achievement data presented in the report.

(1) The evaluation of student achievement was based on a strategy of attempting to include all available data. For required pre and post testing at each ECE school, this strategy proved to be unsuccessful. As a result, the majority of student achievement data presented in the evaluation represents scores from only some students in the ECE program.

The total number of ECE students on whom pre and post test data were included is not indicated in the report. However, for the overall consolidated evaluation of ECE, EDY and Title I, usable test scores were available for approximately half of the total program participants. There is reason to question whether this sub-set is representative of the entire population because it is taken largely from schools whose evaluation procedures were conducted and reported in closest conformity with rigor-

**PROGRAM I
INSTRUCTION—Continued**

ous evaluation standards.

(2) Another important shortcoming in the evaluation is the absence of appropriate comparison groups. The majority of analyses of student achievement compare ECE gains to national norms. This comparison is not useful because it assesses ECE student achievement in terms of a national norm group which is not comparable to California students.

Where ECE schools were compared to matched non-ECE schools, the comparison group was again inappropriate. Matching of schools was not done on the basis of total school resources. ECE schools were not compared with non-ECE schools that utilize similar resources but whose educational processes differ from those of ECE schools (e.g., matched Miller-Unruh and EDY schools). As a result, the evaluation cannot be used to draw conclusions concerning the effect of ECE participation independent of the general effects of extra school resources.

We believe it is essential that the shortcomings cited above be corrected in subsequent studies. Without these corrections, future evaluations will continue to be of deficient quality and of limited utility as inputs into policy decisions.

Required Evaluations

We recommend that Education Code Section 6445.11 be amended to require that the Department of Education's annual evaluation report of actual and predicted levels of achievement in ECE schools be submitted to the Legislature by December 15 of each year.

The Department of Education is required to submit to the Legislature by the fifth legislative day an annual statistical report of the actual and predicted achievement levels of schools participating in the ECE program. This important report was not submitted until considerably beyond the due date and consequently was not available for inclusion in the Analysis last year.

Although the department was formally requested by our office to submit the evaluation by December 15 of this year, the final report had not been received by January 31. We believe it is essential that in the future the report be submitted to the Legislature by December 15 so that it can be included in our Analysis.

Compliance with Legislation

We recommend that the Department of Education comply with Education Code Section 6445.6 which specifies "In apportioning allowances in accordance with Section 6445.5 for early childhood education, the Department of Education shall give highest priority to (1) those districts which have the largest number of pupils determined to have educational need, and (2) those districts with the lowest measure of assessed valuation per pupil and making the most significant property tax effort."

We believe the procedures utilized by the Department of Education in apportioning ECE funds in the first three years of the program do not fully comply with the intent of the enabling legislation. The department (1) has not given highest priority to those districts with the largest number of

pupils determined to have educational need, and (2) has given no priority to those districts with the lowest measure of assessed valuation per pupil and making the most significant property tax effort, even though these are required by Education Code 6445.5 and 6445.6.

The department has allocated ECE funds so that only about 40 percent of the total pupils in the program are educationally needy pupils. We believe legislative intent requires that a larger portion of the funds should be allocated to educationally needy pupils.

Regulations Needed

We recommend that the State Board of Education comply with Education Code Section 6445.8 which specifies that "the board shall adopt rules and regulations governing the termination of allowances to districts which are unsuccessful in meeting the objectives of their approved plan."

The Department of Education advises that neither the department nor the State Board of Education has developed "rules and regulations governing the termination of allowances to districts which are unsuccessful in meeting the objectives of their approved plan."

We believe such rules and regulations should have been established and taken into consideration in proposing the 1976-77 program funding level. There are several reasons for our concern.

First, the phasing out of unsuccessful ECE school districts and schools would liberate ECE funds for allocation to other districts and schools. Second, the concept of "rewarding success" which has been promulgated by the Superintendent of Public Instruction as a prominent feature of the ECE program is not being fully accomplished when low rated districts and schools are permitted to continue in the program. We believe any expansion of the ECE program should recognize an attrition of unsuccessful districts and schools from the program as a partial offset to new districts and schools which may desire to enter the program.

Administrative Expenses Approach \$1 Million

We recommend that the proposed increase of \$456,023 in Department of Education administrative costs related to the Early Childhood Education program be reduced for a budget savings of \$234,983.

The Governor's Budget proposes an increase of \$456,023 in administrative costs for the ECE program for a total of \$984,923. This includes \$434,983 related to proposed local assistance program expansion of \$34.5 million and \$21,040 for inflationary increases. The \$434,983 would provide eight additional professional and two clerical positions plus related operating expenses.

We have recommended a more modest local assistance expansion of \$12.4 million and believe that an increase in administrative costs of \$200,000 related to this expansion would be sufficient. This would provide four additional professional and two clerical positions plus related operating expenses. This amount combined with the inflationary increase of \$21,040 would provide an increase of \$221,040 for a total administrative cost of \$749,940.

PROGRAM I **INSTRUCTION—Continued**

2. Miller-Unruh Basic Reading Program

The Miller-Unruh reading program was established in 1965 in an effort to upgrade the reading achievement of primary grade children in California. The program provides state funds principally to enable school districts to employ reading specialists in grades K-3. Miller-Unruh specialists must hold a certificate of Specialist Teacher in Reading, which is issued by the Commission for Teacher Preparation and Licensing.

The objectives of the program are the prevention and correction of reading disabilities at the earliest possible time. These objectives were described in the Miller-Unruh Basic Reading Act of 1965 as follows:

"The elementary school reading instruction program provided by this chapter shall be directed to the prevention of reading disabilities, and the correction of reading disabilities at the earliest possible time in the educational career of the pupil. The instruction program shall be provided in grades 1, 2, and 3 in the elementary schools . . . (and) may be provided in kindergarten if the governing board of a school district, by resolution, acts to make the program so applicable . . ."

(Education Code Section 5771)

Table 35 shows Miller-Unruh program participation and funding since 1973-74.

Table 35
Miller-Unruh Basic Reading Program Participation and Funding 1973-74 through 1976-77

<i>Factors</i>	<i>Actual 1973-74</i>	<i>Actual 1974-75</i>	<i>Estimated 1975-76</i>	<i>Proposed 1976-77</i>
Appropriation (General Fund)	\$18,149,625	\$15,349,625	\$13,849,625	\$13,849,625
Number of districts funded	272	248	238	238
Number of funded teachers	1,661	1,554	1,442	1,442
Estimated statewide average elementary teacher salary ^a	\$11,668	\$12,493	\$13,817	\$14,508 ^c
Percent of average teacher salary funded by program ^b	95%	80%	70%	66%
Estimated number of children served directly or indirectly	96,000	90,000	85,000	80,000

^a Based on statewide average of prior year.

^b Allowance is computed using the statewide average elementary teachers salary or the teacher's actual salary, whichever is less.

^c Assumes 5 percent statewide average elementary salary increase.

As the table illustrates, state support has declined in the last several years. The total appropriation has dropped from \$18.1 million in 1973-74 to \$13.8 million in 1975-76 and funding of the statewide average elementary teacher's salary has declined from 95 percent to 70 percent. The 1976-77 request is to continue the funding at the \$13.8 million level.

In our statement prepared for the December 3, 1975, Senate Education Committee hearing on reading we reviewed the success of the Miller-Unruh reading program in some detail and made recommendations concerning policy issues. We are restating some of these recommendations in the Analysis for budgetary consideration by the legislative fiscal committees.

Maintain Current Program Level

We recommend continuation of the Miller-Unruh program at the current level of program services with an augmentation of \$800,000 to provide a 70 percent average teacher salary allowance.

The recommendation to continue program support comes from our finding that evaluations of the Miller-Unruh program generally have indicated program effectiveness. The Governor's budget does not maintain the state's share of average teacher's salary in 1976-77.

Table 35 indicates that, assuming the same number of Miller-Unruh teachers in 1976-77, the proposed Miller-Unruh appropriation will subsidize an estimated 66 percent of the Miller-Unruh teacher's salary (up to the statewide average), a reduction of 4 percent from the 1975-76 subsidy. The provision of \$800,000 will maintain the subsidy at the 70 percent level.

We support the proposed continuation of the exemption of Miller-Unruh schools from strict compliance with the 1 to 10 adult-child ratio expected by the Department of Education of ECE schools. This exemption was first initiated by the Budget Act of 1975.

Expand to Grades 4-6

We recommend that districts be permitted the option to use Miller-Unruh teachers in grades four through six.

The reading performance of California students in grades six and twelve as measured by the statewide testing program is below that of the national norm group; at both grades the average achievement level in reading generally declined over the last five years (an exception was reading achievement in grade six this past year which improved).

In most Miller-Unruh schools, the Miller-Unruh teacher (a) works with groups of students with special reading problems and (b) provides in-service training for regular classroom teachers. The extension of these services to grades four through six could be accomplished with relative ease. We believe the utilization of Miller-Unruh teachers in grades four through six could assist in improving these pupils' performance.

Separate legislative action would be necessary in order to authorize the program for grades four through six.

Maximum state subsidy

We recommend that Budget Act language be included with the Miller-Unruh reading program appropriation for 1976-77, restricting the state subsidy for Miller-Unruh teacher's salaries to a maximum of 75 percent of the statewide average elementary teacher's salary.

We further recommend deletion of the language proposed by the Governor's Budget in Item 323 stating "that no school shall receive an allowance from this appropriation in 1976-77 which is greater than the allowances it received in 1975-76."

As noted above, in the current year the Miller-Unruh appropriation subsidized approximately 70 percent of the Miller-Unruh teacher's salary (up to the statewide elementary teacher average). Due to the possible attrition of Miller-Unruh teachers and reallocation of Miller-Unruh funds

**PROGRAM I
INSTRUCTION—Continued**

as the Early Childhood Education program expands, the same appropriation proposed in the 1976-77 budget could subsidize as much as (or more than) 75 percent of the remaining Miller-Unruh teacher's salaries.

For example, we estimate that if the ECE program were to expand as proposed by the Governor's Budget, the number of Miller-Unruh teachers would probably decrease by about 213. The proposed Miller-Unruh appropriation of \$13.8 million would then provide a subsidy to the remaining Miller-Unruh teachers of an estimated 78 percent of the statewide elementary teachers salary.

Our recommendation for a maximum 75 percent subsidy would (1) recognize the existing situation whereby Miller-Unruh districts are subsidizing over 30 percent of Miller-Unruh teacher's salaries, (2) stabilize the state's participation rate on a three for one matching basis and (3) permit any excess funds above 75% to be directed to Miller-Unruh program expansion, either in additional K-3 schools or in grades 4-6.

The effect of two of our recommendations would be to establish a level of state support for Miller-Unruh teachers between 70 and 75 percent of the statewide average elementary teacher's salary. In order to accomplish this, it will be necessary to delete the restrictive language proposed for Item 323 which would preclude a Miller-Unruh school from receiving a Miller-Unruh allowance in 1976-77 greater than its 1975-76 allowance.

Each of the recommendations should serve either to strengthen the Miller-Unruh program or to facilitate district participation in the program. We believe they are particularly important recommendations in view of the findings reported in our December 3 statement that the Miller-Unruh program has been associated consistently with reading success both alone and in combination with other funding sources. These findings lead us to the conclusion that the program should continue to receive state support.

Number of Children Served

We recommend that in its annual evaluation report to the Legislature the Department of Education include separate estimates of (a) the number of children served directly by Miller-Unruh reading specialists and (b) the number of children served indirectly through in-service training provided by specialists.

We further recommend that the department improve and verify the procedures used in determining these estimates.

The Department of Education is required to submit an annual evaluation report to the Legislature for the Miller-Unruh program. Data on numbers of children served have been based on crude estimation procedures. We believe it is essential that these procedures be improved and verified. We also believe it is essential that estimates of children served include separate figures for children served directly and indirectly through reading specialists' services. Both accurate total estimates and breakdowns by types of services received are necessary in order that the Legislature can judge accurately the scope and merits of the program.

C. SECONDARY EDUCATION

The Secondary Education Age Span is responsible for management of (a) general secondary education programs including RISE, (b) consolidated categorical aid, (c) traffic safety education, and (d) vocational education. Services include planning and development and direct field services to school districts.

Table 36 shows funding by element and by source for these components.

Table 36
Secondary Education Expenditures

<i>Program Elements</i>	<i>Actual 1974-75</i>	<i>Estimated 1975-76</i>	<i>Proposed 1976-77</i>
1. General Secondary Education	\$474,082	\$136,587	\$127,417
2. Consolidated Categorical Programs	25,516,405	32,654,986	29,918,026
3. Traffic Safety Education	195,642	263,484	271,326
4. Vocational Education	55,435,344	59,615,103	53,258,436
Total	\$81,621,473	\$92,670,160	\$83,575,205
<i>State Operations:</i>			
<i>General Fund</i>	\$582,611	\$646,762	\$848,231
<i>Federal funds</i>	7,045,702	8,587,818	8,802,517
<i>Reimbursements</i>	346,673	901,888	908,694
	\$7,974,986	\$10,136,468	\$10,559,432
<i>Local Assistance</i>			
<i>General Fund</i>	\$10,588,494	\$12,577,257	\$12,993,257
<i>Federal funds</i>	57,208,636	64,714,868	54,960,547
<i>Reimbursements</i>	5,849,337	5,241,567	5,061,969
	\$73,646,467	\$82,533,692	\$73,015,773

1. RISE

In 1974 the Superintendent of Public Instruction appointed a commission of Californians to review the present state of education in California's intermediate and secondary schools. The commission was charged with the responsibility of recommending changes that envisioned schools as they should be in the future. The "how" of actual implementation of the recommendations was to be the responsibility of the Department of Education.

