

EDUCATION

	<i>Page</i>
Summary of state education expenditures	671
Federal support to California schools	673
State and local support to public schools	675
Department of Education.....	677
Summary of issues.....	679
Budget Bill items	681
Overall expenditures	683
Program I—Instruction	685
A. Special Programs and Support Services	686
1. Child development/preschool	687
2. Special education	694
3. Bilingual-bicultural education.....	704
4. Compensatory education	708
5. Planning and federal administration	714
6. Curriculum services	716
7. Legislative mandates.....	684
B. Elementary Education.....	717
1. Early childhood education.....	718
2. Consolidated categorical programs	725
3. General activities	725
C. Secondary Education	726
1. General secondary education	727
2. Consolidated categorical programs	727
3. Traffic safety education	727
4. Vocational education.....	728
D. Adult Education	734
1. Adult education instruction	734
2. Postsecondary education (school approvals)	734
3. Vocational education	734
Program II—Administrative Support Services (school finance)	739
Program III—Department Management and Special Services.....	752
Program IV—Library Services	767
California Advisory Council on Vocational Education	768
Contribution to Teachers' Retirement	769
Commission for Teacher Preparation and Licensing	772
Postsecondary Education	777

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 1977-78, state General Fund expenditures for education will again account for the largest share of the budget dollar. The budget summary

EDUCATION SUMMARY—Continued

which follows indicates that in 1977-78, more than \$5.0 billion will be spent by the state General Fund for all facets of education (excluding capital outlay). Such expenditures represent 42.3 percent of the proposed General Fund expenditures during the budget year and 36.8 percent of all expenditures, excluding bond funds. These expenditures 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 General Fund expenditures for state operations and local assistance for education for the past fiscal year, estimated expenditures for the current year and the amounts proposed for 1977-78.

Table 1
General Fund Expenditures for Education

	<i>Actual 1975-76</i>	<i>Estimated 1976-77</i>	<i>Proposed 1977-78</i>	<i>1977-78 Change</i>	
				<i>Amount</i>	<i>Percent</i>
State Operations:					
General Activities.....	\$11,185,571	\$18,071,412	\$18,320,760	\$249,348	1.4%
Special Schools for the					
Handicapped	14,347,046	15,530,196	16,012,079	481,883	3.1
Division of Libraries	3,293,639	3,884,325	4,034,781	150,456	3.9
Advisory Council on Vocational Education	99,933	65,660	55,587	-10,073	-15.3
Commission for Teacher Preparation and Licensing.....	888	50,483	100,000	49,517	98.1
Postsecondary Education					
Commission	1,255,527	1,351,604	1,441,890	90,286	6.7
University of California....	585,460,758	681,161,895	700,192,052	19,030,157	2.8
Hastings College of Law..	2,968,278	3,756,311	3,808,790	52,479	1.4
California State University and Colleges.....	537,990,163	613,088,365	638,392,003	25,303,638	4.1
California Maritime Academy	1,798,547	2,072,056	2,113,035	40,979	2.0
Board of Governors of Community Colleges	1,647,446	2,094,417	2,176,029	81,612	3.9
Student Aid Commission	53,629,584	61,335,403	71,153,015	9,817,612	16.0
Totals—State Operations	\$1,213,677,380	\$1,402,462,127	\$1,457,800,021	\$55,337,894	3.9
Local Assistance:					
Early Childhood Education	\$62,271,798	\$97,450,000	\$103,297,000	\$5,847,000	6.0%
Educationally Disadvantaged Youth	90,310,475	105,254,936	125,254,936	20,000,000	19.0
Compensatory Education	3,689,930	3,695,000	3,917,000	222,000	6.0
Special Elementary School Reading Program.....	13,849,625	13,849,625	14,680,625	831,000	6.0

Master Plan for Special Education	22,022,214	55,343,250	57,751,850	2,408,600	4.4
Sheltered Workshops	255,000	85,000	180,000	95,000	111.8
Development Centers for Handicapped	10,990,760	12,055,000	14,523,400	2,468,400	20.5
Vocational Education	—	1,250,000	1,325,000	75,000	6.0
Career Guidance Centers	71,994	—	—	—	—
Child Development	47,636,084	76,839,209	86,684,801	9,845,592	12.8
American Indian Education	604,117	850,000	636,000	-214,000	-25.2
Bilingual-Bicultural Education	9,168,667	9,453,637	13,228,808	3,775,171	39.9
Textbooks and Instructional Materials	27,527,178	29,954,546	31,979,547	2,025,001	6.8
Instructional Television	710,041	821,364	821,364	—	—
Continuous School Program	373,000	—	—	—	—
Child Nutrition	24,905,240	36,700,000	38,994,665	2,294,665	6.3
Apportionments for Public Schools K-12	2,130,049,644	2,313,034,700	2,350,343,700	37,309,000	1.6
Loans to School Districts	-45,915	-178,333	-248,333	-70,000	-39.3
Assistance to Public Libraries	1,000,000	1,000,000	1,000,000	—	—
Legislative Mandates	246	66,004	32,500	-33,504	-50.8
Teachers' Retirement	135,000,000	144,333,100	144,300,000	-33,100	—
Debt Service on Public School Building Bonds	34,033,326	26,028,319	9,839,583	-16,188,736	-62.2
Apportionments for Community Colleges	404,966,866	501,426,256	540,305,115	38,878,859	7.8
Community College Extended Opportunity Program	7,654,879	11,484,027	13,983,157	2,499,130	21.8
Totals—Local Assistance	\$3,027,045,169	\$3,440,795,640	\$3,552,830,718	\$112,035,078	3.3%
GRAND TOTALS—					
GENERAL FUND	\$4,240,722,549	\$4,843,257,767	\$5,010,630,739	\$167,372,972	3.5%

SUMMARY OF FEDERAL AID TO CALIFORNIA SCHOOLS

Federal assistance to California is composed of a wide variety of programs designed to provide special assistance for (1) a particular element of the pupil population, (2) instruction in specific subject areas and (3) 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 shows that \$518.6 million is anticipated in the budget year from all programs.

EDUCATION SUMMARY—Continued

Table 2
Federal Support to California Schools *

	<i>Actual 1975-76</i>	<i>Estimated 1976-77</i>	<i>Estimated 1977-78</i>	<i>1977-78 Change</i>	
				<i>Amount</i>	<i>Percent</i>
Elementary and Secondary Education Act:					
Title I: Compensatory Education					
Low-Income Families In Schools for Handicapped.....	\$143,615,125	\$140,301,390	\$139,880,257	\$-421,133	-0.3%
In Schools for Delinquent.....	2,124,494	3,272,241	3,263,228	-9,013	-0.3
In Adult Correctional Institutions.....	1,547,807	1,495,221	1,448,082	-47,139	-3.2
Migrant—Assistance to Impacted Districts	263,726	280,885	280,885	—	—
Migrant—Preschool....	17,621,724	30,037,949	23,636,733	-6,401,216	-21.3
Urban and Rural Schools	457,000	457,000	457,000	—	—
State Administration ..	3,901,342	—	—	—	—
Subtotals, Title I.....	2,663,586	2,745,367	2,901,134	+155,767	+5.7
Title II-IVB: School Library Resources	\$172,194,804	\$178,590,053	\$171,867,319	-\$6,722,734	-3.8
Title III-IVC: Supplementary Centers and Services.....	14,011,030	16,178,822	13,807,165	-2,371,657	-14.7
Title III-IVB: Guidance, Counseling and Testing	8,619,005	13,484,878	12,847,945	-636,933	-4.7
Title V-IVC: Strengthening the State Department	969,386	611,778	278,533	-333,245	-54.5
Subtotals, ESEA	3,424,800	4,051,973	3,850,903	-201,070	-5.0
Right to Read	\$199,219,025	\$212,917,504	\$202,651,865	-\$10,265,639	-4.8
NDEA III-IVB—Equipment and Minor Remodeling	359,010	399,893	417,056	+17,163	+4.3
Vocational Education Act: Occupational Preparation	1,426,355	291,788	199,667	-92,121	-31.6
Adult Education Act (Basic).....	46,322,994	54,265,357	46,817,317	-7,448,040	-13.7
Child Nutrition Act.....	6,105,656	7,160,828	6,047,206	-1,113,622	-15.6
Education of the Handicapped Act, Title VI	169,598,511	199,716,597	226,133,999	+26,417,402	+13.2
Federal Education Projects (Misc.)	12,018,506	25,106,157	25,427,854	+321,697	+1.3
Library Services and Construction Act	2,811,427	2,009,573	6,256,863	+4,247,290	+211.4
Totals, Federal Aid	6,079,446	5,763,971	4,636,572	-1,127,399	-19.6
Totals, Federal Aid	\$443,940,930	\$507,631,668	\$518,588,399	+\$10,956,731	+2.2%

* 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. Information is not available concerning the funds to be allocated to California for these programs in the current or budget year.

STATE AND LOCAL SUPPORT TO PUBLIC SCHOOLS

The two principal sources of support for California's public schools are State School Fund apportionments and local property tax levies. In past years the relationship between these sources of support has varied substantially as is illustrated in Table 3. It has been frequently suggested as a result of the fluctuation in the state's share of the total cost of education that a standard measure of state responsibility be established, e.g., a state contribution of 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 expenditures for education in the narrowest possible sense, i.e., the percentage of State School Fund apportionments to total 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 (1) other educational funds appropriated through budget action, or (2) the state's property tax relief program. 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 3
State and Local Revenue for K-12 Public School Support
1968-69 through 1974-75
(thousands)

Year	I Revenues of School Districts from State and Local General Fund and County School Service Fund ^a (II + III + IV)	II Local Property Tax Revenue ^a	III Apportionments- State School Fund Allowances- County School Service Fund ^a	IV Other State Revenue to Districts ^b	Percent of State School Fund to Revenue (III ÷ I)	Percent of State Revenue to Total Revenue (III + IV ÷ I)	V State Subventions ^c	VI Total State Support (III + IV + V)	VII Total Support (VI + II)	Percent of Total State Support to Total Support (VI ÷ VII)
1968-69	3,180,587	1,930,242	1,243,865	6,480	39.1%	39.3%	189,815	1,440,160	3,370,402	42.7%
1969-70	3,599,567	2,136,555	1,352,923	110,089	37.6	40.6	201,851	1,664,863	3,801,418	43.8
1970-71	3,882,270	2,355,283	1,388,104	138,883	35.8	39.3	212,991	1,739,978	4,095,261	42.5
1971-72	4,149,771	2,636,311	1,356,860	156,600	32.7	36.5	240,794	1,754,254	4,390,565	40.0
1972-73	4,506,060	2,909,464	1,429,100	167,496	31.7	35.4	242,035	1,838,631	4,748,095	38.7
1973-74	5,125,840	2,782,320	1,970,517	373,003	38.4	45.7	390,967	2,734,487	5,516,807	49.6
1974-75	5,610,362	3,080,757	2,106,002	423,603	37.5	45.0	416,027	2,945,632	6,026,389	48.9

^a From Controller's reports: financial transactions concerning school districts of California.

^b From Controller's reports: includes homeowner's and business inventory property tax relief.

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

Department of Education
STATE OPERATIONS

General Fund

Requested 1977-78	\$37,130,449
Estimated 1976-77	34,571,979
Actual 1975-76	27,859,996
Requested increase \$2,558,470 (7.4 percent)	
Total recommended reduction	None

1977-78 FUNDING BY ITEM AND SOURCE

Item	Description	Budget Page	Analysis Page
300	General activities	770	752
301	EDY and nutrition program administration	770	752
302	Vehicle instruction (farm)	770	684
305	Special schools	763	701
306	State library	775	767

State School Building Aid Fund

Requested 1977-78	\$349,927
Estimated 1976-77	338,865
Actual 1975-76	310,754
Requested increase \$11,062 (3.3 percent)	
Total recommend reduction	None

1977-78 FUNDING BY ITEM AND SOURCE

Item	Description	Budget Page	Analysis Page
303	School facilities planning	770	740

Surplus Educational Property Revolving Fund

Requested 1977-78	\$4,916,820
Estimated 1976-77	4,719,572
Actual 1975-76	3,326,667
Requested increase \$197,248 (4.2 percent)	
Total recommended reduction	None

1977-78 FUNDING BY ITEM AND SOURCE

Item	Description	Budget Page	Analysis Page
304	Educational agency for surplus property	768	740

Department of Education LOCAL ASSISTANCE

General Fund

Requested 1977-78	\$2,778,123,316
Estimated 1976-77	2,672,382,162
Actual 1975-76	2,391,173,452
Requested increase \$105,741,154 (4.0 percent)	
Total recommended reduction	489,000

1977-78 FUNDING BY ITEM AND SOURCE

Item	Description	Budget Page	Analysis Page
283	Early childhood education	741	718
285	Educationally disadvantaged youth	755	710
286	Compensatory education	742	712
		& 744	
287	Miller-Unruh reading	741	725
288	Master Plan for Special Education	761	696
289	Occupational training for the hand- icapped	764	694
290	Development centers	764	703
291	Regional adult and vocational education council	745	732
292	Child development and preschool	752	687
293	Indian education centers	752	707
294	Bilingual education	750	704
295	Instructional television	758	681
296	Child nutrition programs	769	749
297	Regional occupation centers	767	732
298	Assistance to public libraries	775	767
299	Mandated local programs	778	686

California Environmental Protection Program Fund

Requested 1977-78	\$312,000
Estimated 1976-77	400,000
Actual 1975-76	257,423
Requested decrease \$88,000 (22 percent)	
Total recommended reduction	None