The report was issued by the commission in August, 1975 and contained approximately 26 major recommendations. These recommendations are being developed into an implementation plan by the department.

The specifics of the implementation plan, including cost, are not yet final. However, certain general assumptions underlie the reform effort:

1. The learner is the most important person in the school system.
2. A personalized approach to learning which emphasizes the diagnosis of individual needs of learners, the prescription of appropriate educational programs, and an organization designed to deliver those services must be provided.
3. The directions reform will take should be determined at the school site. This should include full school/community participation in and shared responsibility for planning, developing and evaluating reform goals and programs.
4. The state, districts and schools must be held accountable for the success of reform efforts.

5. A realistic school by school phase-in of reform with adequate resources is needed.

These recommendations are viewed by the department as part of a total comprehensive plan for statewide school reform and as the logical extension of ECE and the Master Plan for Special Education efforts. This reform proposes a one-year planning period in which an intermediate or secondary school would develop its school-site reform plan. This plan would be updated annually. Statewide implementation would be over a seven year period.

The fiscal implications of the reform plan fall into five areas: (1) planning costs, (2) provision for adult (or peer) advisors for each pupil on a low ratio, (3) allowing districts to count planning time for the development of personalized pupil learning plans toward ADA apportionments, (4) evaluation and (5) additional funding for implementation on a per pupil basis.

The projected dollar amounts are \$35/pupil for planning (one-time) plus \$65/pupil in high school and \$100/pupil in junior high school. Based on these amounts, approximately \$128 million will be required at full implementation. It is not clear how these additional funds will be used relative to other state and federal categorical aid programs such as EDY and ESEA Title I.

Table 37 shows the estimated annual cost over the proposed seven-year phase-in period.

Table 37
RISE Implementation
(in millions)

	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83
Developmental ..	5%	10%	15%	20%	20%	30%	—
Grants.....	\$2.9	\$5.8	\$8.7	\$11.6	\$11.6	\$17.4	—
Implementation..	—	5%	15%	30%	50%	70%	100%
Grants.....	—	\$6.4	\$19.2	\$38.4	\$64.0	\$89.6	\$128.0
Total State Cost..	\$2.9	\$12.2	\$27.9	\$50.0	\$75.6	\$107.0	\$128.0

The Governor's Budget does not include a request for additional funds. However, it is anticipated that the department's request for funds will be included in an implementation bill this year.

2. DRIVER TRAINING/TRAFFIC SAFETY EDUCATION

The primary responsibility of this unit is the management and coordination of driver training and education programs in California's secondary schools. Primary funding for this program is provided from the Driver Training Penalty Assessment Fund.

Table 38 shows (1) the number of pupils receiving driver training (behind the wheel instruction), (2) the average cost per pupil for the training and (3) the average state reimbursement per pupil.

Table 38
Driver Training—Students Served with Average Costs

	1972-73	1973-74	1974-75
Students trained	323,581	325,594	327,736
Average cost	\$67.19	\$72.37	\$79.62
Average state reimbursement.....	\$50.75	\$54.80	\$61.60

Increase Reimbursements

We recommend that the Legislature authorize an increase in the state reimbursement rate for driver training from the current \$60/pupil to \$80/pupil.

Under current law the state is limited to a \$60 reimbursement rate for each pupil who has received minimum driver training instruction. However, Table 38 indicates that average cost/pupil are in excess of \$79/pupil or \$18 above the current reimbursement rate. This additional cost is funded from district general revenue. We believe the reimbursement rate should be increased to reflect the higher average cost/pupil. We estimate that a \$20 increase in the reimbursement rate would cost an additional \$6.5 million annually.

Funding for such an increase would come from the surplus revenues in the Driver Training Penalty Assessment Fund. There is an estimated surplus in the fund of \$11.8 million in fiscal year 1976-77. The surplus has been increasing annually from \$1.9 million in 1973-74 to \$8.3 million in 1974-75 and \$10.9 million in 1975-76 (estimated).

The large increase in the surplus in 1974-75 was due to an increase in the surcharge on fines. We believe that the funds are available and therefore it is a matter of equity to increase the reimbursement to districts that provide driver training to align it more closely with actual average cost of instruction. Furthermore, the increase in these special funds would allow districts to redirect their current excess local expenditures to meet other program cost increases.

3. VOCATIONAL EDUCATION

The Vocational Education Program in the Department of Education is nearly 100 percent federally funded and has a professional and clerical staff of 171 positions. The purpose of the vocational education unit is to assist local education agencies in providing training and career guidance to students in the state's public schools. Providing each pupil with marketable job skills is the stated objective of the unit.

Three program components comprise the vocational education program unit: (a) field operations, which provides technical assistance to districts; (2) services, which involves research, program planning, innovative projects and the vocational information system; and (3) instruction, which provides specialized curriculum and professional development assistance.

Vocational education, including local assistance, is supported by federal, state and local funds. Federal funds are authorized under the Vocational Education Act of 1968 (PL 90-576), Comprehensive Employment and Training Act (CETA; PL 93-203), and the Education Professions Development Act (PL 93-35). This unit also receives state support and shows a large increase from the General Fund in the current and budget years. This increase is due to (1) passage of AB 1821 (Chapter 1269, Statutes of 1975) which provides for the establishment of Regional Adult and Vocational Education Councils and appropriates \$125,000 for state administration in the current year and \$250,000 in the budget year plus \$1.25 million for local assistance to operate the councils, and (2) a proposal in the Governor's Budget for an additional 2.5 positions to monitor and review Regional Occupational Centers and Programs (\$94,384).

Table 39 summarizes budgeted expenditures for vocational education.

Table 39
Total Budgeted Support for Vocational Education

	<i>Actual 1974-75</i>	<i>Estimated 1975-76</i>	<i>Proposed 1976-77</i>
Expenditures:			
Secondary Education:			
State Operations.....	\$6,001,723	\$7,336,833	\$7,525,119
Local Assistance.....	41,962,469	45,053,642	38,062,676
Adult Education:			
Local Assistance.....	1,132,978	1,181,428	1,021,028
Special Programs and Support Services:			
State Operations.....	47,505	59,827	45,608
Local Assistance.....	77,952	59,500	—
Department Management and Special Services:			
State Operations.....	73,027	83,870	86,285
Totals, Vocational Education.....	\$49,295,654	\$53,775,100	\$46,740,716
Comprehensive Employment Training Act			
Secondary Education:			
State Operations.....	541,815	628,377	645,227
Local Assistance.....	5,849,337	5,241,567	5,061,969
Adult Education:			
Local Assistance.....	2,274,743	2,038,387	1,968,544
Totals, CETA.....	\$8,665,895	\$7,908,331	\$7,675,740
Total Program.....	\$57,961,549	\$61,683,431	\$54,416,456

Program elements and related funding are shown in Table 40. Table 40 totals are greater than those in Table 40 due to the inclusion of all administrative costs.

Table 40
Program Elements of Vocational Education with Related Funding

<i>Element Components</i>	<i>Actual 1974-75</i>	<i>Estimated 1975-76</i>	<i>Proposed 1976-77</i>
1. Part A, Special Needs.....	\$2,146,226	\$2,091,643	\$1,780,400
2. Part B, Basic Grant.....	38,493,796	40,662,137	36,679,649
3. Part C, Research and Training.....	537,612	1,569,463	802,108
4. Part D, Innovation.....	299,118	616,869	370,917
5. Part F, Consumer and Homemaking.....	3,504,646	4,145,803	3,114,709
6. Part G, Cooperative Education.....	1,327,235	1,204,057	1,084,931
7. Part H, Work Study.....	1,118,174	1,342,890	987,566
8. Special Grants.....	170,658	376,372	376,117
9. CETA.....	6,391,152	5,869,944	5,707,196
10. EPDA.....	874,344	431,490	425,056
11. Career Education.....	400,924	546,587	561,603
12. General Activities.....	171,459	215,848	285,184
13. Regional Adults and Vocational Education Councils.....	—	542,000	1,083,000
Totals.....	\$55,435,344	\$59,615,103	\$53,258,436
State Operations:			
General Fund.....	\$24,001	\$150,000	\$344,384
Federal funds.....	6,454,683	7,583,604	7,777,893
Reimbursements.....	322,801	819,225	836,027
Subtotal.....	\$6,801,485	\$8,552,829	\$8,958,304
Local Assistance:			
General Fund.....	—	417,000	833,000
Federal funds.....	42,784,522	45,403,707	38,405,163
Reimbursements.....	5,849,337	5,241,567	5,061,969
Subtotal.....	\$48,633,859	\$51,062,274	\$44,300,132

Entitlement Formula Revision

For the past year the allocation formula of Part B funds has been under review by the U.S. Office of Education. In fact, permission to allocate funds for the 1975-76 fiscal year has been withheld pending a revision in the state's formula.

The criticism of the formula is that it does not give sufficient weight to (a) manpower needs, (b) vocational education needs, (c) relative district ability to provide resources, (d) relative district costs of vocational education, (e) economically depressed areas and (f) limited English speaking. The department is working to solve the allocation problems and anticipates that the funds will be distributed by February 1976.

Regional Occupational Centers and Programs (ROC/ROP)

In our testimony to the Assembly and Senate Education Committees hearing on ROC/ROPs in November 1975, we recommended that county operated ROC/ROPs be funded in the same manner as district operated programs. We discuss that recommendation in our school finance section of this Analysis.

D. ADULT EDUCATION

The adult education age span is responsible for management of adult programs operated by school districts whether state or federally funded and for the approval of schools for veterans' training. There are three divisions in the unit: (1) adult program planning and development, (2) adult field services, and (3) school approvals.

Over one million students are enrolled in adult programs operated by approximately 310 school districts. Instruction is offered in a variety of areas including elementary and high school completion, vocational education, citizenship, English as a second language (ESL) and parent educational.

Table 41 shows the actual and estimated expenditures for adult education in recent years.

Table 41
Adult Education Expenditures

<i>Program Elements</i>	<i>1974-75</i>	<i>1975-76</i>	<i>1976-77</i>
1. Adult education instruction.....	\$4,571,153	\$7,039,155	\$4,932,155
2. School approvals.....	887,026	1,129,644	1,090,302
3. Vocational education.....	3,407,721	3,219,815	2,989,572
Totals	\$8,865,900	\$11,388,614	\$9,012,029
<i>State Operations</i>			
<i>General Fund</i>	\$145,416	\$145,287	\$242,444
<i>Federal funds</i>	921,894	1,308,772	1,327,349
<i>Reimbursements</i>	258,436	391,748	343,892
<i>Subtotal</i>	\$1,325,746	\$1,845,807	\$1,913,685
<i>Local Assistance</i>			
<i>Federal funds</i>	\$5,265,411	\$7,504,420	\$5,129,800
<i>Reimbursements</i>	2,274,743	2,038,387	1,968,544
<i>Subtotal</i>	\$7,540,154	\$9,542,807	\$7,098,344

1976-77

Staff Increases

The Governor's Budget proposes to increase the adult education field staff by 2.5 positions (2 professional, .5 clerical) to strengthen the department's field staff capability. We recommend approval. These positions would give the department a needed staff capability of seven General Fund positions, 9.7 adult basic education and 6.2 ESEA Title V-IVC.

(Discussion of adult education funding, particularly with regard to the "cap" is in the school finance section.)

PROGRAM II**ADMINISTRATIVE SUPPORT SERVICES**

Administrative support services bring together resources of personnel and funding that provide support to the Department of Education's program branch. Program II consists of two major elements (a) apportionments and distribution of aid and (b) administrative services to local education.

The apportionment and distribution element is divided into four components: (1) administration and apportionment of state aid, (2) textbook management and distribution, (3) surplus property and, (4) food and nutrition services. The administrative services to local education element is divided into two components (1) school facilities planning and (2) field management.

Table 42 shows the disbursement of funds for each component. The major components are analyzed in separate sections.

Table 42
Administrative Support Services
Disbursement of Funds

Program Element	Actual 1974-75	Estimated 1975-76	Proposed 1976-77	1976-77 Change	
				Amount	Percent
A. Apportionment and Distribution of Aid:					
1. Administration and Apportionment of State Aid:					
State Operations	804,855	1,046,896	1,090,629	+43,733	+4.2
Local Assistance	1,955,558,924	2,122,355,824	2,219,999,814	+97,643,990	+4.6
2. Textbook Management and Distribution:					
State Operations	847,304	1,118,536	1,128,206	+9,670	+1.0
Local Assistance	19,167,287	44,537,120	28,985,136	-15,551,984	-35.0
3. Surplus Property:					
State Operations	3,979,014	4,726,028	4,634,939	-91,089	-2.0
4. Food and Nutrition:					
State Operations	767,364	1,477,441	1,678,511	+201,070	+13.6
Local Assistance	\$132,029,748	\$173,398,368	\$197,699,642	\$+24,301,274	+14.0%
Subtotal	\$2,113,154,496	\$2,348,660,213	\$2,455,216,877	+ \$106,556,664	+4.5%
B. Administrative Services to Local Education:					
1. School Facilities Planning	550,233	553,850	575,013	+21,383	+3.9
2. Field Management ..	\$731,319	\$1,133,960	\$1,133,778	\$+182	+0.0%
Subtotal	\$1,281,552	\$1,687,810	\$1,708,791	\$+20,981	+1.2%

Table 43 provides a breakdown of the sources of funds for both elements of Program II.