1977-78 FUNDING BY ITEM AND SOURCE

Item	Description	Budget Page	Analysis Page
284	Conservation education	758	681

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

	<i>Analysis page</i>
Program I—Instruction	685
1. Child Development. Recommend deferment of approval of alternative child care program budget until Department of Education provides projected expenditures for 1976-77.	689
2. Child Development. Recommend revised qualifications for teachers in subsidized child care centers.	692
3. Child Development. Recommend Departments of Education and Benefit Payments collect information concerning child care funded through educational system and through welfare system.	692
4. Special Education. Recommend Master Plan for Special Education evaluation include specified information.	700
5. Special Education. Recommend Department of Education prepare evaluation report of Diagnostic Schools' programs for autistic children.	701
6. <i>Bilingual Education. Reduce Item 294 by \$489,000. Recommend deletion of inflation allowance.</i>	704
7. Bilingual Education. Recommend Department of Education disseminate information on alternative curriculum methods and materials.	705
8. Bilingual Education. Recommend Board of Education adopt regulations emphasizing development of English language competency as the primary objective of bilingual education.	706
9. Migrant Education. Recommend Department of Education submit plan for direct funding of migrant education programs.	710
10. Educationally Disadvantaged Youth (EDY). Recommend Department of Education submit plan for reducing entitlements to districts with low effectiveness.	711
11. Educationally Disadvantaged Youth (EDY). Recommend State Board of Education revise regulations to insure allocations to secondary schools with above average needs.	711
12. Professional Development Centers. Recommend that, before budget is adopted, Department of Education demonstrate that it will increase number of professional development centers from 10 to 12 in 1977-78.	713
13. ESEA Title III—IVC. Recommend State Board of Education identify improvement of basic skills in intermediate and secondary grades as critical needs area.	714
14. Early Childhood Education. Recommend Department of Education revise MAR process.	721
15. Early Childhood Education. Recommend Department of Education pilot test an Index of School Climate.	723
16. Secondary Education. Recommend Department of Education provide status report concerning pilot secondary school reform projects.	727

Department of Education—Continued

17. Vocational Education. Recommend Department of Education submit alternative management plans for vocational education. 730
 18. Regional Adult and Vocational Education Councils (RAVECs). Recommend RAVECs collect performance data. 733
 19. Regional Adult and Vocational Education Councils (RAVECs). Recommend Department of Education submit report summarizing RAVEC activity and performance. 733
 20. Bureau of School Approvals. Recommend Department of Education reclassify eight field representative positions in Bureau of School Approvals. 736
 21. Bureau of School Approvals. Recommend Department of Education submit revised workplan for Bureau of School Approvals' staff. 736
- Program II—Administrative Support Services**
22. Foundation Program. Recommend legislative clarification of manner of calculating 1977-78 foundation program increase. 744
 23. Foundation Program. Recommend any Serrano solution provide for a flexible computational tax rate to eliminate slippage. 745
 24. School Finance Computer Model. Recommend Department of Education specify data base in school finance computer models. 746
 25. School Meal Subsidy. Recommend Department of Education publish annually statewide average needy subsidy per meal. 751
- Program III—Department Management and Special Services**
26. Statewide Testing Program. Recommend Department of Education annually compare California students to national norms. 754
 27. Statewide Testing Program. Recommend Department of Education annually relate statewide testing data to school and student characteristics. 755
 28. Statewide Testing Program. Recommend Department of Education include in annual report (1) policy recommendations and (2) status of previous recommendations. 755
 29. Statewide Testing Program. Recommend Department of Education prepare technical manual concerning program. 756
 30. Secondary Schools. Recommend independent evaluation of relationship of secondary school achievement and school and student characteristics. 756
 31. Crime and Violence in Schools. Recommend Department of Education apply for federal funds to study school crime and violence. 757

32. Crime and Violence in Schools. Recommend Department of Education develop procedures for collecting information concerning school crime and violence. 759
33. Crime and Violence in Schools. Recommend Department of Education disseminate to local education agencies information about availability of federal crime prevention funds. 759
34. School District Annual Audits. Recommend Department of Education follow up on audit exceptions. 766

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 pro-

Table 1

1977 Budget Bill Items State Department of Education

Item	Purpose	Actual 1975-76 ^a	Estimated 1976-77 ^a	Proposed 1977-78	Analysis Page
Local Assistance:					
283	Early Childhood Education	\$62,271,798	\$97,450,000	\$103,297,000	718
284	California Environmental Protection Program Fund	(257,423)	(400,000)	(312,000)	681
285	Educationally Disadvantaged Youth	91,302,400	90,482,400	97,554,936	710
286	Compensatory Education	2,650,000	3,695,000	3,917,000	712
287	Miller-Unruh Reading	13,849,625	13,849,625	14,680,625	725
288	Master Plan for Special Education ...	—	28,775,000	57,751,850	696
289	Occupational Training for the Hand- icapped	85,000	85,000	180,000	694
290	Development Centers	10,990,760	12,055,000	14,523,400	703
291	Regional Adult and Vocational Edu- cation Council	—	—	1,325,000	732
292	Child Development and Preschool ..	46,925,545	65,590,098	84,684,801	687
293	Indian Education Centers	400,000	850,000	636,000	707
294	Bilingual Education	8,479,538	8,139,808	8,628,808	704
295	Instructional Television	710,041	821,364	821,364	681
296	Child Nutrition Programs	22,505,016	36,700,000	38,994,665	749
297	Regional Occupation Centers	—	—	2,000,000	732
298	Assistance to Public Libraries	1,000,000	1,000,000	1,000,000	767
299	Mandated Local Programs	—	32,500	32,500	686
	Subtotal—General Fund Only	\$261,169,723	\$359,525,795	\$430,027,949 ^b	
State Operations:					
300	Support, Department of Education ..	\$10,468,797	\$13,598,484	\$15,287,608	752
301	Support, EDY and Nutrition Pro- grams	—	1,692,234	1,768,437	752
302	Vehicle Instruction (farm)	—	90,000	68,544	684
303	State School Building Aid Fund	(310,754)	(338,865)	(349,927)	740
304	Surplus Property Revolving Fund ...	(3,326,667)	(4,719,572)	(4,916,820)	740
305	Special Schools	14,347,046	15,530,196	16,012,079	701
306	State Library Operations	3,044,153	3,661,065	3,993,781	767
	Subtotal—General Fund only	\$27,859,996	\$34,571,979	\$37,130,449	
	Totals—General Fund	\$289,029,719	\$394,097,774	\$467,158,398	
	Totals—All Funds	\$292,924,563	\$399,556,211	\$472,737,145	

^a Does not include appropriations by separate legislation.

^b Does not include General Fund transfer to State School Fund of \$2,348,095,367.

Department of Education—Continued

vide support for state level administration of the public school system, the State Library and the state special schools. The local assistance items provide support for programs such as bilingual education and early childhood education. State School Fund apportionments to school districts, which will total \$2.3 billion (K-12) in 1977-78, are continuously appropriated by statute rather than the annual Budget Act.

Table 1 displays all Budget Bill items related to the Department of Education for 1977-78.

Budget Overview

The Department of Education's 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 Bill 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 for 1977-78 is essentially a workload budget reflecting a total General Fund increase over 1976-77 of 3.1 percent (\$87,765,612). Significant features include an \$18.3 million inflation allowance for local assistance programs, \$5 million for annualization of certain child care programs, \$1.7 million to fully fund the development centers, and \$2.4 million for participation and cost increases in state subsidized school meal programs.

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

<i>Program</i>	<i>Actual 1975-76</i>	<i>Estimated 1976-77</i>	<i>Proposed 1977-78</i>	<i>1977-78 Change</i>	
				<i>Amount</i>	<i>Percent</i>
I. Instruction:					
State Operations	\$44,394,593	\$51,999,334	\$54,457,654	\$2,458,320	4.7%
Local Assistance	564,770,537	701,605,287	729,777,471	28,172,184	4.0
Subtotal	\$609,165,130	\$753,604,621	\$784,235,125	\$30,630,504	4.1%
II. Administrative Support Services:					
State Operations	\$7,698,809	\$11,103,300	\$11,093,292	\$-10,008	-.1%
Local Assistance	2,353,912,054	2,603,456,039	2,651,469,435	48,013,396	1.8
Subtotal	\$2,361,610,863	\$2,614,559,339	\$2,662,562,727	\$48,003,388	1.8%
III. Department Management and Special Services:					
State Operations	\$7,606,785	\$8,556,974	\$8,403,930	\$-153,044	-1.8%
Local Assistance	281,615	280,000	256,250	-23,750	-8.5
Subtotal	\$7,888,400	\$8,836,974	\$8,660,180	\$-176,794	-2.0%
IV. Library Services:					
State Operations	\$4,240,419	\$4,889,757	\$5,049,084	\$159,327	3.3%
Local Assistance	6,165,656	5,802,578	4,643,269	-1,159,309	-20.0
Subtotal	\$10,406,075	\$10,692,335	\$9,692,353	\$-999,982	-9.4%
Reimbursements:					
State Operations	\$-5,734,375	\$-6,538,918	\$-7,379,796	\$-840,878	-12.9%
Local Assistance	-57,973,613	-47,269,986	-44,632,960	2,637,026	5.6
Subtotal	\$-63,707,988	\$-53,808,904	\$-52,012,756	\$1,796,148	3.3%
Net Totals:					
State Operations	\$58,206,231	\$70,010,447	\$71,624,164	\$1,613,717	2.3%
Local Assistance	2,867,156,249	3,263,873,918	3,341,513,465	77,639,547	2.4
Total	\$2,925,362,480	\$3,333,884,365	\$3,413,137,629	\$79,253,264	2.4%
General Fund	\$2,474,216,354	\$2,795,004,871	\$2,882,770,483	\$87,765,612	3.1%
Driver Training Penalty Assessment Fund	—	200,000	—	-200,000	-100.0
California Environmental Protection Program Fund	257,423	400,000	312,000	-88,000	-22.0
State School Fund	5,635,856	6,400,000	6,200,000	-200,000	-3.1
Instructional Materials Fund	-2,325,504	19,189,389	—	-19,189,389	-100.0
Surplus Property Revolving Fund	3,326,667	4,719,572	4,916,820	197,248	4.2
School Building Aid Fund	310,754	338,865	349,927	11,062	3.3
Federal Funds	443,940,930	507,631,668	518,588,399	10,956,731	2.2

Table 3
Crossover Between Budget Bill 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>
283	Early childhood education	\$103,297,000	\$—	\$—	\$—	\$103,297,000
284	Environmental education	(312,000)	—	—	—	(312,000) ^a
285	Educationally disadvantaged youth	97,554,936	—	—	—	97,554,936
286	Compensatory education	3,917,000	—	—	—	3,917,000
287	Miller-Unruh reading	14,680,625	—	—	—	14,680,625
288	Master Plan for Special Education	57,751,850	—	—	—	57,751,850
289	Occupational training for the handicapped	180,000	—	—	—	180,000
290	Development centers	14,523,400	—	—	—	14,523,400
291	Regional Adult and Vocational Education Council	1,325,000	—	—	—	1,325,000
292	Child development and preschool	84,646,951	—	37,850	—	84,684,801
293	Indian education centers	636,000	—	—	—	636,000
294	Bilingual education	8,628,808	—	—	—	8,628,808
295	Instructional television	821,364	—	—	—	821,364
296	Child nutrition programs	—	38,994,665	—	—	38,994,665
297	Regional occupation centers	—	2,000,000	—	—	2,000,000
298	Assistance to public libraries	—	—	—	1,000,000	1,000,000
299	Mandated local programs	32,500	—	—	—	32,500
300	Support, Department of Education	8,306,101	2,834,112	4,147,395	—	15,287,608
301	Support, EDY and nutrition programs	1,436,576	153,128	178,733	—	1,768,437
302	Vehicle instruction (farm)	—	68,544	—	—	68,544
303	State School Building Aid Fund	—	(349,927)	—	—	(349,927) ^a
304	Surplus Property Revolving Fund	—	(4,916,820)	—	—	(4,916,820) ^a
305	Special schools	16,012,079	—	—	—	16,012,079
306	State library operations	—	—	—	3,993,781	3,993,781
	Totals, General Fund	\$413,750,190	\$44,050,449	\$4,363,978	\$4,993,781	\$467,158,398 ^b

^a Special funds not included in total.

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

Budget Bill items, as above	\$467,158,398
Transfer to State School Fund	2,348,095,367
Miscellaneous legislation	34,945,188
Statutory requirements	591,983
Instructional Materials Fund	31,979,547
Total—General Fund expenditures	\$2,882,770,483

684 / K-12 EDUCATION

Department of Education—Continued

Items 283-306

PROGRAM I INSTRUCTION

The instruction program consists of four separately identified program elements. These are (1) special programs and support services, (2) elementary education, (3) secondary education and (4) adult education.

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

Table 4
Instruction Program Expenditures and Funding

<i>Element</i>	<i>Actual 1975-76</i>	<i>Estimated 1976-77</i>	<i>Proposed 1977-78</i>	<i>1977-78 Change Amount</i>	<i>Percent</i>
A. Special Programs and Support Services:					
1. Child development/pre-school	\$86,963,097	\$103,213,474	\$112,706,489	\$9,493,015	9.2%
2. Special education	63,414,577	113,170,520	119,253,138	6,082,618	5.4
3. Bilingual-bicultural education	1,866,632	2,611,542	3,036,356	424,814	16.3
4. Compensatory education	27,125,521	36,293,702	29,992,125	-6,301,577	-17.4
5. Planning and federal administration	14,979,392	14,175,432	17,310,661	3,135,229	22.1
6. Curriculum services	4,447,826	4,387,606	4,047,170	-340,436	-7.8
7. Legislative mandates (local programs)	246	61,004	32,500	-28,504	-46.8
Subtotal	\$198,797,291	\$273,913,280	\$286,378,439	\$12,465,159	4.6%
B. Elementary Education:					
1. Early childhood education	\$62,831,309	\$98,464,500	\$104,358,187	\$5,893,687	6.0%
2. Consolidated categorical programs	250,300,205	261,073,325	281,863,091	20,789,766	8.0
3. General activities	732,358	1,938,238	2,057,706	119,468	6.2
Subtotal	\$313,863,872	\$361,476,063	\$388,278,984	\$26,802,921	7.4%
C. Secondary Education:					
1. General secondary education	\$119,725	\$3,318,107	\$3,505,387	\$187,280	5.6%
2. Consolidated categorical programs	33,667,070	38,512,940	39,885,529	1,372,589	3.6
3. Traffic safety education ..	238,964	283,275	501,106	217,831	76.9
4. Vocational education	51,909,703	63,315,810	54,712,023	-8,603,787	-13.6
Subtotal	\$85,935,462	\$105,430,132	\$98,604,045	-\$6,826,087	-6.5%
D. Adult Education:					
1. Adult education instruction	\$6,415,459	\$7,620,790	\$6,511,130	-\$1,109,660	-14.6%
2. Postsecondary education (school approvals)	943,110	1,161,546	1,179,661	18,115	1.6
3. Vocational education (local assistance)	3,209,936	4,002,810	3,282,866	-719,944	-18.0
Subtotal	\$10,568,505	\$12,785,146	\$10,973,657	-\$1,811,489	-14.2%
Totals	\$609,165,130	\$753,604,621	\$784,235,125	\$30,630,504	4.1%

INSTRUCTION—Continued

State operations	\$44,394,593	\$51,999,334	\$54,457,654	\$2,458,320	4.7%
Local assistance	564,770,537	701,605,287	729,777,471	28,172,184	4.0
<i>General Fund</i>	281,974,166	402,525,420	448,942,173	46,416,753	11.5
<i>Federal funds</i>	264,364,939	298,631,601	284,147,266	-14,484,335	-4.9
<i>Reimbursements</i>	62,566,316	52,047,600	50,833,686	-1,213,914	-2.3
<i>State School Building Aid Fund</i>	2,286	—	—	—	—
<i>California Environmental Protection Program Fund</i>	257,423	400,000	312,000	-88,000	22.0

A. SPECIAL PROGRAMS AND SUPPORT SERVICES

This element is responsible for assisting the age span elements with the following components: (a) child development, (b) special education, (c) bilingual education, (d) compensatory education, (e) planning and federal administration, and (f) curriculum services.