Table 43
Administrative Support Services
Sources of Funds

	<i>Actual</i> 1974-75	<i>Estimated</i> 1975-76	<i>Proposed</i> 1976-77
A. Apportionment and Distribution of Aid			
Totals	\$2,113,154,496	\$2,348,660,213	\$2,455,216,877
General Fund	1,990,185,163	2,182,346,711	2,293,282,552
General Fund (loan recoveries)	367,739	-84,685	3,167
State School Fund	4,847,756	3,800,000	3,950,000
Surplus Educational Property Revolving Fund	3,908,707	4,659,650	4,587,208
State Transportation Fund, Motor Vehicle Account	—	100,000	—
Instructional Materials Fund	-5,323,780	16,863,885	—
Driver Training Penalty Assessment Fund	—	200,000	—
Federal Funds	119,076,841	139,812,217	153,346,219
Reimbursements	92,070	962,435	47,731
B. Administrative Services to Local Education			
Totals	\$1,281,552	\$1,687,810	\$1,708,791
General Fund	591,122	822,820	848,415
School Building Aid Fund	294,773	315,945	323,670
Federal Funds	319,894	493,915	480,936
Reimbursements	75,763	55,130	55,770

A. APPORTIONMENT AND DISTRIBUTION OF AID

1. ADMINISTRATION AND APPORTIONMENT OF STATE AID

The system of public school apportionments is controlled by constitutional and statutory provisions which guarantee each of the 1,048 school districts a minimum state support of \$125 per ADA (average daily attendance). This is referred to as "basic aid". An additional amount of state aid is granted to nearly 83 percent of the state ADA in the form of "equalization aid". To receive equalization aid a district must display an inability to raise sufficient local revenue from a defined property tax rate to meet a given level of expenditure determined annually by the state. This dollar level is referred to as the "foundation program".

ADMINISTRATIVE SUPPORT SERVICES—Continued

In addition to these features, the state's system of providing aid to local districts includes a local revenue control mechanism designed to limit future growth in school expenditures. This control feature, enacted in 1972, was a legislative response to both the *Serrano* issue and to demands for property tax relief.

With regard to *Serrano*, the theory of the control mechanism is to allow low-property wealth school districts to increase their revenues at a faster rate than high property wealth districts so that within a period of years the expenditure per ADA in all districts would be nearly equal. Property taxes are held down by statutory limits on a district's total budget per ADA. However, these budget ceilings may be exceeded with local funds if specifically authorized in a district election.

1976-77 Apportionments

In 1976-77 K-12 apportionments are expected to rise by \$97.7 million or by 4.6 percent over the 1975-76 level. The increase is due to several factors, some of which cause apportionment increases while others cause decreases. The planned foundation program increase of \$66 per ADA plus other minor increases are offset by decreases expected due to assessed value growth, declining ADA and summer school apportionment reductions. Assessed property values are estimated to increase by 9.0 percent in 1976-77 compared to the 11.3 percent increase in 1975-76.

Table 46 below presents a capsule look at these offsets.

Table 46
Explanation of the \$97.7 Million Increase in
K-12 School Apportionments
1976-77

	<i>Millions of Dollars</i>
Foundation Program Increase of \$66 per ADA	\$+246.8
Assessed Value Increases	-97.0
Changes in ADA.....	-44.0
Summer School Foundation Change.....	-28.8
Special Education and Transportation	+8.3
State Teacher's Retirement Fund	+2.5
County School Service Fund.....	+10.5
Other	-0.6
Total Change in 1976-77 over 1975-76	\$+97.7

Table 47 presents a breakdown and comparison of total K-12 apportionments for 1974-75 through 1976-77.

Table 47
K-12 Apportionment Estimates*
1974-75 through 1976-77

	<i>Actual 1974-75</i>	<i>Estimated 1975-76</i>	<i>Estimated 1976-77</i>
Elementary:			
Basic Aid	\$384,903,575	\$382,812,500	\$377,300,000
Equalization Aid	699,027,950	796,493,200	846,125,000
Sub-Total	\$1,083,931,525	\$1,179,305,700	\$1,223,425,000
High School:			
9-12 Basic Aid	\$188,049,625	\$191,412,500	\$194,536,500
9-12 Equalization Aid	313,512,421	350,625,200	379,259,000
Adults, Basic Aid	8,936,000	9,547,500	10,172,500
Adults, Equalization Aid	4,784,985	5,480,500	6,282,500
Sub-Total	\$515,283,031	\$557,065,700	\$590,250,500
County School Service Fund:			
Elementary Foundation Program	\$11,218,819	\$12,992,000	\$15,108,800
High School Foundation Program	27,998,314	35,845,400	44,227,001
Sub-Total	\$39,217,133	\$48,837,400	\$59,335,801
TOTALS, FOUNDATION PRO- GRAM	\$1,638,431,689	\$1,785,208,800	\$1,873,011,301
County School Service Fund			
Direct Service	\$3,500,174	\$3,547,500	\$3,612,000
Other Purpose	15,924,588	16,216,700	16,216,800
Sub-Total	\$19,424,762	\$19,764,200	\$19,828,800
Special Education:			
Physically Handicapped	\$80,532,814	\$87,485,200	\$94,380,200
Mentally Retarded	26,185,325	26,446,000	26,065,000
Special Transportation	14,260,217	15,207,600	16,267,600
Educationally Handicapped	72,551,882	78,645,000	84,451,000
Autistic Minors	—	4,880,000	5,726,000
Mentally Gifted	13,773,724	15,400,000	15,400,000
Transfer funds for Master Plan for Special Education Pilot Program	—	—	-14,000,000
Sub-Total	\$207,303,962	\$228,063,800	\$228,289,800
Regular Transportation	41,995,676	49,000,000	57,000,000
Adjustments	-27,028,977	-28,715,191	-30,753,054
TOTALS, PER EDUCATION CODE 17303.5	\$1,880,127,112	\$2,053,321,609	\$2,147,376,847
Special Apportionments and Programs:			
State Teacher's Retirement System In- crease:			
Elementary	31,422,296	32,778,500	33,518,200
High School	15,925,687	15,822,900	17,584,600
Sub-Total	47,347,983	48,601,400	51,102,800
Driver Training	18,223,968	20,200,500	21,500,000
Severance Aid For Highway Land	—	—	—
P.L. 874 Court Adjustments per E.C. 17415	9,475,222	—	—
Ch. 1532/72 Dropout Prevention Program	16,900	17,000	17,000
Highway Severance Aid	—	100,000	—
K-12, GRAND TOTALS	\$1,955,191,185	\$2,122,240,509	\$2,219,996,647

* General Fund loan recoveries are not reflected in this table.

ADMINISTRATIVE SUPPORT SERVICES—Continued

The transfer of \$14 million for the Master Plan for Special Education reflects an accounting change in the 1976-77 apportionments. In 1975-76 \$14 million was also provided to Master Plan districts from the apportionments. However, that amount was not explicitly cited. The 1976-77 apportionments show the transfer to the Master Plan districts. Master Plan funding remains at the same level in the budget year as it was in 1975-76. (Details on the Master Plan can be found in this Analysis under Special Programs and Support Services.)

Table 48 shows a breakdown of the total ADA that these apportionments supported in those years.

Table 48
Second Principal Apportionment Average Daily
Attendance in California Public Schools^a

	<i>Actual 1974-75</i>	<i>Estimated 1975-76</i>	<i>Estimated 1976-77</i>
Elementary			
Regular classes ^b	2,979,210	2,955,000	2,905,400
Summer school	98,410	104,000	110,000
County School Service Fund	13,297	14,000	15,200
High School			
Regular classes ^b	1,293,560	1,305,200	1,313,700
Summer school	63,296	69,600	75,200
County School Service Fund	11,035	11,930	12,800
Continuation Education	29,546	33,400	37,900
ROC/ROP (District)	34,335	36,400	38,590
ROC/ROP (County)	19,535	24,200	29,220
Classes for Adults	96,465	101,900	107,200
Defined Adults ^c	71,488	76,380	81,380
Special Education			
Physically Handicapped	48,501	54,870	58,970
Mentally Retarded	39,483	37,550	36,400
Educationally Handicapped	51,023	55,210	58,740
Mentally Gifted (FTE Basis)	139,414	141,425	141,550

^a Average Daily Attendance for both 1975-76 and 1976-77 reflects the imposition of a 5 percent growth limitation on nonmandatory adult and ROC/ROP ADA for purposes of state aid.

^b Includes "regular classes", "special education foundation program ADA", "classes maintained during the summer months", "opportunity schools" and "Vietnamese".

^c Includes defined adults (DA) in ROC/ROP. DA in ROC/ROP equaled 2,091 in 1974-75, 2,300 in 1975-76 and 2,600 in 1976-77.

1976-77 Apportionment Issues

The primary issues related to the 1976-77 school apportionments are the (1) funding of secondary adult education, (2) adequacy of the apportionment increases in relation to inflationary pressure, (3) funding of summer schools and (4) proposed *Serrano* solutions.

1. Adult Education

In order to meet other expenditure priorities, the Legislature and the Governor added language to the Budget Act of 1975 to curb state expenditures for adult education. This cap is continued into the proposed 1976-77 Governor's Budget.

The budget cap allows in 1976-77 a secondary adult education school apportionment increase of \$16.3 million or 16.9 percent increase over the 1975-76 level. Absence of the budget cap in 1976-77 would result in an estimated increase in state secondary adult apportionments of 84.2 percent or \$81.3 million, a difference of \$65 million over the increase allowed under the cap. In practice the state pays for a 7.3 percent enrollment growth under the cap compared to a projected 37.8 percent growth if the cap were eliminated.

Table 44 shows the resultant ADA and apportionment levels with and without the budget cap.

In our November 1975, testimony before a joint hearing of the Senate and Assembly Education Committees we made several recommendations with regard to the financing of adult education in secondary schools and community colleges.

Proposed Changes in Adult Education Funding

We recommend:

- (1) *Extension into 1976-77 of the budgetary "cap" on secondary and community college adult education.*
- (2) *Factoring of adult secondary education apportionments to bring them into line with program costs.*
- (3) *Inclusion of a computational tax deduction or payback arrangement in the funding of county operated Regional Occupation Centers and Regional Occupation Programs (ROC/ROPs).*
- (4) *Utilization of a unit of fifty minutes to calculate the number of hours per week for purposes of determining who is a defined adult.*
- (5) *Inclusion in the Postsecondary Education Commission's current study on community college finance of consideration of alternative methods of financing secondary adult programs.*

Table 44
Adult Education Budget Cap

	1975-76	1976-77		Change from 1975-76			
		With Cap	Without Cap	With Cap		Without Cap	
				ADA	Percent	ADA	Percent
1. Comparison of ADA							
Adult Classes	101,900	107,200	140,600	5,300	5.2%	38,700	38.0%
Defined Adults	76,390	81,380	89,900	5,000	6.5	13,520	17.7
High School ROP/C	36,400	38,590	55,200	2,190	6.0	18,800	51.6
County ROP/C	24,200	29,220	43,500	5,020	20.7	19,300	79.8
Totals	238,880	256,390	329,200	17,510	7.3%	90,320	37.8%
2. Apportionment Comparison							
Adult Classes	\$40,725,000	\$46,003,300	\$77,269,500	\$5,278,300	13.0%	\$36,544,500	89.7%
Defined Adults	15,028,000	16,455,000	18,177,400	1,427,000	9.5	3,149,400	21.0
High School ROP/C	14,294,600	16,435,300	31,877,200	2,140,700	15.0	17,582,600	223.0
County ROP/C	26,474,800	33,896,000	50,460,000	7,421,200	28.0	23,985,200	190.1
Totals	\$96,522,400	\$112,789,600	\$177,784,100	\$16,267,200	16.9%	\$81,261,700	84.2%

We believe that continuing the cap in 1976-77, as proposed in the Governor's Budget, is prudent fiscal management. The reasons for supporting this position are:

- (1) The current funding structures for adults in the high schools are producing apportionments that exceed costs by more than \$60 million. Removal of the cap would compound the existing overpayment.
- (2) The one year extension of the cap will allow adequate time to study alternative funding strategies for adult education.

Our second recommendation with regard to adult education is that consideration be given to factoring adult education apportionments to bring them into line with program costs. Our November 1975, testimony indicated that high school adult programs generated a "profit" of more than \$60 million in 1973-74 because apportionment formulas produce revenue in excess of program costs.

This funding structure has created a fiscal incentive for districts to expand adult programs even under the "cap". We recommend that the expanded Postsecondary study (recommendation #5) examine the factoring of adult ADA to bring program revenue in line with actual program costs.

The third recommendation deals with the apportionment process for county operated Regional Occupation Centers and Regional Occupation Programs (ROC/ROPs). Under current statutes if a single district or a group of districts operate an ROC/ROP they are required to contribute to the operation of the program in relation to their property wealth. To this purpose a computational tax rate has been applied to the district's property wealth. If the yield from this process is less than the state guarantee then the state makes up the difference. However, if the county schools superintendent operates the ROC/ROP there is no provision for a computational tax deduction.