As part of a recent departmental reorganization, which we will discuss later in this Analysis, the compensatory education program component was transferred to the elementary education element, and the curriculum services program component was transferred to the secondary education element. However, our analysis will reflect the old organization, which is consistent with the Governor's Budget.

Table 5 summarizes funding for this element by component and by source. These figures reflect only that portion of funds allocated to Special Programs and Support Services. However, our analysis of specific program components will reflect related funds administered by the program elements.

Table 5
Special Programs and Support Services Expenditures

Component	Actual 1975-76	Estimated 1976-77	Proposed 1977-78	Change Amount	Percent
1. Child Development	\$86,963,097	\$103,213,474	\$112,706,489 ^b	\$9,493,015	9.2%
2. Special Education	63,414,577	113,170,520	119,253,138	6,082,618	5.4
3. Bilingual-Bicultural Education	1,866,632	2,611,542	3,036,356	424,814	16.3
4. Compensatory Education	27,125,521	36,293,702	29,992,125	-6,201,577	-17.1
5. Planning and Federal Administration	14,979,392	14,175,432	17,310,661	3,135,229	22.1
6. Curriculum Services	4,447,826	4,387,606	4,047,170	-340,436	7.8
7. Legislative Mandates (Local Programs) ^a	246	61,004	32,500	-28,504	46.7
Total	\$198,797,291	\$273,913,280	\$286,378,439	\$12,465,159	4.5%
<i>State Operations:</i>					
<i>General Fund</i>	\$19,966,342	\$22,483,056	\$23,165,392	\$682,336	3.0%
<i>School Building Aid Fund</i>	2,286	—	—	—	—
<i>California Environmental Protection Program Fund</i>	9,923	—	12,000	12,000	—
<i>Federal funds</i>	6,703,353	7,100,423	7,277,734	177,311	2.5
<i>Reimbursements</i>	3,749,955	4,104,319	4,415,185	310,866	7.6
Subtotal	\$30,431,859	\$33,687,798	\$34,870,311	\$1,182,513	3.5%

Local Assistance:

<i>General Fund</i>	\$73,231,893	\$133,486,551	\$147,928,688	\$14,442,137	10.8%
<i>California Environmental Protection Program Fund</i>	247,500	400,000	300,000	-100,000	25.0
<i>Federal funds</i>	44,892,347	69,850,483	66,521,712	-3,328,771	4.8
<i>Reimbursements</i>	49,993,692	36,488,448	36,757,728	269,280	.7
<i>Subtotal</i>	\$168,365,432	\$240,225,482	\$251,508,128	\$11,282,646	4.7%

^a These figures are reflected in Program VII, Legislative Mandates, in the Governor's Budget.

^b An additional \$13,255,888 of the state preschool program is included in elementary education.

1. 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 6.

Table 6
Child Development/Preschool
Expenditures and Funding

<i>Activity</i>	<i>Actual</i>	<i>Estimated</i>	<i>Proposed</i>	<i>1977-78 Change</i>	
	<i>1975-76</i>	<i>1976-77</i>	<i>1977-78</i>	<i>Amount</i>	<i>Percent</i>
A. Child care services:					
State operations.....	\$1,804,452	\$2,547,031	\$2,604,822 ^b	\$57,791	2.3%
Local assistance.....	73,833,556	89,359,319	98,128,739	8,769,420	9.8
Subtotal	\$75,638,008	\$91,906,350	\$100,733,561	\$8,827,211	9.6%
B. Preschool education:					
State operations.....	\$585,378	\$660,081	\$686,772	\$26,691	4.0%
Local assistance.....	23,140,506	23,153,044	24,542,044	1,389,000	6.0
Subtotal	\$23,725,884	\$23,813,125	\$25,228,816 ^a	\$1,415,691	5.9%
Combined Total					
State operations.....	\$2,389,830	\$3,207,112	\$3,291,594	\$84,482	2.6%
Local assistance.....	96,974,062	112,512,363	122,670,783	10,158,420	9.0
Total.....	\$99,363,892	\$115,719,475	\$125,962,377	\$10,242,902	8.9%
<i>General Fund</i>	\$47,636,084	\$77,791,093	\$87,724,747	\$9,933,654	12.8%
<i>Federal funds</i>	457,000	457,000	457,000	—	—
<i>Reimbursements</i>	51,270,808	37,471,382	37,780,630	309,248	1.0

^a \$13,255,888 of the preschool program budget is administered by the elementary education program manager and \$11,972,928 by the Office of Child Development.

^b Does not include \$69,126 budgeted for two auditor positions in Program III.

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) and Chapter 1466, Statutes of 1976, (AB 2965) the State Department of Education has administrative responsibility for a variety of child care services for children from prekindergarten through age 14.

Major program goals are (a) to enhance the educational performance of participant children, (b) to assist families in becoming self-sufficient by enabling 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 7 summarizes the scope of child care services provided in 1976-77. The table indicates that more than 400 agencies are serving an estimated 70,000 children.

INSTRUCTION—Continued

Table 7
Child Development Programs
Estimated Number of Agencies, Sites and Children
1976-77

<i>Program</i>	<i>Contracting Agencies</i>	<i>No. of Sites</i>	<i>No. of Children (Est.)</i>
General Child Care:			
Children's centers	85	491	35,997
Community based	150	267	10,831
Migrant Child Care	18	35	2,534
Campus Child Care	31	51	1,585
Parenting and Infant Development:			
School age parents	} 13	} 15	347
Infants			239
County Welfare Departments	42	Not reported	12,158
Alternative Child Care (AB 3059)	109	Not reported	6,288
Child Care Pilot Study	1	Not reported	860 ^a
Total	449	859 ^b	70,839

^a Estimated low income children who are eligible for subsidized child care.

^b Does not include family day care homes.

Administration

The Child Development Act requires the Department of Education to (1) formulate and promote a child development program in all California communities where the need exists, including adaption 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 other low-income and disadvantaged families; and (7) generate the maximum federal reimbursement for federally eligible children.

Funding

Table 8 summarizes General Fund appropriations for child care by Budget Item.

Table 8
Budget Bill Appropriations for Child Care

<i>Item No.</i>	<i>Agency</i>	<i>State Operations</i>	<i>Local Assistance</i>	<i>Total</i>
240	Health and Welfare (for Dept. of Education)	—	\$4,757,280	\$4,757,280
257(d)	Employment Development Dept. (for Dept. of Education)	52,000	405,000	457,000
292(a)	Education	1,228,746	46,289,011	47,517,757
292(b)	Education	341,024	12,625,000	12,966,024
	Reappropriations:			
	Budget Act of 1976—Item 281		2,000,000	2,000,000
	Chapter 344, Statutes of 1976 (AB 3059) ..	50,000	—	50,000
		\$1,671,770	\$66,076,291	\$67,748,061

Table 9 summarizes budgeted state and federal local assistance funds for child development programs in 1976-77 and as proposed by the Governor's Budget for 1977-78.

Table 9
Child Development Programs
Local Assistance Funding
(in thousands)

	<i>Estimated 1976-77</i>				<i>Proposed 1977-78</i>			
	<i>State</i>	<i>Federal</i>	<i>Local</i>	<i>Total</i>	<i>State</i>	<i>Federal</i>	<i>Local</i>	<i>Total</i>
School districts and county superintendents of schools	\$23,881	\$27,905	—	\$51,786	\$23,881	\$27,905	—	\$51,786
County welfare departments	1,050	3,151	—	4,201	1,050	3,151	—	4,201
Private nonprofit agencies	16,857	—	—	16,857	16,857	—	—	16,857
Campus child care	1,675	—	\$539	2,214	1,675	—	\$539	2,214
Migrant child care	1,789	457	—	2,246	1,789	457	—	2,246
Alternative child care (Ch. 344/1976; AB 3059):								
Direct services	8,225	—	—	8,225	11,225 ^b	—	—	11,225
Support services	1,400	—	—	1,400	1,400	—	—	1,400
Special allowances								
Rent	299	—	—	299	299	—	—	299
Handicapped	501	—	—	501	501	—	—	501
High school infant care ..	630	—	—	630	630	—	—	630
Undistributed ^c	1,000	—	—	1,000	6,769	—	—	6,769
Total	\$57,307	\$31,513^a	\$539	\$89,359	\$66,076	\$31,513^a	\$539	\$98,128

^a Includes \$31,056 Title XX and \$457,000 Title I funds.

^b Includes \$3 million increase in 1977-78. Some of these funds may be allocated for support services.

^c Includes annualization funds of \$1 million in 1976-77 and \$2 million in 1977-78 and \$4.8 million (6 percent) cost of living increase in 1977-78.

The table indicates proposed state/federal local assistance funding of child care programs in 1977-78 of \$98.1 million. This is an increase of \$8.8 million over current year funding. The increase consists of (1) \$3 million for annualization of Chapter 344, Statutes of 1976, (AB 3059) alternative child care programs, funded at \$10 million in the current year; (2) \$2 million (\$1 million in the current year) to provide for annualization of programs for which state funding was discontinued in prior years; and (3) \$4.8 million to provide a 6 percent inflation factor on both General Fund and Title XX federal funds budgeted for child care programs in the current year.

1976 Alternative Programs

We recommend deferment of approval of \$12,625,000 included in Item 292(b) to provide local assistance funding of Chapter 344, Statutes of 1976, (AB 3059) alternative child care programs in 1977-78.

We further recommend that the Department of Education submit to the fiscal subcommittees a 1976-77 expenditure schedule for AB 3059 programs. The schedule should indicate how much of the \$10 million appropriated by AB 3059 will be expended through June 30, 1977.

Chapter 344, Statutes of 1976, (AB 3059) appropriated \$10 million for alternative child care programs. The Department of Education is having

INSTRUCTION—Continued

difficulty establishing these programs. As of this writing, a substantial portion of AB 3059 funds are not being expended. Many programs which have been authorized are struggling to become operational.

We believe the 1977-78 budget for this program should not be approved until the Department of Education has provided the fiscal subcommittees a schedule of estimated program expenditures for the current year. This will permit a determination of the amount of annualization funds, if any, which will be required in the budget year.

Annualization Funding and Inflation Funding

We support augmentations to annualize (i.e., fund on a full year basis at the level attained at the close of the prior year) programs which were state funded in mid-year 1974-75 and which have been locally funded in 1975-76 and in 1976-77. However, we question whether the \$1 million augmentation for the current year and \$2 million for the budget year included in the Governor's Budget are accurate estimates of the amounts needed to fund these programs. The Department of Education had previously estimated that \$1.6 million would be required to continue these programs through the last half of 1976-77 and \$3.2 million for 1977-78. However, as of this writing, the department now estimates that \$1 million will fund these programs for the entire 1976-77 year. If this is the case, then only \$1 million (instead of \$2 million) would appear to be needed for these programs in 1977-78. This issue should be discussed by the department along with the AB 3059 reconciliation mentioned above.

The \$4.8 million allowance for inflation is reasonable. It represents a 6 percent increase in 1977-78 on both General Fund and federal fund support for child care in the current year. It would also provide an increase of 6 percent in the maximum allowable reimbursements per child hour (from \$1.21 to \$1.28 for children age two and over and from \$1.44 to \$1.53 for children under two years of age).

PL 94-401

Public Law 94-401 (HR 12455) dated September 7, 1976, provided child care funds for states to meet federal adult/child staffing requirements. However, a "maintenance of effort" provision, which would have required these funds to be used *in addition* to the level of effort already budgeted with existing Title XX funds, was not included. The absence of such a provision has been interpreted to mean that the "new" PL 94-401 day care funds can be used to free up, for other purposes, Title XX funds which had been previously allocated for day care.

This is what the Governor's Budget proposes to do. It indicates a total of \$23.7 million PL 94-401 funds available to California, of which \$17.5 million is allocated to 1976-77 and \$6.2 million to the budget year. Because California is already meeting federal adult/child staffing ratios in federally funded programs, the Governor's Budget substitutes the \$23.7 million in PL 94-401 funds for Title XX funds presently allocated to child care. This makes the Title XX funds available for other purposes. The net effect is no increase in child care funds with the exception of \$3 million of Title XX funds which are allocated to provide the \$1 million in annualization funds

in 1976-77 and \$2 million in 1977-78 discussed above. The remainder of the Title XX funds is allocated to other social services programs.

Staffing Ratios for State Funded Programs

The 1976 Budget Act replaced \$15 million of federal Title XX funds allocated to child care with state General Funds (commonly called the "buy-out"). This was to require less restrictive adult/child ratios than those specified by Federal Interagency Day Care Requirements (FIDCR). The stated purpose was to serve more children.