We believe that this situation is inequitable. No clear purpose is served in the differential treatment. As a solution to this problem we recommend either the (1) utilization of a computational tax rate for county operated ROC/ROPs or (2) payment of ROC/ROP programs with local district revenues. The latter solution would parallel the present method of financing county operated special education programs.

The utilization of a unit of fifty minutes to calculate the number of hours per week for purposes of determining who is a defined adult constitutes our fourth recommendation.

Currently, high school districts are allowed to use ten "periods" of not less than 40 minutes each to determine whether a student is to be classified a defined adult or other than defined adult. Community colleges use a 50 minute hour. Under the present system a student need attend only 6.6 hours ($40 \times 10 \div 60 = 6.6$) to be classified as an other than defined adult which is entitled to the full foundation program *rather than 10 hours*. We believe the standard for high schools should be increased to *50 minute periods* per week exclusive of passing time to bring the high schools to

ADMINISTRATIVE SUPPORT SERVICES—Continued

parity with the community colleges ($50 \times 10 \div 60 = 8.3$).

Our fifth recommendation concerns the current Postsecondary Education Commission's study on community college finance.

The 1975 Budget Conference Committee directed the Postsecondary Education Commission to study alternative methods of community college financing. The report is to be completed by December 1, 1976. We believe the study should be expanded to include K-12 adult programs.

Alternatives should include possible alterations and redefinitions in the present delivery system such as (1) elimination of adult education at the high school level, (2) elimination of adult enrollments in ROC/ROP, (3) restriction of secondary offerings to high school districts, (4) utilization of a fee structure, (5) establishment of a separate foundation program for all adults at the high school level, (6) elimination of adult classes in community colleges and redefinition of graded classes, and (7) establishment of annual budget act appropriation items for both community colleges and high school adults. These are some of the alternatives that should be considered in developing a long-term solution to the financing and program problems in adult education.

Elimination of Multiple ADA

We recommend that legislation be enacted to limit the apportionment credit for students attending combinations of the regular, adult and ROC/ROP programs.

Currently, a student can attend the regular program for three hours and an adult or ROC/ROP program for an additional three hours and be credited for two days of attendance for apportionment purposes. It is also possible for high school students to be credited for all three programs. We believe the apportionment levels for these multiple program attendance situations should reflect actual and necessary costs.

2. Inflationary Pressure

In August 1975 the Legislature enacted Chapter 277, Statutes of 1975 (SB 220). This measure was passed in response to arguments that the normal 1975-76 planned apportionment increases per ADA were insufficient to keep pace with recent inflationary pressure. Under Chapter 1406, Statutes of 1972, (SB 90) and Chapter 208, Statutes of 1973, (AB 1267), districts at the foundation level were planning to receive from 6.2 percent to 7.6 percent increase in apportionments per ADA in 1975-76. Districts above the foundation level would receive a lesser increase in their revenue limits due to the "squeeze" factor. Declining enrollments were also cited as adversely affecting school districts.

The "squeeze" factor of Chapter 1406 had by 1974-75, reduced the average annual revenue limit growth for unified school districts to about 4 percent. However, school district salaries and benefits increased by over 9 percent in that year. Confronted with the effects of cost increases that exceeded allowable revenue growth school districts turned to the Legislature for fiscal relief.

Chapter 277 increased the base allowance for districts at the foundation level to a range between 8.3 percent to 10.1 percent as shown in Table 45.

Table 45
1975-76 Foundation Programs Under SB 220

Level	<i>Foundation Program Levels</i>			<i>Change Over 1974-75</i>			
	1974-75	1975-76		Prior to SB 220		Under SB 220	
		Prior to SB 220	Under SB 220	Amount	Percent	Amount	Percent
Elementary	\$825	\$888	\$909	\$63	7.6%	\$84	10.1%
Unified	906	969	990	63	7.0	84	9.3
High School	1,010	1,073	1,094	63	6.2	84	8.3

Chapter 277 also provided that the additional \$21 provided above the planned \$63 increase would not be subject to the squeeze factor.

With regard to declining enrollments the statute allowed districts to retain for one year approximately 75 percent of their annual local revenue loss due to declining ADA. Under Chapters 1406 and 208 only 50 percent could be retained.

Thus, Chapter 277 provided for an appreciable increase in apportionments above the 1975-76 planned increase. The state cost of these two changes was approximately \$87.5 million. Additional local revenue of approximately \$50 million was also provided for a total school revenue increase of \$137.5 million.

Chapter 277 also provided for a \$66 per ADA increase in the foundation program for 1976-77. The \$66 increase will provide an inflationary adjustment of between 6.2 percent to 7.3 percent for districts at the foundation program level. However, over 60 percent of the state's ADA are in districts whose revenue limits are above the foundation program. These districts will receive less of an increase due to the squeeze factor. Thus, the situation of costs rising faster than revenues may again be a major problem for many school districts in 1976-77 and districts will be requesting additional relief.

Inflation Considerations

We recommend that the Legislature consider:

1. *The effect on Serrano if relief is again given to high expenditure districts.*

One of the major intentions of Chapter 1406 was to slow down the expenditure growth rate of high wealth districts. Inflation relief legislation such as Chapter 277 works counter to this intention.

2. *The inhibiting features of the state's school personnel tenure laws as they relate to the school district's ability to reduce costs as revenues decline.*

In 1974 a Los Angeles Superior Court concluded in *Burgess vs. Board of Education* that in determining the number of teachers that could be dismissed by reason of decline in ADA school boards were first required to consider the number of certificated employees who had departed the system by normal attrition in the computation period. The court found further that boards could not dismiss teachers on the basis of a policy of increased class size. Thus, districts are limited in consideration of some personnel shifts that would reduce revenue demands.

ADMINISTRATIVE SUPPORT SERVICES—Continued**3. Summer School Apportionments**

Our December 1975, study "California Public Elementary and Secondary Summer Schools" examined (1) the state administration of summer schools, (2) the type of programs being offered and (3) the revenue and expenditure flows to support the summer programs.

Our findings were as follows:

1. Between 1971 and 1975, enrollments in summer sessions increased by 30.8 percent (from 1.1 million to 1.5 million) while regular school enrollment dropped by about 3.0 percent.

2. In 1974, the total revenue support (both state and local funds) for summer schools was approximately \$154 million, but the actual cost of conducting these classes was about \$88 million, resulting in a revenue excess of \$66 million which was applied to other school programs.

3. The State Department of Education (SDE) collects very little information on summer school programs in the state. For example, no information is collected concerning (1) the characteristics of students attending summer programs (e.g., slow learners, gifted, disadvantaged), (2) the types of courses being offered in elementary summary school programs, and (3) the current expense of summer programs.

4. Summer enrollment data collected by the SDE indicate that for high school programs:

a. Physical education has not only exhibited the greatest enrollment growth (174 percent) from 1971 to 1975 but was also the subject area with the largest enrollment in 1975.

b. Over the same period, enrollments in mathematics grew by 19 percent, enrollment in science classes grew by only 4 percent, and enrollments in English classes did not show any significant growth.

5. Local district revenue raising authority is the same for both regular and summer school ADA despite the fact that summer school teacher work days are about four hours in length compared to an average of seven hours for the regular program.

6. Chapter 277 reduced the foundation level of support for summer school programs in 1976-77 for an estimated state equalization aid savings of \$28.8 million. This savings will be at the expense of equalization aid (low wealth) districts. These districts can offset this loss in state funding, but only by increasing local property taxes.

Summer School Considerations

In light of these findings we make the following recommendations:

1. *That state and local funding for summer schools be reduced to reflect the shorter teacher work day and the lower daily teacher salary. This objective would be accomplished if funding were limited to about 57 percent of the regular school revenue limit.*

Full implementation of this recommendation in 1976-77 would reduce state school apportionments by \$41.8 million and could also result in moderate reductions in local property taxes. A phase-in of our recommendation may be in order to allow districts to adjust to the new apportionment levels.

2. *That the Department of Education submit a report to the Legislature by December 1, 1976, amplifying its position on the purposes and effectiveness of the summer school program.*

The report should include data directed at assessing the success of summer school in achieving these purposes.

4. *Serrano vs. Priest*

The *Serrano* case on which the State Supreme Court will render a decision in early 1976 was last decided upon in April 1974, by the Los Angeles Superior Court. The 1974 decision was preceded by a lengthy judicial history dating back to the late 1960's.

The Los Angeles Court found the state's school financing system for public elementary and secondary schools, including the changes brought about by Chapter 1406, Statutes of 1972, (SB 90) and Chapter 203, Statutes of 1973, (AB 1267) to be in violation of the California Constitution's equal protection-of-the-laws provision. The court found that substantial variations in assessed valuations of taxable property between school districts resulted in substantial disparities in per pupil revenues and expenditures. The court stated that such per pupil expenditure differentials constituted a denial of equality of education and uniformity of treatment to the children of low wealth school districts of the state.

From an equal-protection-of-the-laws standpoint, the court found the following features of the current financing system to be objectionable: (1) the basic aid payment of \$125 per pupil to the high wealth school district; (2) the right of voters of each school district to vote tax overrides and raise unlimited revenues at their discretion; (3) expenditure disparities of more than \$100 per pupil between school districts, apart from the categorical aids special-needs program, and (4) substantial variations in tax rates between school districts that are not reduced within a maximum of six years.

The Supreme Court could alter some of these Superior Court opinions. However, the findings serve as a backdrop in which to reexamine the current situation.

Table 49 presents an analysis of 1974-75 unified school district revenue limits per ADA compared to property wealth and district tax rates.

Unified districts contain close to 68 percent of the state's total ADA. Several observations from this table are worth noting. First, in 1974-75, 47.2 percent of the unified district ADA were within a revenue limit range of \$900 to \$999. Secondly, 83 percent of the unified ADA were in districts with limits less than \$1,099. The average tax rate is also shown to be an increasing variable in the revenue limit range from \$700 to \$1,099 rising from \$3.36 to \$4.22.

Similar observations can be made for elementary and high school districts. Overall, approximately 73 percent of the state's ADA were located in districts that exhibit the tendency for rising average tax rates as the revenue limit range increases. While this distribution does not reflect a

Table 49
Revenue Limit Analysis
Unified School Districts
1974-75

Revenue Limit Range	Number of Districts	Number of ADA	Percent of ADA	Cumulative Percent ADA	Modified Assessed Value			General Purpose Tax Rates ¹			Comments
					High	Average	Low	High	Average	Low	
\$700-\$799	4	19,326	.6%	.6%	\$22,353	\$11,953	\$5,745	\$3.56	\$3.36	\$3.02	
\$800-\$899	72	824,049	26.8	27.4	28,322	12,551	2,146	4.55	3.78	2.20	Baldwin Park
\$900-\$999 ²	69	1,448,569	47.2	74.6	44,441	16,724	6,072	5.85	3.96	2.07	Los Angeles Unified
\$1,000-\$1,099	34	257,511	8.4	83.0	38,074	21,439	10,053	5.46	4.22	2.61	
\$1,100-\$1,199	28	267,549	8.7	91.7	109,024	32,343	15,783	5.82	3.77	.85	
\$1,200-\$1,299	17	111,704	3.6	95.3	73,164	37,501	14,913	5.50	3.13	1.67	
\$1,300-\$1,399	6	19,297	.6	95.9	57,490	30,716	16,279	5.90	4.42	2.41	
\$1,400-\$1,499	7	80,741	2.6	98.5	78,969	45,794	18,867	6.45	3.57	2.35	San Francisco
\$1,500-\$1,599	3	14,989	.5	99.0	46,461	36,487	23,122	6.62	4.64	3.37	
\$1,600-\$1,699	6	16,040	.5	99.5	86,982	49,771	31,485	5.48	3.53	2.45	
\$1,700-\$1,799	1	320	0	99.5	—	34,799	—	—	4.55	—	
\$1,800-\$1,899	1	291	0	99.5	—	96,069	—	—	2.04	—	
\$1,900-\$1,999	1	5,957	.2	99.7	—	66,544	—	—	3.06	—	Beverly Hills
\$2,000-\$2,099	1	1,426	.1	99.8	—	49,058	—	—	3.82	—	
over \$2,099	2	882	0	99.8	110,915	89,608	68,302	3.02	2.48	1.93	
Totals	253	3,070,651			\$110,915	\$22,790	\$2,146	\$6.62	\$3.83	\$3.85	

¹ Does not include permissive overrides or capital outlay tax rates.

² Foundation program range.

perfect power equalized system it does indicate a more equal system than suggested by the oft quoted Baldwin Park-Beverly Hills example.

Serrano Considerations

In examination of the *Serrano* bills that may be introduced in this session we recommend that the Legislature consider:

1. *The change in the entire range of the distribution of ADA that would result from a given alternative both in the first year and in subsequent years of enactment.*

Table 50 shows the change in the distribution of ADA for unified districts for the period 1973-74 to 1974-75.

Table 50
Unified Districts

Revenue Limit Per ADA	Percent of Unified District ADA		Average Modified Assessed Value per ADA		District Average General Purpose Tax Rate	
	1973-74	1974-75	1973-74	1974-75	1973-74	1974-75
\$ 700- 799	3.8%	6%	\$10,688	\$11,953	\$2.91	\$3.36
^a 800- 899	40.1	26.8	12,273	12,551	3.74	3.78
^b 900- 999	35.2	47.2	18,646	16,724	4.01	3.96
1,000-1,099	5.3	8.4	21,113	21,439	4.45	4.22
1,100-1,199	8.7	8.7	32,897	32,343	3.64	3.77
1,200-1,299	2.8	3.6	32,811	37,501	3.81	3.13
1,300-1,399	0	.6	22,186	30,716	5.20	4.42
1,400-1,499	2.7	2.6	37,791	45,794	3.80	3.57
1,500-1,599 .....	.5	.5	44,467	36,487	4.14	4.64
1,600-1,699 .....	.5	.5	35,029	49,771	4.41	3.53
1,700-1,799	0	0	42,288	34,799	4.30	4.55
1,800-1,899	0	0	-	96,069	-	2.04
1,900-1,999 .....	.2	.2	58,921	66,544	3.07	3.06
2,000-2,099 .....	.1	.1	50,175	49,058	3.44	3.82
over \$2,099	0	0	98,100	89,608	2.57	2.48

^a Foundation Program per ADA was in this range in 1973-74.

^b Foundation Program per ADA was in this range in 1974-75.

By focusing on the entire range of the distribution the impact of given alterations can be readily seen. For example, from Table 50 we can state that a change in foundation program support from the 1974-75 \$900-\$999 range would involve additional funding for 74.6 percent of the state's unified ADA (.6 + 26.8 + 47.2). However, a measure limited to increase support up to the \$900-\$999 range would involve only 27.4 percent of the ADA. Thus, critical dollar change levels can be readily identified when the entire distribution is known.

2. *The elimination of basic aid payments to high wealth school districts.*

In 1976-77 about \$104 million will be distributed to high property wealth districts in the form of basic aid. If this money were recaptured while allowing the high wealth districts to tax themselves to offset the loss, the result could be a significant improvement over the current distribution of state aid.

3. *The impact of categorical aids on the present distribution of revenue limits and the effect of a redistribution of categorical aid based on a tax effort and property wealth index.*

ADMINISTRATIVE SUPPORT SERVICES—Continued

The district revenue limits do not include allocations made from categorical sources such as Early Childhood Education, Educationally Disadvantaged Youth, and Bilingual Education. Federal funds are also excluded from the base revenue limit. Yet these funds represent resources available to support the total education program. The reallocation of these funds on the basis of district wealth again with the option of local choice to tax for replacement, could result in a significant reduction in the disparities in total dollar resources and taxing effort.

The school finance computer model in development by the Department of Education should make ready access available to the above types of information. Close scrutiny of the *Serrano* issue and proposed remedies should start with a complete description of the present situation to act as a benchmark for evaluation of the alternatives.

**2. CURRICULUM FRAMEWORK AND INSTRUCTIONAL MATERIALS
SELECTION UNIT**

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

Instructional Materials Fund

Chapters 929 and 1233, Statutes of 1972, established the State Instructional Materials Fund with a fixed derivation formula to replace the annual budget appropriation item for textbooks. The derivation amount is computed annually by the State Controller on July 1, by multiplying \$7 by the preceding school year's public and private elementary school enrollment (ADA). The formula is adjusted annually for changes indicated by the Consumer Price Index. The amount derived by this formula was \$24.3 million in 1973-74, \$25.0 million in 1974-75, \$27.5 million in 1975-76 and is estimated at \$29.7 million in 1976-77.

Table 51 shows the total support for textbook selection, production and distribution in recent years.

The amounts shown for school district credit and school district cash allotment are divided equally among districts based on their K-8 ADA. It is important to note that authorization for the State Instructional Materials Fund expires June 30, 1977, and will therefore require legislative action in 1976 to revise or extend the current instructional materials law.

Selection and Distribution. The curriculum frameworks and instructional materials selection unit and the textbook distribution unit are composed of the following elements: (1) framework development, (2) textbook selection, (3) textbook adoption and (4) textbook acquisition. The conduct of these activities is the responsibility of the Curriculum Development and Supplemental Materials Commission, an advisory body to the State Board of Education and the Department of Education. This Commission is composed of 18 appointed members.

Adoptions. The textbook adoption process is comprised of eight sequential steps:

(1) request for framework development by the State Board of Education;

Table 51
Textbook Budget Support

	<i>Actual 1974-75</i>	<i>Estimated 1975-76</i>	<i>Proposed 1976-77</i>
Expenditures:			
State Operations:			
Curriculum Commission	\$37,497	\$49,025	\$50,485
Textbook management	302,005	368,536	378,206
Textbook selection	215,806	325,451	393,015
Subtotal	\$555,308	\$743,012	\$821,706
Local Assistance:			
Instructional Materials			
Old Adoptions	-	\$896,057	-
Royalties on prior adoptions	-	70,000	\$90,000
Warehousing and shipping prior adoptions	\$271,120	218,934	150,000
Nonpublic schools	-	-	-
Braille and large print	98,542	600,000	600,000
Warehousing and shipping current adoptions	270,207	631,066	750,000
Reserve	200,000	200,000	200,000
School district credit	17,284,225	41,092,618	26,544,579
School district cash allotment	1,571,669	1,544,708	1,374,791
Carryover	12,393	33,737	25,766
Subtotal	\$19,708,156	\$45,287,120	\$29,735,136
Funding:			
State Operations			
General Fund	\$494,756	\$694,149	\$766,465
Federal Funds	42,178	48,863	55,241
Reimbursements	18,374	-	-
Local Assistance			
General Fund	25,031,936	27,527,178	29,735,136
Instructional Materials Fund	-5,323,780	16,863,885	-
Reimbursements	-	896,057	-
Total	\$20,263,464	\$46,030,132	\$30,556,842

* Governor's Budget does not include a figure. The amount should be approximately \$2.0 million in the current and budget years.

(2) preparation of textbook selection criteria based on the adopted framework;

(3) issuance of a call for bids to all publishers by the Department of Education;

(4) publisher submission of textbooks for review by the Curriculum Development and Supplemental Materials Commission;

(5) review of textbooks by legal compliance committee;

(6) recommendation of textbook adoption to the State Board of Education by the Curriculum Commission;

(7) state board adoption of textbooks and department solicitation of district textbook orders; and

(8) manufacture of textbooks by Office of the State Printer for distribution by the department or the purchase of textbooks directly from the publishers or their depository for delivery to the districts. Instructional materials for the secondary level are adopted by each school district and

ADMINISTRATIVE SUPPORT SERVICES—Continued

secured directly from the publishers or through a California textbook depository.

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

Positions Requested

We recommend that the two staff services analyst positions requested in the Governor's Budget for the textbook selection function be denied for a General Fund savings of \$54,675 (Item 335).

The Governor's Budget requests approval for two staff services analyst positions to relieve the textbook adoption workload. Justification for these requested positions is based on legislative changes in the instructional materials adoption process. These changes required the State Board of Education to adopt materials every two years. In addition, the board amended its adoptions procedure in January 1975, to include separate committees to review materials strictly for legal compliance.

We objected in last year's Analysis to the changes in the textbook adoption process proposed by the board because the revisions would only add to textbook delays. In the course of the budget hearings the department's representatives were questioned about the need for some of the proposed revisions, particularly the need to have separate legal and content compliance committees.

According to the department, the addition of separate legal compliance committees has added 2.6 work years to the department's workload. We believe that these committees unnecessarily duplicate and isolate a workload that had previously been conducted in the textbook content evaluation. The inclusion of both functions in one evaluation would eliminate most of the additional workload and consequently the need for the two requested positions.

It is important to note that the department requested these same positions for the current year but the request was denied by the Governor. Since that denial the department has redirected two positions to the curriculum unit. Approval of this request would result in a net increase of four positions over 1974-75 (two redirected plus two proposed).

State Printer

We recommend that the Office of State Printing (OSP) be phased-out of the textbook manufacturing process in the 1976-77 fiscal year. We further recommend that legislation be enacted to provide for the apportionment of all textbook funds directly to school districts and that (a) such funds be restricted to the purchase of instructional materials, as defined and (b) districts be authorized to purchase directly from a publisher or its distributors.

Since the beginning of this century the state has provided for a system of state supported textbooks in grades K-8. The original system sought to provide the single best book in each subject. However, in the last decade it became apparent among educators and the Legislature that such a system was unresponsive to the diversity of California's school population.

Consequently, the Legislature enacted major modifications in the textbook law in 1969, and again in 1972, to broaden the law to include non-print media and to provide an even greater number of materials for selection by school districts.

Under this new law the number of items in adoption has increased from 807 in 1972-73 to over 8,000 items in 1976-77. This increase has made it uneconomical for the OSP to manufacture many of the textbooks resulting in a dramatic reduction in the number of textbooks manufactured by the state. Savings from state manufacture of materials as opposed to direct purchase from publishers has declined concurrently with the drop in OSP workload.

Table 52 shows the number of textbooks manufactured by OSP from 1964-65 through 1974-75 with the estimated savings resulting from state manufacture (savings equals publishers bid price less OSP cost of manufacture and textbook royalty).

Table 52
Savings from State Manufacture of
Textbooks

<i>Year</i>	<i>Quantity</i>	<i>OSP Estimated Savings</i>
1964-65	9,990,600	\$6,059,050
1965-66	5,494,000	3,191,411
1966-67	17,704,700	11,582,726
1967-68	16,405,560	9,624,913
1968-69	18,131,545	8,987,858
1969-70	23,750,000	13,943,598
1970-71	20,377,130	13,890,472
1971-72	14,384,720	8,307,548
1972-73	15,716,174	13,312,186
1973-74	3,696,000	1,613,640
1974-75	3,348,500 ^a	1,907,253

^a Of this total 2,081,000 were new textbooks and 1,267,500 were reprints of materials under the old adoption system.

The 1973-74 fiscal year represents the first year under the new textbook adoption program and indicates the magnitude of change under the new selection and adoption system.

Unreliable Computation of Savings

We do not believe the savings shown in Table 52 represent net savings to the state. These savings in Table 52 are not complete because OSP costs do not include (1) warehousing and distribution costs and (2) sales tax (the printer does pay sales tax on materials but he does not include the sales tax paid by districts on the finished book in his calculation of gross savings). Consequently, OSP "savings" are eliminated if these two cost elements are deducted from gross OSP savings.

In Table 53 we have estimated the revenues that would accrue to publishers and OSP based on the appropriated textbook funds. These revenues are converted to estimated OSP gross savings less the sales tax and distribution costs not included in OSP's estimates.

ADMINISTRATIVE SUPPORT SERVICES—Continued

Table 53 indicates a decline in savings by OSP through the current year with a projected loss in the budget year.

Table 53
Textbook Acquisition and Distribution Costs

	1974-75	1975-76	1976-77
Total Expenditures	\$19,826,304	\$38,550,539	\$26,544,579
Publishers	13,427,156	26,637,266	17,997,225
Printer	6,400,148	12,413,273	8,547,354
Gross Savings	\$1,907,253	\$2,917,119	\$1,008,628
Less:			
Sales Tax	760,000	1,507,770	1,018,711
Distribution cost	843,332	1,218,536	1,278,206
Total Savings or Loss	+\$303,921	+\$190,813	-\$288,289

An additional cost to the state that is not shown in the above figures is the delivery delay caused by state manufacture of textbooks. Inclusion of OSP in the textbook acquisition and distribution process results in a year's delay of textbook delivery to school districts.

Table 54 shows the time required for each phase of manufacture and distribution.

Table 54
Textbook Acquisition and Distribution Time Requirements
After Adoption by State Board of Education

Major Tasks	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Preparation of Order Forms				▲												
Selection and ordering of instructional materials by the schools						▲										
Review and key entry of orders									▲							
Printing of selected instructional materials by the Office of State Printing and distribution by Textbook Warehouse																▲

It is important to note that the 14 month time requirement shown in Table 54 is in addition to the 13 months required for the selection and adoption process for a total adoption and distribution cycle of over 27 months. This time cycle is excessive.

As discussed in last year's Analysis, accountability in the textbook adoption process requires (1) maximum flexibility of choice at the local level and (2) availability of the most recently published materials. While the current system has achieved a wide variety of materials for district selection, these materials are not available to districts on a timely basis. A major reason for this delay is the time requirements of the OSP. For this reason, and because of the limited savings, we recommend that OSP be phased out of the textbook adoption process in the 1976-77 fiscal year.

Direct Apportionment to Districts

We further recommend that all of the textbook credit be granted as a cash allotment to districts. Under current law, districts may be granted a partial cash allotment of 50¢ per pupil per year by the State Board of Education from their textbook credit. This may be used by the district to purchase materials not adopted by the board. Instead of this partial allocation, we believe that the entire textbook credit should be distributed as cash. However, expenditure of these funds should continue to be restricted to the purposes authorized in existing law.

As noted, the legislative authorization for the current instructional materials finance system expires June 30, 1977. Consequently, the changes we are recommending could be included in any proposed legislation in 1976 to restructure the current law.

Report Required

In the 1975-76 Analysis we recommended that the State Board of Education (1) study the entire textbook selection, adoption, manufacture and distribution cycle and report its findings to the Legislature by December 1, 1975, and (2) determine the feasibility of a textbook cycle of not more than 15 months. This report has been received by our office and concludes that the minimum textbook cycle that could be achieved under current legal requirements is 20 months.