The specific revised staffing ratios were to be in accordance with the Department of Education's plan of June 3, 1976. Because of objections expressed by many child care agencies concerning the proposed regulations, the department is now modifying the proposed regulations to still be generally less restrictive than FIDCR but more restrictive than the department's June 3, 1976 plan.

The result may be to not serve as many additional children as was contemplated in the June 3 plan. The department now intends to implement the new regulations as of July 1, 1977 instead of January 1, 1977 as specified by the Legislature. Thus, the implementation of less restrictive adult/child staffing ratios in state funded programs in 1976-77, although encouraged by the Department of Education, is voluntary on the part of operating agencies.

Governor's Program Limitations

The Governor's Budget proposes three limitations concerning staffing of child development programs. Each is intended to promote cost-effective program operation through more efficient staffing patterns. The first would require child development programs to meet staff/child ratios by staffing on the basis of attendance rather than enrollment. The second would limit state reimbursement for staffing costs of child care agencies to not more than the costs generated by the minimum prescribed staffing patterns. The third would limit state reimbursement for teacher's salaries to those costs necessary to meet minimum prescribed teacher/child ratios. If a child care agency hires additional teachers, only the costs which would be incurred for the same number of aides would be allowed as reimbursable expenditures. It should be noted, however, that the adult/child staffing ratios for state funded programs have now been revised. The Budget Bill language (Item 292) should be corrected accordingly.

We support the limitations proposed in the Governor's Budget because we believe they would assist in controlling program costs without hindering program quality and indirectly free funds for program expansion if authorized. The limitations would ensure implementation of several recommendations concerning staffing patterns contained in our 1976-77 Analysis which were adopted by the Legislature.

In explaining our support of the limitations, it is important to discuss the fundamental trade-offs which we believe exist in the provision of subsidized child care. The basic public policy issue in this area is the choice between serving a limited number of children in more costly programs or serving substantially more children in programs which, while less expen-

INSTRUCTION—Continued

sive, are nevertheless of demonstrable quality. We believe the second alternative is the sounder of the two and the Legislature should adopt policies consistent with efficient staffing patterns.

Personnel Qualifications

We recommend that Education Code Section 16760 defining qualifications for teachers in subsidized child care centers be amended to include only individuals holding a children's center permit or a teaching credential based on preparation for teaching in the elementary grades or below.

State regulations in California require the presence of qualified teaching staff in subsidized child care centers. Currently the Education Code defines individuals who qualify for this purpose as:

"... such persons who hold children's center permits issued by the Commission for Teacher Preparation and Licensing. Any person holding a teaching credential issued by the State Board of Education or Commission is deemed to hold a regular children's center permit that will authorize supervision and instruction of children or supervision of a children's program." (Education Code, Section 16760).

Under this section any individual who holds either a children's center permit or an elementary, secondary or junior college credential is qualified as a teacher in a subsidized child care center. Thus, it is possible for credentialed teachers, including secondary and junior college teachers, to displace or "bump" individuals holding a children's center permit.

Potential bumping by higher grade level teachers has been of particular concern in school districts with declining enrollments. This is a problem because such teachers may not be effective in child care programs which primarily serve preschool children. In addition, the problem has significant cost implications because, on the average, these teachers earn higher salaries than do those with appropriate training for preschool and early childhood instruction. Thus, we believe the code section defining teachers in subsidized child care centers should be amended to exclude individuals holding secondary and junior college credentials.

A related recommendation for improving the cost-effectiveness of subsidized child care is discussed under Item 309.

Data Collection

We recommend that the Departments of Education and Benefit Payments jointly develop procedures for collecting comparable information concerning the characteristics of child care funded through the educational system and the welfare system.

Publicly subsidized child care in California is administered through two distinct mechanisms. Child care administered by the Department of Education is proposed at a level of state and federal funding in 1977-78 of \$100.7 million (Table 6); additional local funding is anticipated to be over \$35 million. It is estimated that approximately 70,000 children will be served through this system.

Child care is also administered by County Welfare Departments and funded through the State Department of Benefit Payments. Total federal, state and local expenditures for this child care are estimated to be over \$70

million annually. Within this category, it is estimated that care is provided (a) to between 60,000 and 80,000 children directly as an Aid to Families with Dependent Children (AFDC) work-related welfare expense and (b) to approximately 5,000 children under the Work Incentive Program (WIN) as a job training expense.

It is important to note that figures concerning child care provided under the various systems are based on different definitions. It is essential that the Legislature be presented with comparable information in order to understand the several types of subsidized child care in the state. In the absence of comparable information, statistics referring to such characteristics as total numbers of families and children served and costs of care are of questionable validity.

Education Code Section 16722.1 requires the Department of Education to report specified information to the Legislature annually concerning the child care it administers. We have recommended that the Department of Benefit Payments provide similar reports annually (Item 261). The present recommendation is intended to promote coordination between the two agencies to ensure development of comparable information.

Santa Clara Pilot Project

It should be noted that the child care pilot study authorized by Chapter 1191, Statutes of 1973, (AB 1244) will be completed at the end of the current year. It is subsidizing child care for an estimated 860 children of low-income parents. When the pilot study subsidy is eliminated these parents will have to pay the full cost of child care or compete for existing subsidized child care slots which are presently filled.

B. State Preschool Program

Chapter 1248, Statutes of 1965 (AB 1331) directed the State Department of Education to initiate a statewide system of preschool programs for three to five-year-old children from low-income families. 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) and Chapter 1466, Statutes of 1976 (AB 2965) authorized continuation of the state preschool program.

The purposes of the preschool program are to enhance the development of the child and involve parents in the educational process as much as possible. More than 19,000 children are enrolled in programs administered by 118 school districts, 69 private nonprofit agencies, offices of county superintendents of schools, and institutions of higher education.

In addition, Chapter 795, Statutes of 1975, authorized a preschool scholarship incentive program which provides scholarships to assist 1,178 preschool permit teachers and aides in continuing their professional development.

Table 10 summarizes the scope of the preschool program since 1971-72. The table indicates that about the same number of children have been served for the last five years while state costs have increased almost five fold.

INSTRUCTION—Continued

Table 10
Scope of Preschool Program
1971-72 Through 1976-77

<i>Year</i>	<i>Number of Applicant Agencies</i>	<i>Number of Sites (est.)</i>	<i>Number of Children (est.)</i>
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	19,258
1976-77	186	796	19,355

Table 11 summarizes funding of the preschool program since 1971-72.

Table 11
Funding of Preschool Program Since 1971-72

<i>Year</i>	<i>State</i>	<i>Federal Matching^a</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	—	23,512,700
1976-77	23,773,108	—	23,773,108
1977-78 proposed	25,228,816	—	25,228,816 ^b

^a Federal social services funds were available on a 75-25 (federal-state) matching basis until 1973-74.

^b Budget Bill Item 292 (c). It includes \$199,303 for scholarship incentive program.

The table indicates a \$1.5 million increase in the program funding level in 1977-78. This consists of a 6 percent inflation allowance of \$1.4 million on 1976-77 local assistance funds and an inflation allowance on 1976-77 state operations funds.

2. SPECIAL EDUCATION

The special education component includes (1) the Master Plan for Special Education, (2) educational improvement for the handicapped, (3) research and development, (4) special schools, (5) clearinghouse depository for handicapped students, and (6) other special education programs.

These programs provide services to students who are blind, deaf, orthopedically handicapped, multi-handicapped, educable and trainable mentally retarded, and educationally handicapped. In addition, federal funds (Education of the Handicapped Act, Title VI, PL 93-380) provide for (1) program improvement projects sponsored by local educational agencies, (2) deaf-blind services provided by private agencies, (3) staff development programs, (4) demonstration child service centers, and (5) pilot projects for the identification of exceptional children.

Funding

Table 12 summarizes expenditures and funding sources for the special education component. The Governor's Budget proposes an overall funding increase for special education of approximately \$6.1 million or 5.4 percent. However, the actual increase in General Fund expenditures (excluding federal funds for Education Improvement for the Handicapped) is \$5,852,309 or 6.2 percent.

Table 12
Expenditures and Funding Sources for Special Education

<i>Program</i>	<i>Actual 1975-76</i>	<i>Estimated 1976-77</i>	<i>Proposed 1977-78</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
1. Master Plan:					
State Operation	\$311,708	\$359,431	\$370,976	\$11,545	3.2%
Local Assistance	23,569,140	55,343,250	57,751,850 ^b	2,408,600	4.4
2. Education Improvement for Handicapped:					
State Operations	2,994,505	3,507,041	3,890,869	383,828	10.9
Local Assistance	7,179,742	20,507,116	20,353,597	-153,519	-8
3. Research and Development:					
State Operations	302,962	362,398	372,770	10,372	2.9
4. Special Schools:					
State Operations ^c	16,455,663	18,301,349	19,061,476	760,127	4.2
5. Clearinghouse Depository:					
State Operations	247,934	295,018	304,876	9,858	3.3
6. Other Special Education Programs:					
State Operations	1,107,163	1,281,917	1,370,324	88,407	6.9
Local Assistance ^d	11,245,760	13,213,000	15,776,400	2,563,400	19.4
Totals, Special Education ^a	\$63,414,577	\$113,170,520	\$119,253,138	\$6,082,618	5.4%
State Operations:					
General Fund	\$16,284,332	\$17,799,560	\$18,355,959	\$556,399	3.1%
Federal funds	2,994,505	3,526,041	3,971,124	445,083	12.6
Reimbursements	2,141,098	2,781,553	3,044,208	262,655	9.4
Subtotal	\$21,419,935	\$24,107,154	\$25,371,291	\$1,264,137	5.2%
Local Assistance:					
General Fund	\$32,970,641	\$67,483,250	\$72,455,250	\$4,972,000	7.4%
Federal funds	9,024,001	21,580,116	21,426,597	-153,519	-7
Subtotal	\$41,994,642	\$89,063,366	\$93,881,847	\$4,818,481	5.4%

^a These totals do not include state apportionments for special education programs, which are presented in Table 45.

^b Budget Item 288.

^c Budget Item 305.

^d Budget Items 289 and 290.

Enrollments

In 1976, approximately 320,000 exceptional students received services in special education programs throughout the state as shown in Table 13.

INSTRUCTION—Continued

Table 13
Unduplicated Count of Pupils Being Served
by Special Education Programs in Local Educational Agencies
(October 1, 1976)

	<i>Unduplicated Count</i>				
	<i>Ages 0-2</i>	<i>Ages 3-5</i>	<i>Ages 6-21</i>	<i>Total</i>	<i>Percent</i>
Pregnant minors	0	0	2,558	2,558	0.8
Drug-dependent minors	0	0	162	162	0.1
Language and speech	173	19,697	106,096	125,966	39.3
Other health-impaired	79	998	23,732	24,809	7.8
Partially seeing	5	47	1,275	1,327	0.4
Learning disability (EH)	37	166	64,186	64,389	20.1
Severely hard of hearing	30	216	2,537	2,783	.9
Severely language handicapped, including aphasic	28	785	6,311	7,124	2.2
Orthopedically handicapped	136	1,756	23,916	25,808	8.1
Educationally retarded (EMR)	18	51	21,845	21,914	6.9
Behavior disorders (EH)	12	44	16,408	16,464	5.1
Deaf	80	483	2,796	3,359	1.1
Blind	10	93	1,330	1,433	0.5
Trainable mentally retarded	40	617	11,494	12,151	3.8
Seriously emotionally disturbed (EH)	6	45	3,722	3,773	1.2
Developmentally handicapped	252	785	3,495	4,532	1.4
Autistic	0	68	663	731	.2
Deaf-Blind	2	30	175	207	.1
TOTALS^a	908	25,881	292,701	319,490	100.0

^a Totals do not include 1,248 children in state schools.

A. Master Plan for Special Education (Item 288)

The Master Plan for Special Education (MPSE) was authorized by Chapter 1532, Statutes of 1974 (AB 4040). Chapter 1532 provides for pilot testing of the MPSE in a limited number of districts and counties in fiscal years 1975-76, 1976-77, and 1977-78. Based on the piloting, the decision for regular implementation will occur in 1978-79.

In July 1975, the MPSE began implementation in six selected Responsible Local Agencies (RLAs): (1) Contra Costa County (exclusive of Mt. Diablo Unified and Richmond Unified School Districts), (2) Humboldt and Del Norte Counties, (3) Sacramento Unified School District, (4) Santa Barbara County, (5) Santa Monica Unified School District, and (6) Stanislaus County. These six RLAs include 107 school districts with an estimated 1976-77 special education enrollment of 27,167 (10.4 percent of their total enrollment).

In fiscal year 1976-77, the MPSE began implementation in four additional selected RLAs: (1) Los Angeles Unified School District, Area D, (2) San Juan Unified School District, (3) Tulare County and (4) the Whittier Cooperative. These four RLAs include 59 school districts with a projected 1976-77 special education enrollment of 23,166 (11.1 percent of their total enrollment).

Table 14 presents the enrollments and budgets of the 10 RLAs currently implementing the MPSE. Table 14 indicates that the overall cost per pupil of operating a Master Plan program is \$1,100. However, the RLA cost per pupil ranges from a low of \$942 in Contra Costa County to a high of \$1,239 in Santa Barbara County.

Table 14
Enrollment and Budgets for Ten Responsible Local Agencies
in 1976-77 Implementation of the Master Plan for Special Education^a

<i>Responsible Local Agency</i>	<i>Total Projected Enrollment</i>	<i>Special Ed. Projected Enrollment</i>	<i>Percent of Total Enrollment</i>	<i>Total General Fund Budget</i>	<i>Federal Funds</i>	<i>Total Expenditures</i>	<i>Total Cost Per Pupil</i>
Contra Costa County	57,381	7,294	12.7%	\$6,873,314	—	\$6,873,314	\$942
Humboldt/Del Norte	30,554	2,906	9.5	3,165,189	—	3,165,189	1,088
Sacramento Unified	47,441	5,260	11.1	5,497,324	\$113,583	5,610,907	1,066
Santa Barbara County	58,500	5,673	9.7	6,731,389	299,220	7,030,609	1,239
Santa Monica Unified	13,342	1,506	11.3	1,640,679	—	1,640,679	1,066
Stanislaus County	52,956	4,526	8.5	5,076,300	37,300	5,113,600	1,130
Los Angeles, Area D	45,085	5,985	13.3	6,129,247	94,199	6,223,446	1,040
San Juan Unified	50,848	5,733	11.3	6,464,159	438,002	6,902,161	1,204
Tulare County	56,913	5,398	9.5	6,017,570	4,805	6,022,375	1,057
Whittier Cooperative	55,971	6,052	10.8	6,760,970	—	6,760,970	1,117
TOTAL	468,991	50,333	10.7%	\$54,356,141	\$987,109	\$55,343,250	\$1,100

^a This table does not include approximately \$465,000 which is used for state management and coordination of program of MPSE projects.

Table 15
Summary of Estimated General Fund Expenditures for Ten
Master Plan Responsible Local Agencies 1976-77

	<i>Spec. Class</i>	<i>No. of</i>	<i>Proj'd.</i>	<i>Res. Spec.</i>	<i>No. of</i>	<i>Proj'd.</i>	<i>DIS</i>	<i>Proj'd.</i>	<i>Proj'd.</i>	<i>Proj'd. Mgmt. & Sup.</i>	<i>IAIP</i>	<i>Total</i>	<i>Total</i>
<i>RL-1</i>	<i>\$ Alloc.</i>	<i>Classes</i>	<i>No. of</i>	<i>\$ Alloc.</i>	<i>Res. Spec.</i>	<i>No. of</i>	<i>\$ Alloc.</i>	<i>Pupils</i>	<i>No. of</i>	<i>Inc. Trans.</i>	<i>\$ Alloc.</i>	<i>\$ Alloc.</i>	<i>Pupils</i>
Contra Costa Co.....	1,658,782	89	932	1,980,979	91	2,548	1,563,043	3,796	27,900	18	862,152	780,458	6,873,314
Humboldt-Del Norte	726,882	39	468	1,327,909	61	1,464	469,897	959	23,325	15	306,234	310,942	3,165,189
Los Angeles Unified (Area D)	1,733,334	93	1,060	1,001,374	46	1,288	1,140,184	3,212	660,875	425	953,085	640,395	6,129,247
Sacramento Unified	2,329,750	125	1,500	1,393,216	64	1,792	484,318	1,956	18,660	12	708,560	562,820	5,497,324
San Juan Unified	2,260,603	121	1,732	1,567,368	72	1,792	1,079,644	2,194	23,325	15	919,788	613,431	6,464,159
Santa Barbara Co.....	2,068,818	111	1,147	2,024,517	84	2,139	1,253,492	2,387	—	—	777,551	607,011	6,731,389
Santa Monica Unified.....	596,416	32	336	435,380	20	588	284,965	568	21,770	14	149,673	152,475	1,640,679
Stanislaus Co.....	2,180,646	117	1,211	1,393,216	64	1,536	531,919	1,779	—	—	475,858	494,661	5,076,300
Tulare Co.....	2,665,234	143	1,330	1,393,216	64	1,792	552,115	2,275	1,555	1	827,864	577,586	6,017,570
Whittier Area Cooperative.....	2,180,646	117	1,304	1,576,293	72	1,944	1,283,340	2,777	41,985	27	1,054,254	624,452	6,760,970
TOTALS	18,401,111	987	11,020	14,093,468	638	16,883	8,642,917	21,903	819,395	527	7,035,019	5,364,231	54,356,141
Averages	—	\$18,643	—	—	\$22,090	—	\$395	—	\$1,555	\$140	\$107	\$1,080	5,033
		(Per			(Per		(Per		(Per	(Per	(Per	(Per	(Per
		class)			program)		pupil) *		pupil)	pupil)	pupil)	pupil)	RLA)

* This figure represents an average of 19.75 hours per pupil of Designated Instructional Services at a cost of \$20 per hour.

Table 15 presents a summary of the estimated General Fund only expenditures by the ten RLAs in 1976-77 on the six components of the Master Plan: 1) special classes; 2) resource specialist program; 3) designated instructional services (DIS); 4) non-public schools; 5) management and support, including transportation; 6) identification, assessment and instructional planning.

Inflation for Master Plan Programs

The Governor's Budget proposes an inflation adjustment for the Master Plan for Special Education in compliance with Chapter 1532, Statutes of 1974. This inflation adjustment will permit the 10 RLAs to continue implementation of the MSPE at a level substantially equivalent to FY 1976-77. We recommend approval.

State Support of Master Plan

Table 16 summarizes 1975-76 revenue and expenditures of three RLAs—Santa Monica, Santa Barbara and Contra Costa.

Table 16
Revenue and Expenditure Summary
for Master Plan Instructional Components
1975-76

	<i>Special Day Classes (Per Class)</i>	<i>Resource Specialist Program (Per Program)</i>	<i>Designated Instruction and Services (Per Hour)</i>	<i>Nonpublic Schools (Per Enrollment)</i>
Revenue				
Master Plan—Chapter 1532/1971				
Instructional Components	\$17,500	\$20,440	\$20.00	\$1,460
Identification, Assessment and Instructional Planning	980	2,251	2.92	100
Management and Support	490	1,126	1.46	xxx
Transportation	3,452	xxx	xxx	610
Total Master Plan Revenue	\$22,422	\$23,817	24.38	2,170
ADA Revenues	10,442	xxx	xxx	1,369
TOTAL REVENUES	\$32,864	\$23,817	\$24.38	\$3,539
Expenditures				
Special Day Classes	\$16,553	xxx	xxx	xxx
Resource Specialist Programs	xxx	\$22,407	xxx	xxx
Designated Instruction and Services	xxx	xxx	\$17.68	xxx
Nonpublic Schools	xxx	xxx	xxx	\$1,468
Identification, Assessment and Instructional Planning	5,841	2,071	2.09	500
Management and Support	1,242	2,854	3.70	xxx
Transportation	4,272	xxx	xxx	755
Total Special Education Expenditures	\$27,908	\$27,332	\$23.47	\$2,723
Fiscal Effort from ADA	10,442	xxx	xxx	1,369
Total Expenditures	\$38,350	\$27,332	\$23.47	4,092
Excess (Deficiency) of Revenues Over Ex- penditures	(\$5,486)	(\$3,515)	\$0.91	(\$553)
Percent Difference	-16.7%	-14.8%	+3.7%	-15.6%

The data indicate that Special Day Classes, the Resource Specialist Program and the Non-Public Schools Program would have had an expendi-

INSTRUCTION—Continued

ture deficit of approximately 15 percent if only Chapter 1532 funds were applied to these programs. This is due to maximum funding rates on state support. The deficiencies shown were funded either by revenues collected from a countywide permissive override tax or unrestricted school district general fund resources.

Master Plan Audit

In compliance with Supplementary Budget Language of 1976 (Item 324), the Departments of Finance and Education have conducted a comprehensive audit of the appropriateness of Master Plan program expenditures in selected RLAs. The report will be available during budget hearings and we will be prepared to comment on it then.

Master Plan Evaluation

We recommend that the next annual Master Plan for Special Education evaluation include detailed information concerning students served, types of services provided, program costs and program effectiveness.

The Department of Education's 1975-76 evaluation report on the Master Plan describes program implementation but contains only limited information about (a) students served and types of services provided, (b) program costs, and (c) effectiveness of the Master Plan programs.

The major findings of the evaluation are:

(1) The number of individuals with exceptional needs who were served in Master Plan RLAs increased by 5,114 or 24 percent.

(2) Parent-school personal contacts in the six RLAs increased by nearly 200 percent from 1974-75 to 1975-76.

(3) Although there appeared to be a shift from special classes and centers to more integrated programs (resource specialist and designated instructional services), the overall percentage of pupils who were integrated for any portion of the school day (including lunch, recess, etc.) remained the same—87 percent for both 1974-75 and 1975-76.

(4) Special education pupils in Master Plan RLAs accomplished 51 percent of their 1975-76 instructional objectives; comparison data on the extent to which non-Master Plan pupils accomplish instructional objectives were unavailable.

(5) The total funds expended for special education increased from \$29 million in 1974-75 to \$37.5 million in 1975-76.

(6) State support for total Master Plan special education programs increased from 60 percent in 1974-75 to 79 percent in 1975-76.

We believe these findings raise several issues. The first issue relates to the 24 percent increase in students served under the Master Plan. This increase is particularly important in view of the impreciseness of existing definitions of individuals with exceptional needs. If the definition of the eligible target population is not clarified, it will be difficult (if not impossible) to establish consistent placement standards for Master Plan special education programs. This could result in a significant increase in the number of students enrolled in special education programs, many of whom may not need such programs.

The second issue relates to the significant shift in the cost burden for special education programs in Master Plan RLAs. If the Master Plan is

implemented on a statewide basis, the costs of special education could increase by more than 25 percent. With current state support for special education at approximately \$278 million, statewide implementation of the Master Plan could increase state costs by over \$70 million per year. This estimate excludes inflation adjustments for the Master Plan and other special education programs such as special schools and development centers.

The third issue relates to program effectiveness. The 1975-76 evaluation report presented little information in response to the statutory requirement for "a general assessment of the relative effectiveness of programs conducted under this chapter compared to special education programs not conducted under this chapter." We believe such information is essential in future evaluations.

In view of the significance of these issues for the final decision on statewide implementation of the plan in 1978-79, we believe future evaluations should present detailed information (a) for each RLA about students served, the types of services they are provided and program costs and (b) across RLAs concerning program effectiveness.

Variation of Ratios

The Supplementary Report of the Budget Act of 1976 recommended that RLAs emphasize a program design which allows for an evaluation of a planned variation of the staff/pupil ratios used in the resource specialist, designated instruction, and special day-class components of the Master Plan for Special Education funding model.

However, the Department of Education has indicated that the scope of the evaluation will be limited to the resource specialist component of the Master Plan. Neither the designated instruction component nor the special day-class component of the Master Plan will be evaluated as prescribed by the Supplementary Report.

The evaluation will not be available until February.

B. Special Schools (Item 305)

The State of California operates six special schools to provide services to handicapped minors (deaf, blind, neurologically handicapped, and multihandicapped) whose school districts of residence do not offer adequate special education services. These six schools are the: (1) California School for the Blind, Berkeley; (2) California School for the Deaf, Berkeley; (3) California School for the Deaf, Riverside; (4) Diagnostic School for the Neurologically Handicapped Children, Northern California; (5) Diagnostic School for the Neurologically Handicapped Children, Central California; (6) Diagnostic School for Neurologically Handicapped Children, Southern California.

Table 17 summarizes support and per full-time equivalent pupil expenditures of the special schools.

Expansion of Diagnostic Schools

We recommend that the Department of Education prepare an evaluation report on the diagnostic schools' program for autistic children for submission to the Joint Legislative Budget Committee by November 1, 1978.

Table 17
Estimated Support and Expenditures Per Full-Time
Equivalent Pupil in Special Schools 1977-78

<i>School</i>	<i>General Fund^c</i>	<i>Local Reimbursements</i>	<i>Total State and Local</i>	<i>Federal Funds (ESEA, Title I)^a</i>	<i>Total Expenditures</i>	<i>Enrollment</i>	<i>Total Expenditures Per FTE</i>
School for the Blind	\$2,043,919	\$209,271	\$2,253,190	\$295,577	\$2,548,767	135	\$18,890
Schools for the Deaf							
Berkeley	4,227,621	498,294	4,725,915	860,828	5,586,743	452	12,360
Riverside	5,862,811	518,571	6,381,382	181,472	6,562,854	600	10,938
Schools for the Neurologically Handicapped ^b							
North	1,321,628	36,000	1,357,628	53,858	1,411,486	41	34,426
Central	1,208,268	24,000	1,232,268	47,472	1,279,740	41	31,213
South	1,347,832	28,000	1,375,832	38,000	18,803,422	41	34,484
	\$16,012,079	\$1,314,136	\$17,326,215	\$1,477,207	\$18,830,422	1,310	\$14,354

^a ESEA, Title I funds except for \$635,438 in Education of the Handicapped Act, Title VI-B funds for the operation of a multi-handicapped unit at the School for the Deaf in Berkeley serving 52 pupils.

^b The three diagnostic schools (combined) provide education assessment for approximately 500 pupils during the school year.

^c Budget Item 305 funds.

The Governor's Budget proposes an augmentation of \$141,864 for each of the three Diagnostic Schools for the Neurologically Handicapped to provide programs for autistic children. The programs will include (1) assessment and identification of pupil need, (2) counseling services for parents; (3) a specialized program of instruction tailored to each child's mental ability; and (4) a five-day residence program. The maximum length of stay of any child in a diagnostic school is one year.

The diagnostic school in Los Angeles has been operating a project for autistic children with federal funds for over two years. The staff of this school can provide guidance and support for the diagnostic schools in Fresno and San Francisco.

Based upon the results of the Los Angeles pilot project, we recommend approval because the diagnostic schools have the expertise and experience necessary to provide an exemplary program for autistic children. The regional location of the diagnostic schools permits them to offer maximum in-service training opportunities for school district special education staff. Thus, each diagnostic school can encourage and assist local school districts to establish programs for autistic pupils.

The Governor's Budget, however, does not require an evaluation report. We believe that the Department of Education should be required to evaluate the new programs for the autistic. This report should include information on the extent to which each school: (a) develops and successfully implements instruction plans for autistic children, (b) provides in-service training to school district personnel, and (c) promotes full or partial replication in school districts within its service area.

Schools for the Deaf Augmented Services

The Governor's Budget proposes a \$69,400 for two guidance counselors at each of the schools for the deaf. We recommend approval. The schools for the deaf currently have no guidance counselors and the proportion of secondary students appears to justify such a service—68 percent (291 students) in the School for the Deaf (Berekeley) and 61 percent (337 students) in the School for the Deaf (Riverside). The four guidance counselors will serve a total of 628 students, a counselor-student ratio of 157:1, for an annual per pupil cost of \$111.

C. Development Centers Expansion (Item 290)

Chapter 1235, Statutes of 1965, (as amended by Chapter 407, Statutes of 1974 (SB 1782)) authorizes the establishment of the Development Center Program to provide day care and treatment for children, ages 3 to 21, unable to attend special education classes because of a severe handicap and/or mental retardation. This program is designed to provide basic self-help skills and to provide a placement alternative to state mental hospitals.