This would represent a reduction of at least six months from the current 26 month cycle. However, the report states that the achievement of a 15-month cycle "would require considerable rethinking of role relationships and statewide policy approaches to the adoption of instructional materials." We agree. In fact, we pointed out last year the need for "a critical evaluation of the role of the State Board of Education and the Department of Education in the entire adoption process." Such an evaluation is not included in the report.

The 20-month cycle outlined in the report is composed of (1) a nine-month evaluation period and (2) an 11-month district selection and state manufacture period. Thus, it is clear from the report that a 15 month cycle can only be achieved by elimination of state textbook manufacture.

Effect on State Printing Plant

Much of the OSP capacity to manufacture textbooks has been assumed by the Legislature and other state agencies in recent years. In fact, a majority of OSP revenues are from non-textbook sources. Thus, even with the phase out of textbooks the OSP will continue to have capability to manufacture textbooks should the need arise in the future.

Clarification Needed

We recommend that the textbook adoption law be clarified to allow a minimum use period of not less than six years. Currently, the State Board of Education is required to adopt new materials every two years. Adopted materials cannot be used by districts for less than two years nor more than six years. Education Code Section 9401 allows the board to readopt materials from a previous biennial adoption up to a total adoption period of not to exceed six years.

ADMINISTRATIVE SUPPORT SERVICES—Continued

Until December 1975, the board had interpreted this section to require a total review and readoption every biennium. Consequently, some of the materials adopted by the board two years ago are being eliminated in the current biennial review and will be out of adoption after two years use. Because districts can only use their textbook credit to purchase materials currently in adoption, districts will not be able to purchase replacements except with district funds.

In December 1975, the board clarified its adoption policy to provide for automatic readoption every two years. This change in policy by the board will eliminate the problem of a two year adoption in the future but we believe the Legislature should specify that materials adopted by the board may be purchased by districts with their textbook credit for a minimum of six years. Such action by the Legislature should be retrospective to "hold harmless" those districts that purchased materials adopted by the board since October 1, 1972.

3. FOOD AND NUTRITION SERVICES

The Department of Education administers and supervises the National School Lunch and Breakfast Program and administers the payment of federal and state funds to school districts and other eligible agencies through the Office of Food and Nutrition Services. The purpose of these programs is to assist schools in providing nutritious meals to pupils, with emphasis on free or reduced-price meals to children from low-income families. The department is also involved in establishing food delivery systems to schools without food services, helping existing programs improve food delivery systems, and ensuring that food service programs meet established nutritional requirements.

Chapter 1487, Statutes of 1974, (SB 2020) appropriated \$12.5 million in 1974-75 to provide a \$.05 per meal state reimbursement to public school districts for all meals served to students. Chapter 1277, Statutes of 1975, (SB 120) extended this reimbursement to private schools and certain child development agencies, as well as to public schools. Chapter 1277 also mandated that by July 1, 1977, all public schools will serve at least one hot meal to needy pupils, and appropriated \$9.5 million from the General Fund to provide an additional state subsidy for such meals served in 1975-76.

Table 55 summarizes program participation.

Table 56 summarizes expenditures and funding of these programs.

Cost Overruns

We recommend that the State Department of Education develop an accurate estimate of future state cost liability in the Food and Nutrition Program.

The table indicates that the 1974-75 and 1975-76 appropriations for the state basic lunch and breakfast subsidy authorized by Chapter 1487, Statutes of 1974, (SB 2020) are not sufficient to meet the demand. The Department of Education has received claims amounting to \$1.5 million in excess of the appropriation for 1974-75 of which \$791,316 has been authorized from the emergency fund. Approval of the balance of \$708,634 is pending.

Table 55
Participation In Meals Programs in California Schools

	1974-75	1975-76	1976-77
Public Schools			
Total Number of Public Schools	7,077	N/A	N/A
Total K-12 Enrollment	4,427,400	4,416,400	4,367,800
School Lunch Program			
Number of Participating Schools	5,823	N/A	N/A
K-12 Enrollment	3,453,700	3,674,400	4,123,200
Enrollment in Participating Schools as percent of State-wide Enrollment	78.0%	83.2%	94.4%
Average Daily Participation	1,327,800	1,475,800	1,656,000
Regular	593,500	630,700	707,700
Reduced Price	41,200	47,300	53,100
Free	693,100	797,800	895,200
School Breakfast Program			
Number of Participating Schools	993	N/A	N/A
K-12 Enrollment	512,100	588,900	677,300
Enrollment in Participating Schools as percent of State-wide Enrollment	11.6%	13.3%	15.5%
Average Daily Participation	192,000	220,800	254,000
Regular	26,900	30,900	35,600
Reduced Price	1,700	2,000	2,300
Free	163,400	187,900	216,100

The Department of Education estimates 1975-76 demands amounting to \$4.4 million in excess of the appropriation.

The table also indicates that the 1975-76 appropriation for the needy meal subsidy authorized by Chapter 1277, Statutes of 1975, (SB 120) is inadequate to meet the estimated demand by \$5.2 million. Thus, the total estimated unfunded portion of the 1975-76 food subsidies amounts to \$9.6 million.

There are several reasons for this increased participation over original estimates. First, the initial estimates of participation were simply too low. Second, additional children in private schools were made eligible for the subsidies by state (Chapter 1277) legislation. Third, federal (HR 4222) legislation mandated schools to serve a reduced price meal and raised the income level for eligibility for reduced price meals. We understand that deficiency appropriations will be requested by the administration to cover the excess 1975-76 cost.

The table also indicates a continuation in the budget year of the rapid growth in participation. The proposed basic subsidy increase is \$4.6 million or 24.1 percent and the proposed needy subsidy increase is \$6.1 million or 41.8 percent. Also the proposed budget reflects a 30.9 percent increase for the nutrition program authorized by Chapter 1277.

It is important to note that both the federal and state basic and free and reduced price lunch and breakfast subsidies are open ended. That is, all eligible participants who apply are entitled to receive the subsidies. Furthermore, the subsidies have automatic inflation factors. We believe that an accurate estimate of future program costs is necessary.

ADMINISTRATIVE SUPPORT SERVICES—Continued

Table 56—Food Services Programs Expenditures and Funding

	Actual 1974-75	Estimated 1975-76	Proposed 1976-77	1976-77 Change	
				Amount	Percent
State Programs:					
Basic subsidy (SB 2020) ..	\$13,291,316 ^a	\$19,262,462 ^b	\$23,895,094	\$4,632,632	24.1%
Subsidy for needy (SB 120)	-	14,665,319 ^c	20,794,834	6,129,515	41.8
Nutrition Program (SB 120):					
Local assistance	-	463,600	607,060	143,460	30.9
State operations	-	146,400	191,704	45,304	30.9
Subtotal	-	610,000	798,764	188,764	30.9
TOTAL State Funding	\$13,291,316	\$34,537,781	\$45,488,692 ^f	\$10,950,911	31.7%
Federal Programs:					
School lunch:					
General assistance	26,699,000	30,318,988	33,411,525	3,092,537	10.2
Special assistance to needy children	62,997,000	71,934,151	79,271,434	7,337,283	10.2
School breakfast	10,705,753	15,237,172	17,857,966	2,620,794	17.2
Special milk	9,106,164	9,770,250	10,258,763	488,513	5.0
Special food services	7,012,472	9,410,026	9,410,026	-	-
Nonfood assistance	2,218,043	2,800,000	2,800,000	-	-
TOTAL Federal Funding ..	\$118,738,432	\$139,470,587 ^d	\$153,009,714 ^d	\$13,539,127	9.7%
Combined Total	\$132,029,748	\$174,008,368 ^e	\$198,498,406 ^e	\$24,490,038	14.1%

^a Appropriated by SB 2020

Additional participation authorized from emergency fund

\$12,500,000

+ 791,316

Total

\$13,291,316

Note: There is an additional \$708,634 of claims for which funding approval is pending.

^b Appropriated by Budget Act of 1975

Estimated additional participation

\$14,858,400

+ 4,404,062

Total

\$19,262,462

^c Appropriated by SB 120

Estimated additional participation

\$ 9,500,000

+ 5,165,319

Total

\$14,665,319

^d Federal program subsidies for 1975-76 and 1976-77 do not reflect the increased participation generated by HR 4222 and are therefore substantially understated.^e Plus additional state operations funding of \$867,441 in 1975-76 and \$879,747 in 1976-77.^f Item 331 \$44,689,928 336(b) 798,764.

Table 57 summarizes the per meal subsidies since July 1, 1974.

Table 57—Subsidies per Meal for School Lunch and Breakfast Program

	July- December	January- June	July- December	January- June
	1974	1975	1975	1976
Federal Subsidies				
School Lunch				
General Assistance	11¢	11½¢	12½¢	12½¢
Free	49½	52½	54½	56½
Reduced Price	39½	42½	44½	46½
School Breakfast				
General Assistance	8½	9½	9½	10
Free	22	23½	24½	25½
Reduced Price	16½	17½	18½	19
Especially needy				
Free	45	45	45	45
Reduced Price	40	40	40	40
State Subsidies			1974-75	1975-76
Basic			5¢	5.036¢
Needy			-	7.76 ^a
				9.46 ^a

^a Estimated statewide average subsidy based on preliminary estimates. Actual amount for 1975-76 is being computed by Department of Education and should be available by March 1, 1976.

PROGRAM III**DEPARTMENTAL MANAGEMENT AND SPECIAL SERVICES**

This program consists of two budgeted elements and two indirect cost units which are allocated to all programs.

Table 58 summarizes expenditures and funding for these elements and units.

Table 58
Departmental Management and Special Services
Expenditures and Funding

<i>Program Element</i>	<i>Actual</i>	<i>Estimated</i>	<i>Proposed</i>	<i>1976-77 Change</i>	
	<i>1974-75</i>	<i>1975-76</i>	<i>1976-77</i>	<i>Amount</i>	<i>Percent</i>
A. Department management	\$6,775,890	\$8,309,725	\$6,805,412	\$-1,504,313	-18.1%
B. Special services	516,639	840,475	778,824	-61,651	-7.3
Subtotal	\$7,292,529	\$9,150,200	\$7,584,236	\$-1,565,964	-17.1%
Units:					
C. Indirect cost units	4,218,526	5,295,350	5,522,766	227,416	4.3
D. Service units	1,291,599	2,286,284	2,496,550	210,266	9.2
Subtotal	\$5,510,125	\$7,581,634	\$8,019,316	\$437,682	5.8%
Total	\$12,802,654	\$16,731,834	\$15,603,552	\$-1,128,282	-6.7%
General Fund	3,510,655	4,616,859	4,176,130	-440,729	-9.5
Federal funds	3,508,765	4,305,735	3,185,566	-1,120,169	-26.0
Reimbursements	273,109	227,606	222,540	-5,066	-2.2
Distributed costs	5,510,125	7,581,634	8,019,316	437,682	5.8

A. DEPARTMENTAL MANAGEMENT

The departmental management element is subdivided into executive, program management and management services components as shown in Table 59.

Table 59
Departmental Management Expenditures and Funding

<i>Component</i>	<i>Actual</i>	<i>Estimated</i>	<i>Proposed</i>	<i>1976-77 Change</i>	
	<i>1974-75</i>	<i>1975-76</i>	<i>1976-77</i>	<i>Amount</i>	<i>Percent</i>
1. Executive	\$5,489,278	\$7,342,374	\$5,840,395	\$-1,501,979	-20.5%
2. Program management	490,938	—	—	—	—
3. Management services	795,674	967,351	965,017	-2,334	-2
Total	\$6,775,890	\$8,309,725	\$6,805,412	\$-1,504,313	-18.1%
General Fund	3,171,369	4,089,795	3,732,422	-357,373	-8.7
Federal funds	3,331,521	3,992,324	2,850,450	-1,141,874	-28.6
Reimbursements	273,000	227,606	222,540	-5,066	-2.2

1. EXECUTIVE

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

DEPARTMENTAL MANAGEMENT AND SPECIAL SERVICES—Continued

media services and publications), student liaison, intergroup relations, and policy analysis and special projects.

2. OFFICE OF PROGRAM EVALUATION AND RESEARCH

The primary evaluation function within the Department of Education resides in the Office of Program Evaluation and Research (OPER). The office is a centralized evaluation unit independent of program operating units within the department. It is responsible for (a) program evaluations, (b) the statewide testing program, and (c) the department's management information center. Table 60 summarizes funding of the unit. As the table shows, the annual budget of the unit is over \$2.8 million, of which over \$1.6 million is spent on evaluating educational programs. The staff of the unit currently consists of more than 50 individuals of whom 35 are at the professional level.

Table 60
Funding of Office of Program Evaluation and Research

	<i>Actual</i> 1974-75	<i>Estimated</i> 1975-76	<i>Proposed</i> 1976-77
Program evaluation	\$1,126,140	\$1,942,117	\$1,677,067 ^a
Statewide testing	1,023,875	1,090,170	1,130,530
Management Information.....	(165,923) ^b	(268,328) ^b	(299,040) ^b
Center	(7,823) ^c	(3,500) ^c	(4,000) ^c
TOTAL	\$2,150,015	\$3,032,287	\$2,807,597

^a Despite proposed augmentations, the total program evaluation component is less in 1976-77 than in 1975-76. This is because a number of evaluation activities will be completed during 1975-76. These include the development of a Bilingual Scholastic Achievement Test (\$300,000 in 1975-76), and the completion of the school Effectiveness Study (\$50,000 in 1975-76).