Table 18 summarizes state and federal support for development centers.

The Governor's Budget proposes a \$723,000 inflation adjustment (6 percent) and a \$1,745,400 increase to serve 501 additional eligible children. It is estimated that with the proposed program expansion all eligible children will be served. Existing law requires full service by September 1, 1978.

INSTRUCTION—Continued

Table 18
State Support for Development Centers

	<i>Actual</i> 1975-76	<i>Estimated</i> 1976-77	<i>Proposed</i> 1977-78	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
Local Assistance ^a	\$10,990,760	\$12,055,000	\$14,523,400 ^b	\$2,468,400	20%
Federal Support	—	1,073,000	1,073,000	0	0
Total	\$10,990,760	\$13,128,000	\$15,596,400	\$2,468,400	19%
Enrollment	3,594	4,499	5,000	501	11%
Cost per Enrollment	\$3,058	\$2,918	\$3,119	\$201	6.9%

^a Approximately 1 percent of these dollars support state operations, but the Department of Education could not determine the exact amount used for this purpose.

^b Budget Bill Item 290.

3. BILINGUAL EDUCATION (ITEM 294)

A. General Program

Chapter 978, Statutes of 1976, (AB 1329) mandates that each limited or non-English speaking pupil in kindergarten through grade 12 be provided bilingual instruction. Among other provisions, Chapter 978: (1) continues bilingual instruction programs funded under Chapter 1258, Statutes of 1972 (AB 2284) until replaced by or incorporated into bilingual-cross-cultural programs funded by this act, (2) requires that an annual language census be performed by actual head count, and (3) requires that each local school district submit an annual evaluation of pupil progress to the Department of Education.

Chapter 978 makes General Fund appropriations of \$186,000 in fiscal year 1976-77 and \$3,600,000 in fiscal year 1977-78 for a total of \$3,786,000. These funds are to be used for bilingual education programs (\$3,000,000), administration and evaluation (\$250,000), the Commission for Teacher Preparation and Licensing responsibilities (\$150,000), and the Bilingual Teacher Development Grant Program administered by the Student Aid Commission (\$306,000).

Table 19 reflects the budgeted expenditures for this program.

Inflation Adjustment

We recommend that the inflation adjustment of \$489,000 (Item 294) for Bilingual Education Programs be deleted.

The Governor's Budget proposes a \$3.5 million or 41.2 percent increase (which includes a 6 percent inflation adjustment of \$489,000) for state bilingual education programs in fiscal year 1977-78.

We believe that the inflation adjustment for bilingual education funds is not needed because sufficient funding is included in (1) Chapter 978, Statutes of 1976, (AB 1320) (shown in the budgeted increase) which provides an additional \$3 million for bilingual education programs in 1977-78 and (2) Chapter 323, Statutes of 1976, (SB 1641) (not shown in the budgeted increase) which will provide more funding for bilingual education through an augmentation for the Educationally Disadvantaged Youth (EDY) program.

Table 19
State Appropriations for
Bilingual-Bicultural Education Programs (AB 2284/72 and AB 1329/76)

<i>Component</i>	<i>Actual</i>	<i>Estimated</i>	<i>Proposed</i>	<i>Change</i>	
	<i>1975-76</i>	<i>1976-77</i>	<i>1977-78</i>	<i>Amount</i>	<i>Percent</i>
Elementary Education:					
State Operations	—	\$91,010	\$97,380	\$6,370	7.0%
Local Assistance	\$6,782,797	6,837,439	10,248,199 ^{b,d}	3,410,760	49.9
Secondary Education Program:					
State Operations	—	48,373	52,326	3,953	8.1
Local Assistance	1,291,961	1,302,369	1,380,609 ^d	78,240	6.0
Special Programs and Support					
Services Program:					
State Operations	214,672	290,309 ^a	346,364 ^c	56,055	19.3
Department Management and Spe-					
cial Services Program:					
State Operations	73,301	64,167	65,166	999	1.6
Totals, Bilingual-Bicultural Educa-					
tion Program	\$8,362,731	\$8,633,667	\$12,190,044	\$3,556,377	41.2%

^a This figure includes a \$100,000 appropriation pursuant to Chapter 978, Statutes of 1976 (AB 1329).

^b This figure includes a \$3,000,000 appropriation pursuant to Chapter 978, Statutes of 1976 (AB 1329).

^c This figure includes a \$150,000 appropriation pursuant to Chapter 978, Statutes of 1976 (AB 1329).

^d Budget Item 294 provides \$8,682,808 for local assistance, which is \$3 million less than combined elementary and secondary local assistance funds available for state bilingual education programs.

Curriculum Dissemination

We recommend that the Department of Education regularly disseminate information on alternative curriculum methods and materials used in bilingual education programs.

Chapter 978, mandates that each school district provide a bilingual instruction program to students who lack clearly developed English language skills (speaking, reading comprehension, and writing) that they might receive instruction at a pace substantially equivalent to that of other students whose primary language is English.

The availability of curricula and curriculum materials is crucial to the achievement of this objective. However, the department does not systematically disseminate alternative curriculum methods on bilingual education programs to school districts.

While the department advises that a portion of a recently received one-year \$314,134 Title VII grant will be used for curriculum dissemination efforts, these activities are not a part of the on-going regular state bilingual program.

The dissemination of available elementary and secondary curriculum methods and materials would help to develop more effective bilingual education programs and promote a more efficient allocation of resources. In addition, the availability of alternative bilingual curriculum methods and materials for the elementary and secondary grades which have been field tested in state or federal bilingual programs would greatly assist school districts to comply with Chapter 978 requirements. We, therefore, recommend that the Department of Education provide the necessary technical assistance to promote the dissemination of alternative bilingual education curriculum methods and materials as part of its regular program activity.

INSTRUCTION—Continued**Bilingual Regulations in English Language Competency Needed**

We recommend that the Board of Education adopt regulations which emphasize that the primary objective of bilingual education programs is to ensure that each limited-English speaking student becomes sufficiently competent in English to receive instruction only in English.

There are two divergent views concerning the primary objectives of bilingual education programs. One emphasizes that these programs should be on-going for all eligible students (i.e., students whose primary language is other than English), regardless of the English language competency of the student. This view holds that bilingual education programs are needed throughout the student's K-12 educational experience. In short, all students whose primary language is other than English should receive a bilingual education program to build English language skills, self-esteem, and cultural identity for as long as the student (and his parents) wants to be in such a program.

A second view holds that the primary objective of a bilingual education program should be to provide students with an educational program in their primary language only until their English language skills are substantially equivalent to those of students at their grade level whose primary language is English. According to this view, a bilingual education program becomes similar to any other instructional program because the student remains in the course only to the extent necessary to master certain specific skills.

For example, a student who is proficient in algebra, civics or English composition is no longer required to take these subjects. Instead, he goes on to other classes. Bilingual education programs could operate in a similar manner.

Chapter 978, which is consistent with the *Lau vs. Nichols* (414 U.S. 563) U.S. Supreme Court decision, provides several optional types of bilingual education programs (partial bilingual instruction, full bilingual instruction, and bilingual-bicultural instruction) rather than one specific approach. A primary objective of Chapter 978 is to ensure that limited English speaking students learn to speak, read and write in English.

Chapter 978 requires the State Board of Education to adopt implementation guidelines. The regulations which are to be developed by the State Board should appropriately emphasize that bilingual students be taught in their primary language until they learn to read, write, speak and comprehend the English language sufficiently well to be transferred into the regular instructional program. We believe such an emphasis would be consistent with the *Lau vs. Nichols* Supreme Court decision, the intent of Chapter 978, and could result in lower state costs in the long term.

B. Bilingual Teacher Corps

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 \$1,500 stipend, plus payment of education expenses for bilingual teacher aides who are completing courses leading to a Bilingual Cross-Cultural Specialist teaching credential.

Table 20 summarizes the state operations and local assistance expenditures of this program. The large increase in the budget year is primarily a result of an augmentation contained in Chapter 978, which contributed \$350,000 in fiscal year 1977-78.

Table 20
Bilingual Teacher Corps
Program Funding and Participation

<i>Component</i>	<i>Actual</i>	<i>Estimated</i>	<i>Proposed</i>	<i>Change</i>	
	<i>1975-76</i>	<i>1976-77</i>	<i>1977-78</i>	<i>Amount</i>	<i>Percent</i>
State Operations	\$35,245	\$96,722	\$73,222	\$-23,500	24.3%
Local Assistance	681,691	1,119,207	1,526,778	407,571	36.4
Total	\$716,936	\$1,215,929	\$1,600,000	\$384,071	35.5%
Project Number of Stipends Granted	379	554	750	196	35.4%
Cost Per Student	\$1,798	\$2,020	\$2,036	16	0.8
Bilingual Cross-Cultural Specialist Credentials Issued	33	—	—	—	—

We are concerned that the current Bilingual Teacher Corps Program may not be effective in adding to the supply of credentialed bilingual teachers. As Table 20 indicates, of the 379 participants in 1975-76, only 33 individuals obtained a credential. While 1975-76 was only the first full year of program operation, we believe that program output as measured by credentials issued must increase significantly to adequately fulfill the legislative intent in establishing the program.

Teacher Corps Evaluation Report

Chapter 1496 requires the Department of Education to submit an annual evaluation of the bilingual teacher corps program to the Legislature. This report was not available for our review in this Analysis but the department indicates that it will be available during the budget hearings.

C. Indian Education Centers (Item 293)

Chapter 1425, Statutes of 1974, (SB 2264) authorized the establishment of up to 10 Indian Education Centers to serve as educational resource centers in Indian communities. These centers provide tutorial programs in reading and mathematics, academic counseling, and cultural activities.

Table 21 summarizes state operations and local assistance expenditures for Indian Education Centers.

Table 21
Indian Education Centers Expenditures

	<i>Actual</i>	<i>Estimated</i>	<i>Proposed</i>	<i>Change</i>	
	<i>1975-76</i>	<i>1976-77</i>	<i>1977-78</i>	<i>Amount</i>	<i>Percent</i>
State Operations	\$57,361	\$75,955	\$80,082	\$4,127	5.4%
Local Assistance	601,485 ^a	600,000	636,000 ^b	36,000	6.0
Total	\$669,485	\$675,955	\$716,082	\$40,127	5.9%

^a This figure includes a 1974-75 carryover of \$301,854.

^b Item 293 funds.

As indicated in the table, the Governor's Budget proposes a \$36,000 (6 percent) inflation adjustment for Indian Education Centers. We recommend approval.

INSTRUCTION—Continued**D. Indian Early Childhood Education**

Chapter 1052, Statutes of 1972, (SB 1258) authorized the establishment of up to ten three-year pilot projects for Indian pupils in grades K-4 in rural school districts which receive state equalization aid and have a concentration of at least 10 percent Indian students. Chapter 899, Statutes of 1976, (AB 3908) continued these projects in 1976-77. They were funded in the Budget Act of 1976 (Item 328.1).

Table 22 summarizes the state operations and local assistance expenditures for the projects.

Table 22 — Indian Early Childhood Education Expenditures

	<i>Actual</i> 1975-76	<i>Estimated</i> 1976-77	<i>Proposed</i> 1977-78	<i>Change</i> Amount	<i>Percent</i>
State operations	\$—	\$—	—	—	—
Local assistance	250,000	250,000	—	\$-250,000	-100.0%
Total	\$250,000	\$250,000	—	\$-250,000	-100.0%

Because the Chapter 899 authorization was for one year only, funds are not provided in the Governor's Budget for 1977-78.

The Department of Education is currently conducting an evaluation of these projects. The department advises that its evaluation report will be submitted to the Legislature during budget hearings, and appropriate recommendations regarding continuing the program will be made at that time.

4. 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 is responsible for administering education programs for disadvantaged youth, a major portion of the services are delivered by the department's elementary and secondary education consolidated application process.

The department has reorganized the administration of compensatory education programs. Personnel administering the Educationally Disadvantaged Youth (EDY) Program are located in the elementary and secondary age span elements to perform required program approval and monitoring functions. Personnel funded under ESEA, Title I are located in the Office of Compensatory Education to perform administrative support activities such as making education policy recommendations, administering ESEA, Title I programs in state institutions, advising school districts on parent involvement and community participation, and administering the Migrant Education Program.

Table 23 summarizes expenditures and funding sources for this program as proposed in the Governor's Budget.

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. Table 24 summarizes the estimated local assistance for ESEA Title I as presented in the 1977-78 Governor's Budget. It shows a slight decrease from the current year.

Table 23
Compensatory Education Expenditures and Funding Sources

<i>Components</i>	<i>Actual</i>	<i>Estimated</i>	<i>Proposed</i>	<i>Change</i>	
	<i>1975-76</i>	<i>1976-77</i>	<i>1977-78</i>	<i>Amount</i>	<i>Percent</i>
State Operations:					
ESEA Title I	\$1,517,982	\$1,874,547	\$1,928,866	\$54,319	2.9%
ESEA, Title I (Migrant)	1,145,604	870,820	909,871	39,051	4.3
Educationally Disadvan- taged Youth.....	785,113	916,438	954,716	38,278	4.2
State Compensatory Educa- tion Programs.....	—	377,920	398,483	20,563	5.4
Subtotal	\$3,448,699	\$4,039,725	\$4,191,936	\$152,211	3.8%
Local Assistance:					
ESEA, Title I	\$151,452,494	\$145,349,737	\$144,872,452	\$ -477,285	0.3%
ESEA, Title I (Migrant)	18,078,724 ^a	30,494,949 ^a	24,093,733 ^a	-6,401,216 ^b	-21.0
Educationally Disadvan- taged Youth.....	90,310,475	105,254,936	125,254,936	20,000,000	19.0
State Compensatory Educa- tion Programs.....	—	3,773,120	3,999,711	226,592	6.0
Subtotal	\$259,841,392	\$284,872,742	\$298,220,832	\$13,348,090	4.7%
Total	\$263,290,392	\$288,912,467	\$302,412,698	\$13,500,301	4.5%
General Funds.....	\$91,095,588	\$110,322,414	\$130,607,846	\$20,285,432	18.5%
Federal funds.....	172,194,804	178,590,053	171,804,922	-6,785,131	-3.8

^a These figures include \$457,000 for Migrant Day Care which is discussed under the child care section.

^b This apparent reduction is actually due to a carryover of funds from 1975-76 to 1976-77.

Table 24
Elementary and Secondary Education Act, Title I Expenditures

<i>Component</i>	<i>Actual</i>	<i>Estimated</i>	<i>Proposed</i>	<i>Change</i>	
	<i>1975-76</i>	<i>1976-77</i>	<i>1977-78</i>	<i>Amount</i>	<i>Percent</i>
ESEA I—Local Assistance					
Children of Low-Income Families.....	\$143,615,125	\$140,301,390	\$139,880,257	\$ -421,133	-0.3%
Schools for Handicapped Chil- dren	2,124,494	3,272,241	3,263,228	-9,013	-0.3
Institutions for Delinquent Children	1,547,807	1,495,221	1,448,082	-47,139	-3.1
Urban and Rural Schools	3,901,342	—	—	—	—
Adult Correctional Institutions	263,726	280,885	280,885	—	—
Totals	\$151,452,494	\$145,349,737	\$144,872,452	\$ -477,285	-0.33%

Migrant Education—ESEA Title I

ESEA, Title I expenditures for Migrant Education are shown in Table 25.

Table 25
ESEA Title I Expenditures for Migrant Education

	<i>Actual</i>	<i>Estimated</i>	<i>Proposed</i>	<i>Change</i>	
	<i>1975-76</i>	<i>1976-77</i>	<i>1977-78</i>	<i>Amount</i>	<i>Percent</i>
State Operations	\$1,145,604	\$870,820	\$909,871	\$39,051	4.5%
Local Assistance.....	17,621,724 ^a	30,037,949 ^a	23,636,733 ^a	-6,401,216	-21.0
Total	\$18,767,328	\$30,908,769	\$24,546,604	\$6,362,165	21.0%
Estimated Children Served	27,341	32,141	35,000		
Estimated Cost per Pupil	\$686	\$962	\$701		

^a Does not include \$457,000 for Migrant Day Care that was transferred to child care.

INSTRUCTION—Continued

Table 25 indicates a reduction of \$6,362,165 or 21 percent in funds for Migrant Education in 1977-78. This is not an actual reduction but reflects the carryover of \$6,362,165 in Title I funds from 1975-76 to 1976-77. This carryover increases the estimated expenditures in 1976-77 and, when compared with the proposed 1977-78 expenditures, results in the apparent reduction.

The \$39,051 increase in state operations shown in the table represents cost of living adjustments for program personnel in 1977-78.

Direct Funding of Migrant Education

We recommend that the Department of Education submit a completed plan on the direct funding of migrant education programs to the Joint Legislative Budget Committee by May 1, 1977 for review and consideration by the fiscal committees hearing the budget.

Currently, the state Department of Education allocates federal ESEA, Title I funds only to regional projects for distribution to participating school districts. Project funding is based upon (1) the number of migrant children being served, (2) the duration of various programs, and (3) the cost of approved activities. However, Item 329 in the Supplementary Report of the Budget Act of 1976 provides "that the department plan for the direct funding of districts for the operation of migrant education programs." This approach would provide funds directly to districts for implementing migrant education programs, rather than through the current regional funding system.

The Department of Education advises that a plan is being developed for direct funding of migrant education in some districts on a pilot basis in 1977-78. The department is forming an "executive policy board", consisting of representatives from the nine regional areas responsible for administering the migrant program and departmental staff. The board will identify pilot districts and develop procedures for implementation of the program. Because of legislative interest in this matter we recommend a review of the plan in May.

B. State Educationally Disadvantaged Youth Program (EDY—Item 285)

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

Table 26 summarizes state operations and local assistance expenditures for the EDY program.

Table 26
State Educationally Disadvantaged Youth Program Expenditures

	<i>Actual</i> 1975-76	<i>Estimated</i> 1976-77	<i>Proposed</i> 1977-78	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
State Operation	\$785,113	\$916,438	\$954,716	\$38,278	4.2%
Local Assistance	89,525,362	105,254,936 ^b	125,254,936 ^{a, b}	20,000,000	19.0
Total	\$90,310,475	\$106,171,374	\$126,209,652	\$20,038,278	18.9%

^a Budget Item 285 is actually \$97,554,936; it does not include the \$27.7 million provided by Chapter 323, Statutes of 1976 (SB 1641).

^b Includes a \$7.7 million augmentation provided by Chapter 323 for 1976-77 and 1977-78.

Information on Alternative EDY Formulas

Chapter 1406 established an educational needs factor formula to determine the EDY apportionments to school districts. This formula is based upon the following three variables: (1) pupil bilingualism, (2) family poverty and (3) pupil transiency.

The conference committee, in the Supplemental Report of the Budget Act of 1976 (Item 321) required that the Department of Education submit a report by November 1, 1976 to the Joint Legislative Budget Committee which includes, alternative formulas for distributing EDY funds to school districts. The submitted report substantially met the requirements of Item 321 but did not contain an analysis of the implications of alternative funding formulas.

The department advises that a report on alternative funding formulas and appropriate recommendations will be submitted to the Joint Legislative Budget Committee by May 1, 1977. This information is particularly important in light of the Governor's *Serrano* proposal which will revise the EDY formula.

EDY Program Effectiveness

We recommend that the Department of Education submit a plan to the fiscal committees (by May 1, 1977) for implementing the provisions of Education Code, Section 6499.234.

Education Code, Section 6499.234 provides that "For the fiscal year 1974-75 and for 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."

We pointed out in last year's analysis that the Department of Education had not implemented this provision of the Education Code which requires reduction in support for ineffective programs. To date the department has not developed regulations to implement this code section.

We believe regulations should be developed immediately so that the department can begin implementation of Education Code, Section 6499.232 by the start of the 1977-78 school year. We, therefore, recommend that the department submit a plan to the fiscal committees for review which outlines a timeline for the promulgation of regulations and the implementation of Education Code, Section 6499.234 by the 1977-78 school year.

Revise Regulations on Priority for Funding Schools

We recommend that the State Board revise EDY regulations to ensure that programs are not placed in elementary schools with below-average levels of need when secondary schools with above-average levels of need in the same district remain unserved.

As mentioned, Educationally Disadvantaged Youth funds are distributed to districts based upon the formula mandated by the Legislature. Within districts, all schools are ranked according to the performance level of their students, and schools with greatest need are funded first. Elementary

INSTRUCTION—Continued

and secondary schools are ranked separately.

State Board regulations require that elementary schools be served first. After all eligible elementary schools are served, the remaining district funds flow to secondary schools.

Because districts are allowed to select their own cutoff point for defining eligible schools, a number of districts are serving over half of their elementary schools while few, if any, secondary schools receive services. An estimated 18 percent of all elementary children receive compensatory education services from Title 1 and EDY funds, while only about 3 percent of high school children receive such services.

This imbalance should be corrected. We point out in other sections of this analysis that there have been significant declines in pupil performance at the secondary level. The recommended change could assist high schools to provide compensatory education programs to students who fall below the acceptable performance levels in basic skills which high schools must adopt in compliance with Chapter 856, Statutes of 1976, (AB 3468).

C. Special State Compensatory Education (Item 286)

State compensatory education programs in addition to EDY are shown in Table 27 along with their expenditures.

Table 27
State Compensatory Education Program Expenditures

<i>Elements</i>	<i>1976-77</i>	<i>1977-78</i>	<i>Change</i>	
			<i>Amount</i>	<i>Percent</i>
Demonstration Programs in Reading and Mathematics	\$3,123,120	\$3,310,711 *	\$187,591	6.0%
Professional Development Centers—New Careers				
State Operations	377,920	398,483	20,563	5.4
Local Assistance	650,000	689,000 *	39,000	6.0
Total	\$4,151,040	\$4,398,194	\$247,154	5.9%

* Budget Item 286 funds.

1. Demonstration Programs in Reading and Math (Item 286)

Chapter 1127, Statutes of 1975, (SB 420) extended the demonstration programs to September 1, 1978, and provided \$1,045,000 above the \$2,000,000 in the 1975-76 Budget Act. The major goal of the demonstration programs is to provide intensive instruction in reading and math for junior high school students.

Evaluation Report

Education Code, Section 6497 requires that "no later than the fifth legislative day of each regular session of the Legislature, the Superintendent of Public Instruction, . . . shall submit a report to the Legislature on the implementation and evaluation of the demonstration programs" The report was unavailable for our review in this Analysis.

2. Professional Development Centers (Item 286)

We recommend that the Department of Education demonstrate that two additional Professional Development Center Programs will be established in fiscal 1977-78 before approval of the budget for these programs.

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. The primary purpose of these centers is to offer principals, teachers and aides comprehensive in-service training programs to strengthen the teaching of reading and mathematics in elementary schools serving concentrations of educationally disadvantaged students.

State administration of Professional Development Centers was transferred from the Special Programs and Support Services Division to the Elementary Field Services Division on July 1, 1976.

Last year the Legislature required the Department of Education to expand from 8 to 12 Professional Development Centers in order to provide broader service to districts statewide. However, the department did not comply with this legislative directive. It only expanded to 10 PDCs with the budgeted funds.

We believe that the department should be required to demonstrate that it can expand to 12 PDCs before the budget is approved. If the department can not demonstrate that it can operate 12 PDCs in 1977-78, we believe that the budget for PDCs should be reduced accordingly.

Table 28
Planning and Federal Administration
Expenditures and Funding

<i>Elements</i>	<i>Actual 1975-76</i>	<i>Estimated 1976-77</i>	<i>Proposed 1977-78</i>	<i>Change Amount</i>	<i>Percent</i>
ESEA II-IVB, School Library Resources	\$4,294,842	\$196,136	\$81,693	\$ -114,443	-58.4%
ESEA III-IVB, Guidance, Counseling, and Testing	650,430	226,851	—	-226,851	-100.0
NDEA III-IVB	1,493,363	321,629	199,667	-121,962	-37.9
ESEA III-IVC, Supplementary Centers and Services	5,092,604	788,743	735,944	-52,799	-6.7
ESEA V-IVC, Strengthening State Departments ^a	200,910	198,389	204,170	5,781	2.9
ESEA IVC, Innovative/Exemplary Projects	3,221,701	12,339,225	12,009,187	-330,038	-2.7
Southeast Asian Refugee Education	25,542	104,459	4,080,000	3,975,541	3,805.8
Total	\$14,979,392	\$14,175,432	\$17,310,661	\$3,135,229	22.1%

Funding**State Operations:**

General Fund	\$67,008	\$29,841	—	\$ -29,841	-100.0%
Federal funds	1,118,287	1,418,520	1,301,474	-117,046	-8.3
Reimbursements	2	—	—	—	—

Local Assistance:

Federal funds	13,794,095	12,727,071	16,009,187	3,282,116	25.8
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^aExcludes funds not used by the Division of Special Programs and Support Services. Details on other Title V-IVC funds for strengthening state departments shown with Departmental Management.

INSTRUCTION—Continued**5. PLANNING AND FEDERAL ADMINISTRATION**

The planning and federal administration element is responsible for (a) administering ESEA, Title IV, (b) providing an executive secretary and staff services to the Educational Innovation and Planning Commission, (c) providing planning assistance to all offices within the department in coordination with other planning units, and (d) coordinating the federally related liaison, information and planning functions.

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's; and (e) National Defense Education Act, Title III.

Table 28 shows funding and expenditures for this element.

A. ESEA, Title III—IVC Funds for Innovative and Exemplary Practices

Title IVC (previously Title III) of the Elementary and Secondary Education Act provides federal funding for local education agencies to develop and disseminate innovative and exemplary educational practices. These projects are (a) field-initiated and (b) developed in response to statewide critical needs identified by the State Board of Education.

Table 29 summarizes the funding for innovative practices under Titles III—IVC.

Table 29
ESEA, Title III—IVC Funds for Innovative Practices ^{a, b}

	<i>Actual</i> 1975-76	<i>Estimated</i> 1976-77	<i>Proposed</i> 1977-78	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
State Operations ^c	\$668,093	\$757,877	\$735,944	\$-21,933	-2.9%
Local Assistance ^c	7,646,212	12,370,091	12,009,187	-360,904	-2.9
Total ^c	\$8,315,305	\$13,127,968	\$12,745,131	\$-382,837	-2.9%

^a Not included here is Title IVC funding for strengthening state administration.

^b These figures combine ESEA Title III—IVC funds and ESEA IVC funds contained in the previous table into totals for state operations and local assistance.

^c Figures include carryovers from previous years as well as specific yearly appropriations.

Critical Needs Area

We recommend that the State Board of Education identify as a critical needs area for the allocation of Title IVC funds during 1977-78 the improvement of basic skills in the intermediate and secondary grades.

Title IVC funds provide a unique opportunity for systematically developing, testing and disseminating solutions to critical educational problems in the state and for exploring potential new state programs. The department has recently begun using a portion of Title IVC funds consistent with this approach through the targeting of designated funds to state critical needs areas.

Critical needs areas in the past two years have included (a) reform in grades 4 through 6 and 7 through 12 along the general lines of the department's ECE (Early Childhood Education) program and the proposed

RISE (Reform in Intermediate and Secondary Education) efforts and (b) projects aimed at overall staff and program development.

As discussed on page 737, statewide testing data indicate a marked decline during the 1970's in achievement among high school students. Data from college entrance examinations demonstrate a dramatic decline in performance among college-bound students, including large declines in the number of students in the high scoring ranges.

Thus, we believe projects to improve basic skills in the intermediate and secondary grades should be a critical needs area for allocation of Title IVC funding during 1977-78 (to support projects during the 1978-79 school year). Such projects should include those intended both (a) to develop effective strategies for improving pupil achievement in language, mathematics and reading in grades 7 through 12, and (b) to disseminate existing exemplary approaches throughout the state. To ensure maximum effectiveness, coordinated state-level guidelines should be developed for project evaluation and dissemination.

Based on our review of funds available for new projects, we have determined that between \$500,000 and \$750,000 could be designated for this critical needs category during 1977-78. Such earmarking of funds should not preclude the State Board of Education from identifying other high priority areas.