^b Funding obtained through internal transfer from other units in the department.

^c Funding obtained through reimbursements from outside the department.

Deletion of Funds for Additional Evaluation Staff

We recommend that the proposed appropriation for one and one-half consultant positions in the Office of Program Evaluation and Research be deleted for a General Fund savings of \$86,517 (Item 335).

The Governor's Budget proposes additional funding to OPER for (a) one consultant position for evaluating the Early Childhood Education program and (b) one-half consultant position for evaluating the Indian Education Centers. We believe these additional positions are not warranted.

The additional ECE evaluation position (at a cost of \$65,017) is tied in the Governor's Budget to ECE program expansion. We believe that even if the ECE program expands to serve additional schools during 1976-77, no staff augmentation is necessary in OPER for program evaluation.

Activities required to evaluate additional schools can be accomplished primarily through (a) the Monitor and Review (MAR) site visits and other activities conducted by the department's Elementary Field Services Team (b) student achievement testing including both the statewide testing program and required testing at each ECE school and (c) reports by participating schools. One consultant position already exists within OPER specifically for ECE evaluation. We believe that evaluation of both current and additional schools can be accomplished within existing resources

through appropriate sampling of ECE schools accompanied by data collection through MAR site visits. In addition, we believe additional resources are particularly unjustified in view of the Legislature's appropriation of \$200,000 for an independent evaluation of ECE during the 1975-76 program year.

The Governor's Budget also proposes an augmentation of \$21,500 for one-half consultant for evaluating Indian Education Centers. We also do not believe this position is justified. An augmentation of \$18,130 in OPER's budget was made during 1975-76 to fund one-half consultant for evaluating Indian Education Centers. The additional resources for 1975-76 were provided primarily for (a) developing evaluation procedures and (b) conducting site visits to Indian Education Centers and school districts. The proposed augmentation for 1976-77 would be used largely to support continued site visits by evaluation staff to centers and schools districts.

These site visits would be for collecting data and consulting with centers regarding evaluation requirements. We do not believe that an additional evaluation position for these activities will be necessary during 1976-77. Periodic site visits to Indian Education Centers are made by the department's program administration staff. The evaluation can be designed to rely on data collection principally through these site visits and through centers themselves after evaluation procedures are established in 1975-76. Any additional evaluation activities can be performed by existing evaluation staff.

We are further persuaded that additional resources are not needed for program evaluation activities on the basis of our report *An Analysis of the Evaluation of State Educational Programs* (September 26, 1975). That report identified a number of problems in the current management of evaluations which have resulted in inefficient use of existing resources. These problems included (a) insufficient procedures for planning program evaluations, (b) a lack of coordination among evaluation activities, and (c) the absence of consistent procedures for conducting and reporting evaluations. We believe that correction of these and related problems can lead to considerable economies in evaluation activities and can reduce the need for additional resources.

Preparation of Annual Evaluation Plan

We recommend that the Department of Education annually prepare a comprehensive, detailed plan for educational evaluations.

We further recommend that the department submit this annual plan to the Joint Legislative Budget Committee and the Department of Finance for review as part of the annual budget process.

Our September report described a number of problems which have resulted from inadequate planning of program evaluations. In general, inadequate planning has led to studies which are of limited quality and utility as inputs into policy decisions. In addition, it has led to unnecessary demands on local education agencies.

In order to correct these problems, the department should prepare annually a comprehensive, detailed evaluation plan. The plan should include (a) a statement of the department's principal evaluation objectives,

DEPARTMENTAL MANAGEMENT AND SPECIAL SERVICES—Continued

(b) a discussion of the department's principal evaluation accomplishments in the preceding year, (c) a description of evaluation resources for the time period covered by the plan, and (d) a plan for each evaluation study to be conducted by the department which includes certain standard elements.

Maximum Utilization of Statewide Testing Data

We recommend that the Department of Education utilize statewide testing data more extensively in the evaluation of individual education programs.

Currently, statewide testing data are used as a measure of program effectiveness in only a few program evaluations. These data are not used in the department's program evaluations on a comprehensive basis. However, evaluations such as the Miller-Unruh evaluation which have used these data have demonstrated their utility as measure of program effectiveness. We believe that efficiencies to both the department and local education agencies and improvement in the quality of evaluations might be achieved through greater use of statewide testing data in program evaluations.

Submission of Annual Evaluation Summary

We recommend that the Department of Education annually prepare and submit to the Legislature by January 1, a Summary of Program Evaluations.

One of the findings of our September report was that the utility of evaluations is limited by current reporting procedures in which no format exists for systematically integrating the findings from different studies. We believe that the annual preparation of a unified and consistent summary document would help to rectify this problem.

The document should give a brief overview of the results of all program evaluations conducted by the department during the previous year. It should include comparable information on the effectiveness of different educational programs wherever possible. Because the document would simply integrate findings from other evaluations, its preparation should require no additional resources beyond those which will be available if the other efficiencies we have recommended are adopted.

Educational Management and Evaluation Commission

The Educational Management and Evaluation Commission was established in 1972 to serve as an advisory body to the State Board of Education on matters related to educational management and evaluation. As recommended in our September report, the commission has recently assumed an expanded role in the review of state educational evaluations.

Table 61 summarizes funding and expenditures of the commission since its creation in 1972-73. The table shows that the commission has had excess resources of approximately \$10,000 annually.

Authorization for Outside Consulting Services

We recommend that the Educational Management and Evaluation Commission be authorized to spend up to \$10,000 of its 1976-77 appropriation for outside consulting services (Item 335).

Table 61
Educational Management and Evaluation Commission
Funding and Expenditures

<i>Actual</i>	<i>Actual 1972-73</i>	<i>Actual 1973-74</i>	<i>Estimated 1974-75</i>	<i>Proposed 1975-76</i>	<i>1976-77</i>
Total Budget.....	\$26,800	\$31,839	\$32,149	\$35,041	\$36,185
Total Expenditures	11,975	16,955	20,775	25,000 ^a	-

^a Estimate based on expenditures for first six months of 1975-76.

The commission's evaluation subcommittee anticipates that effective performance of the external review function which the commission has recently assumed may require the hiring of independent consultants. We concur with this assessment. It will be extremely difficult for the commission to review department evaluation activities while relying exclusively on staff support from the department as it currently does. Consequently, we believe the commission should be authorized to use a portion of its 1976-77 funds for outside consulting services.

As shown in Table 61, the commission has excess funds which could be allocated for this purpose. The recommended procedure would be consistent with existing precedent as indicated in Table 62. The table shows both the total appropriations and the consultant and professional services appropriations of the State Board of Education and each of the commissions.

Table 62
Appropriations for
State Board of Education and Commissions

	<i>Actual 1974-75</i>		<i>Actual 1975-76</i>		<i>Proposed 1976-77</i>	
	<i>Consultant and Professional Services</i>	<i>Total</i>	<i>Consultant and Professional Services</i>	<i>Total</i>	<i>Consultant and Professional Services</i>	<i>Total</i>
State Board of Education	\$7,500	\$134,254	\$7,500	\$149,125	\$7,500	\$153,120
Advisory Commission on Special Education	500	34,747	500	39,147	500	41,833
Curriculum Development and Supplemental Materials Commis- sion	0	44,003	1,000	49,025	1,000	50,485
Educational Innovation and Planning Com- mission	4,050	40,000	7,850	47,706	7,850	50,370
Educational Management and Evaluation Com- mission	0	32,149	0	35,730	0	36,815
Equal Educational Oppor- tunities Commission..	0	24,528	0	41,245	0	42,695

2. PROGRAM MANAGEMENT

The Program Management component consists of (a) the Deputy Superintendent for Programs and his elementary, secondary and adult education and special programs and support activities managers, together with the support activities for bilingual-bicultural education, special edu-

DEPARTMENTAL MANAGEMENT AND SPECIAL SERVICES—Continued

cation, vocational education, compensatory education, child development, curriculum services, and planning and federal administration, (b) the Deputy Superintendent for Administration's Division of Financial Resources and Distribution of Aid and Division of Administrative Services.

The Program Management budget provides for continuation of a fourth Associate Superintendent position. This position was created in 1975-76 on a one-year trial basis and is now proposed as a permanent position. We concur.

3. MANAGEMENT SERVICES

The Management Services component consists of administrative and financial support services to the department's program operations. Administrative services include personnel and training and management analysis. Financial services include budgets, fiscal reports, accounting, audits, and business services. The Management Services budget includes two proposed new positions: (1) an associate management auditor in the Internal Audits Office; and (2) an associate personnel analyst in the Personnel and Training Office. The new positions are proposed to meet projected workload demands in both units. Both positions will be funded through indirect cost charges. We concur.

B. SPECIAL SERVICES

The special services element supports the (1) State Board of Education, (2) Education Commission of the States, (3) advisory commissions and committees, (4) Advisory Council on Vocational Education, and (5) Council for Private Postsecondary Educational Institutions.

Table 63 summarizes expenditures and funding for this element.

Table 63
Special Services Expenditures and Funding

<i>Component</i>	<i>Actual</i>	<i>Estimated</i>	<i>Proposed</i>	<i>1976-77 Change</i>	
	<i>1974-75</i>	<i>1975-76</i>	<i>1976-77</i>	<i>Amount</i>	<i>Percent</i>
State Board of Education.....	\$105,153	\$149,125	\$153,120	\$3,995	2.6%
Education Commission of the States.....	22,086	35,000	35,000	—	—
Advisory Commissions and committees.....	207,156	311,841	320,024	8,183	2.6
Advisory Council on Vocational Education.....	177,339	333,409	259,080	-74,329	-22.3
Council for Private Postsecondary Educational Institutions.....	4,905	11,100	11,600	500	4.5
Totals.....	\$516,639	\$840,475	\$778,824	\$-61,651	-7.3%
General Fund.....	339,286	527,064	443,708	-83,356	-15.8
Federal funds.....	177,244	313,411	335,116	21,705	6.9
Reimbursements.....	109	—	—	—	—

C. INDIRECT COST UNITS

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

Table 64 summarizes allocation of costs of these units.

Table 64
Allocation of Indirect Cost Units

	<i>Actual 1974-75</i>	<i>Estimated 1975-76</i>	<i>Proposed 1976-77</i>	<i>Change 1976-77</i>
Management-financial resources and distribution of aid	\$59,996	\$67,251	\$68,901	\$1,650
Fiscal management services	45,770	60,844	62,271	1,427
Budget office	253,047	296,146	300,469	4,323
Fiscal reports office	178,134	294,570	305,481	10,911
Accounting office	1,064,209	1,203,714	1,232,090	28,376
Business service office	400,578	416,230	432,123	15,893
Internal audit unit	54,463	66,265	91,014	24,749
Personnel and training office	265,488	308,447	346,947	38,500
Management analysis office	121,592	143,761	148,599	4,838
Elementary education management	11,281	84,545	86,398	1,853
Secondary education management	125,462	84,643	86,298	1,655
Vocational education group management	157,763	204,721	210,063	5,342
Adult education management	56,279	79,479	81,283	1,804
Special programs and support services management	—	114,178	117,367	3,189
Planning and federal programs consolidation group management	—	62,773	63,507	734
Child development group management	78,235	87,642	91,999	4,357
Special education group management	61,240	138,983	141,875	2,892
State schools group management	44,346	99,877	102,779	2,902
Compensatory education group management	159,836	131,612	134,359	2,747
Curriculum services group management	242,308	88,922	90,326	1,404
Libraries division management	349,805	396,593	407,814	11,221
Administrative services division management	47,144	64,579	69,188	4,609
Information dissemination	—	79,575	81,615	2,040
Totals, Departmental	\$3,776,976	\$4,575,350	\$4,752,766	\$177,416
Statewide cost allocation	441,550	720,000	770,000	50,000
Totals, Indirect Costs	\$4,218,526	\$5,295,350	\$5,522,766	\$227,416
Less distribution to programs	-4,218,526	-5,295,350	-5,522,766	—
Net cost	—	—	—	—

Reporting

We recommend the Department of Education submit to the Legislature by March 15, 1976, a response to the recommendations of the Department of Finance concerning the indirect cost allocation system.

The Department of Finance has completed a review of the Department of Education's indirect cost allocation procedures pursuant to a recommendation in our 1975-76 Analysis. The Department of Finance report states "Generally, we found the indirect cost system of the department to be adequate to record, distribute and recover indirect costs. There are improvements which could be made in the system, but overall, we found that the system conforms with generally accepted accounting principles and procedures." The report also made several recommendations for improving the indirect cost allocation system.

DEPARTMENTAL MANAGEMENT AND SPECIAL SERVICES—Continued

D. SERVICE UNITS

The service units are departmental activities which provide direct support to operating units of the department but which are centralized to avoid duplication and permit greater efficiency. The units charge for services at established billing rates which offset costs of operation. Table 65 summarizes expenditures of these units.

Table 65
Expenditures of Service Units

	<i>Actual 1974-75</i>	<i>Estimated 1975-76</i>	<i>Proposed 1976-77</i>	<i>Change 1976-77</i>
Publication office.....	\$493,340	\$575,200	\$597,835	\$22,635
Media services	44,346	121,845	123,705	1,860
EDP management	95,859	82,589	80,226	-2,363
Duplicating services	354,956	360,610	389,440	28,830
Word processing center.....	137,175	158,459	168,505	10,046
Program evaluation-management information center	165,923	268,328	299,040	30,712
Consolidated application and resources man- agement	—	588,475	607,020	18,545
Systems and program support	—	130,778	230,779	100,001
Totals, Service Unit Costs	\$1,291,599	\$2,286,284	\$2,496,550	\$210,266
Less user charges	-1,291,599	-2,286,284	-2,496,550	—
Net cost	—	—	—	—

ESEA Title V-IVC Funding

Of significant aid to the department's management function is the federal ESEA Title V-IVC program which provides funding for the purposes of "strengthening state departments". The proposed use of these funds in 1976-77 is shown in Table 66.

Table 66
ESEA Title V-IVC Expenditures for State Operations

	<i>Actual 1974-75</i>	<i>Estimated 1975-76</i>	<i>Proposed 1976-77</i>	<i>Change</i>
Elementary Education:				
Planning	\$58,315	\$55,406	\$56,000	\$594
Field Services.....	47,712	417,872	425,372	7,500
Curriculum frameworks	42,178	48,863	55,241	6,378
Secondary Education:				
Planning	36,425	120,971	123,011	2,040
Field Services.....	—	134,646	136,261	1,615
Career education	156,864	221,399	228,693	7,294
RISE	152,163	—	—	—
Adult Education:				
Planning	93,659	211,270	216,269	4,999
Special Programs and Support Services:				
Planning	208,131	199,295	202,877	3,582
Nonpublic school liaison	50,024	62,914	63,438	524
Sickle cell	51,658	—	—	—
Gifted and talented	31,219	55,857	52,993	-2,864
Continuous learning	56,755	68,460	69,834	1,374
Metric Education	70,185	—	—	—
Environmental Education Co-op	19,394	14,602	—	-14,602

Administrative Support Services:

School District Management				
Assistance teams	319,894	493,915	480,936	-12,979
Department Management and Special Services:				
Labor, industry and education liaison	1,500	5,500	6,000	500
Student liaison	27,614	37,355	39,270	1,915
Joint Committee on Goals	76,000	—	—	—
Program evaluation-administration	396,380	518,185	528,630	10,445
State assessment	285,850	360,325	372,525	12,200
Policy analysis and special projects	220,002	277,370	285,365	7,995
Conflict and violence	48,106	—	—	—
EDP information systems	155,389	202,930	164,235	-38,695
PCA modification	127,000	—	—	—
Mexican-American Advisory Commission	60,001	68,815	68,830	15
Regional evaluation improvement center	859,307	370,312	390,460	20,148
Deputy Superintendent for Program	—	50,005	52,690	2,685
Indian education centers evaluation	—	18,130	—	-18,130
Consolidated Grant Management	75,647	47,000	—	-47,000
Total Expenditures	\$3,727,372	\$4,061,397	\$4,018,930	\$-42,467
Add Planned Carry-over	856,962	1,406,383	780,141	-626,242
Total Available	\$4,584,334	\$5,467,780	\$4,799,071	\$-668,709

PROGRAM IV

LIBRARY SERVICES

1. STATE LIBRARY

The Library Services Program (1) furnishes reference materials and services for state government officials and employees, (2) maintains a library specializing in California history, and (3) provides consultant and resource services to the 182 city and county public libraries in the state. The State library also provides leadership to the state-funded cooperative public library system. More than two-thirds of the public libraries in the state have been consolidated into 20 cooperative systems.

Expenditures and funding sources for the four elements of the Library Services Program and local assistance to the cooperative library system are summarized in Table 67.

Table 67
Expenditures and Funding Sources of the Library Services Program

Program Element	Actual 1974-75	Estimated 1975-76	Proposed 1976-77	<u>1976-77 Change</u>	
				Amount	Percent
A. Reference and research for the Legislature and state agencies	\$430,808	\$402,393	\$392,940	\$-9,453	-2.3%
B. Statewide library support and development	8,735,535	6,231,124	7,156,451	925,327	14.9
C. Special clientele services	549,511	453,808	458,775	4,967	1.1
D. State library support services	1,547,378	1,934,147	1,977,106	42,959	2.2
	\$11,263,232	\$9,021,472	\$9,985,272	\$963,800	10.7%
<i>State Operations:</i>					
General Fund	\$2,756,754	\$3,259,567	\$3,348,795	\$59,228	1.8%
Federal funds	864,821	933,939	964,404	30,465	3.3
Reimbursements	132,371	69,525	71,081	1,556	2.2
<i>Local Assistance:</i>					
General Fund	1,000,000	1,000,000	1,000,000	—	—
Federal funds	6,509,286	3,728,441	4,600,000	872,551	23.4

LIBRARY SERVICES—Continued

Table 67 indicates an increase of \$0.9 million or 14.9 percent in Element B, statewide library support and development. This increase is comprised almost entirely of federal funds which are being carried forward from 1975-76 to 1976-77 for automation of the union catalogue.

Automation of Services

We recommend that final consideration of the level of support for the State Library (Item 342) be deferred until after the completion of a feasibility study on the automation of services for Books for the Blind and Physically Handicapped section.

The U.S. Library of Congress provides materials to the State Library to serve the needs of the blind and physically handicapped. The State Library, through the Books for the Blind and Physically Handicapped section (BBPH), provides staff and facilities for the circulation, maintenance and control of these materials.

The present system is almost totally manually operated. BBPH personnel select materials (Braille, phonograph, records, magnetic tape or cassettes) based on a client's request or interest profile. These materials are then charged out on indefinite loan and mailed to a client's residence.

The State Librarian is presently conducting a study on the feasibility of automating this process. The study is scheduled for completion on April 1, 1976.

Based on preliminary estimates from the State Librarian, developmental costs for the preferred alternative, an optical bar-code scanning circulation system, would require General Fund increases of \$321,000 in 1976-77 and \$163,000 in 1977-78. There would also be additional operating costs starting in 1978-79 which may be offset, partially or in total, by staff savings. Because the feasibility study will be completed and available during the Legislature's consideration of the 1976-77 Budget Bill, we are recommending deferral of that issue until the results can be reviewed and evaluated.

2. ASSISTANCE TO PUBLIC LIBRARIES

In the 1973-74 Analysis we recommended that the State Librarian be directed to develop a new formula by November 1, 1973, for allocating state support to the cooperative public library systems. In response to that recommendation, the State Librarian decided there was a need for a more comprehensive study on all aspects of the cooperative system and requested an extension of the deadline for the development of a new allocation formula.

The study was completed in June 1975, and proposed that future funding be based on demand as measured by the volume of interlibrary loan and reference requests. As proposed by this study, there would be a first year state cost of \$3.2 million (the present level is \$1 million) increasing to \$9.6 million in the sixth year. The study and various alternatives have been under review since June 1975. The State Librarian anticipates that

related legislation will be introduced sometime in 1976. We believe that any funding for the proposed changes should be carried in the related legislation.

CONTRIBUTIONS TO THE TEACHERS' RETIREMENT FUND

Item 343 from the General
Fund

Budget p. 889

Requested 1976-77	\$135,000,000
Estimated 1975-76.....	135,000,000
Actual 1974-75	135,000,000
Requested increase None	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

Contributions to the Teachers' Retirement Fund come from three 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 member's sex and age at entry into the system, averaging 7.4 percent of salary. The school districts contributed a maximum (limited by a tax base schedule) of 3 percent of teachers' salaries plus \$6 semiannually per teacher. The state General Fund contributed the annual difference between benefits due and payable and the combination of (1) annual school district contributions and (2) teacher contributions plus interest. The system was not actuarially funded because the employer (district) contributions were inadequate to cover the employer obligation for benefit payments. As a result, the unfunded accrued liability of the system exceeded \$4 billion in 1971.

Chapter 1305, which became operative July 1, 1972, placed the system on a more nearly funded basis by (1) requiring, beginning in fiscal 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 school apportionment program in the Department of Education in scheduled steps from \$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 post-1972 benefits of all members and beneficiaries on the retired roll as of July 1, 1972. After 30 years, the Teachers' Retirement Fund was expected to have sufficient assets to meet all post-1972 benefit costs without the annual \$135 million General Fund appropriation. However, the \$4.3 billion unfunded liability resulting from benefit costs incurred prior to July 1, 1972 was expected to be carried on unchanged into future years.

CONTRIBUTIONS TO THE TEACHERS' RETIREMENT FUND—Continued**ANALYSIS AND RECOMMENDATIONS**

We recommend approval.

This statutorily required \$135 million appropriation is essential for the actuarial funding of the Teachers' Retirement Fund, as directed by Chapter 1305.

Unfunded Liability Increases

Chapter 1305 was not designed to reduce the principal amount of the \$4.3 billion unfunded liability already accrued at the time of its enactment. Rather, it was designed to keep that amount from growing by funding (1) the long-term benefit costs of teachers retiring after 1972, (2) the ongoing benefit costs of the pre-1972 retirees and (3) interest-costs on the accrued unfunded liability.

However, inflation-related salary increases, declining mortality rates for retired teachers, lower turnover rate in the system's membership and an increasing number of early retirements have caused long-term benefit costs to rise faster than anticipated at the time when the funding mechanism for Chapter 1305 was developed. As a result, the contribution levels contained in Chapter 1305 proved to be insufficient to cover the increasing long-term benefit costs and the unfunded liability has increased from \$4.3 billion in 1972 to \$5.3 billion in 1974 when the last actuarial valuation was commissioned.

If not corrected, there will be continuing increases in the level of unfunded liability which will cause substantial long range fiscal problems.

For this reason, the State Teachers' Retirement System has recently commissioned a new actuarial study of the long-term benefit costs, the results of which will be available by mid-1976. If this study shows continued increase in the amount of the unfunded liability, it will be appropriate to consider legislation for its reduction and eventual elimination at that time.

Because the current cash flow of the Teachers' Retirement Fund shows income substantially exceeding outlay, the deferral of any corrective action until mid-1976 should not result in serious fiscal problems. If, however, additional benefits are to be granted prior to mid-1976, then we believe that correcting the funding shortage for currently authorized benefits should be of higher priority.

COMMISSION FOR TEACHER PREPARATION AND LICENSING

Item 344 from the Teacher Credentials Fund

Budget p. 895

Requested 1976-77	\$2,505,334
Estimated 1975-76.....	2,327,406
Actual 1974-75	2,089,678
Requested increase \$177,928 (7.6 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

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

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

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

Functions	Actual	Estimated	Proposed	Change	
	1974-75	1975-76	1976-77	Amount	Percent
a. Approved Programs.....	\$328,348	\$353,893	\$408,766	\$54,873	15.5%
b. Examination Development	224,170	266,458	342,977	76,510	28.7
c. Licensing.....	1,273,882	1,284,400	1,294,299	9,899	—
d. Standards	272,581	424,026	459,292	35,266	8.3
e. Administration.....	(506,231)	(593,323)	(740,756)	(147,433)	(24.9)
f. Teacher Evaluation Study....	1,144,869	1,341,558	1,301,663	-39,895	-3.0
Totals	\$3,243,850	\$3,670,335	\$3,806,997	\$136,662	3.7%
Teacher Credentials Fund	2,089,678	2,327,406	2,505,334	177,928	7.6
Federal funds	1,144,869	1,341,558	1,301,663	-39,895	-3.0
General Fund.....	9,303	1,371	—	—	—
Personnel man-years.....	107.6	100	108	8	8.0%

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

Two new positions are provided to assist in monitoring, revising and evaluating college and university programs. Five temporary help positions are provided to meet the anticipated surge in license requests resulting from the extension of the deadline for receiving Fisher Act credentials. One new position is provided to ensure timely investigation of sensitive cases involving questions of professional standards.

After reviewing the projected level of workload in 1976-77, we believe

COMMISSION FOR TEACHER PREPARATION AND LICENSING—Continued

that the Governor's Budget has provided the Commission for Teacher Preparation and Licensing with an adequate level of support.

POSTSECONDARY EDUCATION

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POSTSECONDARY EDUCATION GENERAL STATEMENT

Postsecondary education consists of formal instruction, research, public service, and other learning opportunities offered by educational institutions that are accredited by agencies recognized for that purpose or are otherwise eligible for state fiscal support or to participate in state programs. Postsecondary education primarily serves persons who have completed or terminated their secondary education or who are beyond the age of compulsory school attendance.

This general statement section sets forth data which relates to all postsecondary education in California. Its purpose is to provide historical information and comparative statistics to supplement individual agency and segmental budget analyses. Information on postsecondary education organization, functions, enrollments, expenditures, sources of support, student charges, and costs per student follow.

Organization

California's system of public postsecondary education is the largest in the nation and currently consists of 135 campuses serving over one million students. This system is separated into three distinct public segments—the University of California, the California State University and Colleges and the California Community Colleges. Three public institutions in California's postsecondary education system fall outside this tripartite classification: The California Maritime Academy, a state institution; Otis Art Institute of Los Angeles, a county institution; and the U.S. Naval Postgraduate School at Monterey, a federal institution.

In addition to the public system, the California Postsecondary Education Commission reports there are approximately 70 independent colleges and universities serving 156,000 students; 2,000 private vocational and technical schools serving an unknown number of students; 472 adult education institutions sponsored by high school and unified school districts serving an estimated enrollment of 1.7 million students and 65 state sup-