Table 30
Expenditures and Revenues for
Curriculum Services

<i>Program</i>	<i>Actual 1975-76</i>	<i>Estimated 1976-77</i>	<i>Proposed 1977-78</i>	<i>Change Amount Percent</i>	
1. State-Mandated Curriculum Activities: State Operations	\$545,958	\$664,857	\$613,939	\$-50,918	-7.7%
2. Health Education: State Operations..	1,244,892	1,437,601	1,253,899	-183,702	-12.8
3. Pupil Personnel Services (includes Career Guidance Centers): State Operations.....	313,726	353,950	381,266	27,316	7.7
Local Assistance	119,000	—	—	—	—
4. Mentally Gifted and Talented: State Operations	193,896	207,811	237,246	29,435	14.2
5. Continuous Learning: State Operations	111,792	56,089	—	-56,089	-100.0
Local Assistance	373,000	—	—	—	—
6. Disaster Preparedness: State Operations	175,865	36,246	—	-36,246	-100.0
7. Other Curriculum Activities: State Operations	426,076	409,688	439,456	29,768	7.3
Local Assistance	943,621	1,221,364	1,121,364	-100,000	-8.2
Totals	\$4,447,826	\$4,387,606	\$4,047,170	\$-340,436	-7.8%
<i>State Operations:</i>					
General Fund	\$1,759,096	\$2,035,254	\$2,094,812	\$59,558	2.9%
California Environmental Protection Program Fund.....	9,923	—	12,000	12,000	—
Federal funds	911,447	791,156	470,919	-320,237	40.5
Reimbursements.....	331,739	339,832	348,075	8,243	2.4
<i>Local Assistance:</i>					
General Fund	1,128,621	821,364	821,364	—	—
California Environmental Protection Program Fund.....	247,500	400,000	300,000	-100,000	-25.0
Federal funds	59,500	—	—	—	—

INSTRUCTION—Continued**6. CURRICULUM SERVICES**

The Curriculum Services Unit provides administrative and technical consultation to school districts and other appropriate agencies in seven areas: (1) state-mandated curriculum activities, (2) health education, including drug and alcohol abuse and nutrition programs, (3) public personnel services, (4) mentally gifted minors, (5) disaster preparedness education, (6) continuous learning, and (7) other curriculum activities, including conservation education and instructional television.

Expenditures and revenues for these program areas are presented in Table 30.

A. Mentally Gifted Minors

In 1961 the Legislature enacted a permissive program for Mentally Gifted Minors (MGM) in California. The legislation authorizes 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 1976-77 approximately 180,000 students (full-time equivalents) are enrolled in the MGM program at an estimated General Fund cost of \$15.2 million. The Governor's Budget proposes the same General Fund expenditure for 1977-78.

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 31 presents a summary of enrollments since 1972-73, and shows that the gifted enrollment is now approaching 4 percent of the total statewide ADA.

Table 31
Enrollment in MGM

<i>School Year</i>	<i>Statewide ADA</i>	<i>MGM Enrollment</i>	<i>Percent of Total ADA</i>
1972-73	4,655,974	143,051	3.07%
1973-74	4,647,128	167,415	3.60
1974-75	4,714,154	178,329	3.78
1975-76	4,714,200	186,271	3.95

One result of the overenrollment of students in the gifted program was that state funding was expanded to cover 3 percent of the preceding year's ADA 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 author-

ized by statute. Therefore, the Superintendent of Public Instruction has administratively prorated available funds so that in 1976-77 approximately \$78 is provided for each student and \$40 for identification.

In the 1976-77 Analysis, we recommended that the Department of Education revise identification procedures for MGM students to insure an enrollment of 2 percent of California students. The Legislature adopted this language with the modification that the enrollment limit would be 3 percent and should be phased-in to avoid expelling students from the program.

Attorney General's Opinion

The enrollment alternatives discussed during the 1976 budget hearings were superseded by an Attorney General's opinion issued August 4, 1976 which ruled that the Department of Education could not legally prorate MGM funds. This means, effectively, that enrollments must be reduced to 3 percent so that each student would receive the full \$100 allowance. As a result, the Department of Education has developed program measures which would reduce local enrollments by almost 25 percent over a four-year period. The department expects to begin the reduction in the 1977-78 school year.

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 districts (above 500 average daily attendance) which initiate a year-round education program.

Table 32 summarizes the expenditures for state operations and local assistance.

Table 32
Expenditures for Continuous Learning

	Actual	Estimated	Proposed	Change	
	1975-76	1976-77	1977-78	Amount	Percent
State operations.....	\$111,792	\$56,089	—	\$-56,089	100%
Local assistance	373,000	—	—	—	—
Total	\$484,792	\$56,089	—	\$-56,089	100%

Table 32 indicates that the continuous learning program will not receive funding in 1977-78 because the legislation supporting this program expires on June 30, 1977. The department advises that it will not sponsor legislation on year-round schools in 1977-78 because sufficient program prototypes have been developed. However, the department plans to continue consultation services to districts on the initiation and operation of year-round school programs.

B. ELEMENTARY EDUCATION

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

INSTRUCTION—Continued

Table 33
Elementary Education Program Expenditures and Funding

<i>Component</i>	<i>Actual 1975-76</i>	<i>Actual 1976-77</i>	<i>Proposed 1977-78</i>	<i>1977-78 Change</i>	
				<i>Amount</i>	<i>Percent</i>
1. Early childhood education	\$62,831,309	\$98,464,500	\$104,358,187	\$5,893,687	6.0%
2. Consolidated categorical programs	250,300,205	261,073,325	281,863,091	20,789,766	8.0
3. General activities	732,358	1,938,238	2,057,706	119,468	6.2
Total	\$313,863,872	\$361,476,063	\$388,278,984	\$26,802,921	7.4%
<i>State operations</i>					
General Fund	\$1,951,754	\$3,118,368	\$3,295,388	\$177,020	5.7%
Federal funds	1,744,429	2,133,619	2,146,010	12,391	1.0
Reimbursements	10,730	—	—	—	—
Subtotal	\$3,706,913	\$5,251,987	\$5,441,398	\$189,411	3.6%
<i>Local Assistance</i>					
General Fund	\$174,098,545	\$223,924,497	\$252,138,427	\$28,213,930	12.6
Federal funds	136,058,414	132,299,579	130,699,159	-1,600,420	-1.2
Subtotal	\$310,156,959	\$356,224,076	\$382,837,586	\$26,613,510	7.5%

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 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.

The emphasis of this program of comprehensive reform includes 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 6445.1) 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 funds are currently 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. These funds 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 summarizes program funding since 1975-76.

Table 34
Early Childhood Education Program Participation and Funding

Item	Actual 1975-76	Actual 1976-77	Proposed 1977-78	1977-78 Change	
				Amount	Percent
Appropriations					
Local assistance	\$63,200,000	\$97,450,000	\$103,297,000 ^a	\$5,847,000	6.0%
State operations	576,390	1,099,960	1,061,187	—	—
Number of districts	831	840	840	—	—
Number of schools	1,709	2,600	2,600	—	—
Estimated number of children served	427,000	687,333	687,333	—	—
Percent of K-3 population ^b	34%	55%	55%	—	—

^a Budget Bill Item 283.

^b 1.2 million estimated statewide K-3 pupils.

Table 34 indicates that the proposed 1977-78 funding level is the same as the current year with an added 6 percent inflation amount of \$5,847,000. The allowances per pupil are also increased by 6 percent to \$148 per pupil for all K-3 pupils in ECE schools and to \$74 per pupil for pupils with a demonstrated educational need.

ECE Concerns

The Governor's Budget proposal for ECE is realistic. We support maintaining the program at its current level in light of (1) recent evaluation findings, (2) the need to improve program management and (3) the proposal by the Governor that restructuring efforts such as ECE be folded into the foundation program at local option and with local funding required of the wealthy districts. (The latter proposal is included in the Governor's New State School Program (NSSP) which will be introduced in separate legislation.)

A. Evaluations of ECE

Our concerns about effectiveness are based on the findings of two recently completed, comprehensive evaluations of the 1975-76 ECE program.

UCLA Evaluation

One of the evaluations, which the Legislature funded at \$200,000, was conducted by the UCLA Center for the Study of Evaluation. It measured children's performance in mathematics and reading as well as their attitudes toward school and themselves. This evaluation found no consistent pattern of significant differences in either academic achievement or attitudes related to ECE participation.

The evaluation did find that numbers of parents participating in school programs and parent training activities were reported to have increased with ECE funding. It also found differences between ECE and non-ECE schools in planning and individualization practices.

Department of Education Evaluation

The second evaluation was conducted by the Department of Education. It showed that ECE schools performed slightly below non-ECE schools on third grade tests of reading achievement in 1975-76. Because the schools were, in effect, matched, one would expect equal performance in grade 3 or better performance by ECE schools if the program were effective in

INSTRUCTION—Continued

improving reading achievement.

Additional analyses of statewide testing data by the Department of Education indicated that (a) a slightly higher portion of ECE schools scored below predicted levels of performance and (b) a slightly lower portion scored within and above predicted levels of achievement than did non-ECE schools in the state. These findings are similar to those of previous years.

The department's evaluation also presented what it cautioned were preliminary analyses of the relationship between student background characteristics and achievement in the ECE program. These preliminary analyses suggested that the absence of overall positive effects may be related to achievement declines among the schools in the bottom 20 percent of the state as measured by student performance on first grade entry level tests. That is, ECE appeared to be associated with longitudinal declines on the statewide reading achievement test in this group of schools.

More positive longitudinal effects were reported among schools in the top 80 percent of the state, although this pattern was not consistent across either grade levels or years of program participation. Within this category, the group that appeared to show the most positive effects were third graders in schools that had participated in the program for three years.

It should be emphasized that the findings concerning student background characteristics are tentative and inadequate as a basis for drawing firm conclusions.

Finally, it is important to note that the department's evaluation report indicated that ECE schools made greater gains within years than the national average and between grades 2 and 3 than non-ECE schools. However, these conclusions must be viewed cautiously.

The national comparison tends to overestimate ECE schools' performance in relation to national standards as a result of problems in the department's data analysis procedures. UCLA analyzed these problems in detail and found that SDE's current transformation procedures tend to overstate the actual gains.

In the non-ECE comparison, it is essential to note that although ECE schools made larger average gains between grades 2 and 3 than non-ECE schools, they also performed below the non-ECE schools at the end of both grades 2 and 3. What the evaluation shows is that ECE schools were farther behind a similar group of non-ECE schools in grade 2 than in grade 3. The reason for this, as explained by the department's evaluation report, is that "... in many cases ECE schools experienced an initial decline in second grade reading scores, followed by a marked upturn by the end of grade three." Again, the important point to note is that the ECE schools scored lower in the absolute than similar schools at the end of both grades.

The department's evaluation also contained information about institutional reform effects. It documented systematic planning and individualization in ECE schools, participation of adult volunteers in school programs, and satisfaction among parents concerning the operation of ECE.

In summary, while demonstrating that ECE is achieving institutional

reform objectives, both evaluations raise questions about the educational benefits of the program. It should be recognized, of course, that neither evaluation followed children into the later grades. In the absence of information about long-term effects, it is not possible to make definitive judgments about the ultimate impact of the program.

It should also be recognized that the differences in achievement between ECE and non-ECE schools reported in both evaluations are relatively small. Thus, the principal conclusion from the studies is that, overall, ECE has had little or no effect on achievement in the early grades. The importance of this conclusion is highlighted by the consistency of the results from the two studies.

Delay in ECE Report

The UCLA evaluation was originally to have been completed by November 1, 1976. However, due to unforeseeable technical problems in receiving and processing data, UCLA was granted a contract extension to December 31, 1976.

The four volume report was delivered and made public on or about December 31, 1976. However, because of a contract provision requiring prior review of the entire report by the Department of Education, Volumes II and III, dealing with an audit of activities of the Department of Education and an evaluation of the Monitor and Review process, were withdrawn for revision.

In addition, the executive summary included in Volume I was withdrawn in January 1977, and replaced by a separate document.

As of this writing, we do not know when the final versions of Volumes II and III will be delivered. After we have had the opportunity to study them, we will report to the fiscal committees.

B. ECE Management

We recommend that the Department of Education revise the Monitor and Review (MAR) process to provide for (a) explicit specification of the criteria upon which MAR ratings are based, (b) flexibility in the MAR instrument to allow for variations in school programs, and (c) utilization of the MAR process principally as a constructive vehicle for program improvement.

The Monitor and Review (MAR) process is used by the Department of Education to review legal compliance and quality of program implementation in ECE schools. Although the concept of external review of programs has merit, numerous problems have been associated with the MAR process including (a) the lack of clear specification of the criteria for MAR program quality ratings, (b) the perception of staff in some schools and districts that the process has reduced local control, and (c) demoralizing effects on staff in some schools and districts, largely because of an emphasis on program rating rather than program improvement.

The department is aware of these problems and has taken steps to overcome some of them. These steps include improving both the clarity of individual items and the training of MAR site team members and planning for an eventual reduction of the state role in the MAR process through a state coordinated system of cross-district MARs.

INSTRUCTION—Continued

While these efforts are worthy, we do not believe they go far enough in changing the nature of the MAR process and providing for local school and district flexibility. Our recommendation is intended to ensure that the fundamental nature of the MAR process is changed so that it will serve as a positive tool for meeting the needs of individual schools and promoting program improvement.

The first part of our recommendation concerns clearer specification of the criteria for MAR program quality ratings. At present, MAR team members visiting a school rate its ECE program on many dimensions (e.g., providing for individual student needs, improving parent participation). The MAR evaluation document contains several specific questions to be used in rating each dimension. However, only limited information is given in the evaluation document about what constitutes successful performance. We believe that a MAR users' manual containing concrete examples of educational practices and their ratings would serve to clarify the meaning of the instrument categories.

The second part of our recommendation concerns making the process more flexible as a basis for judging a wide range of educational practices. As currently constructed, the MAR instrument for evaluating program quality appears to contain certain assumptions which may not be valid for judging all instructional situations. For example, one criterion for evaluating programs is "providing for individual needs, strengths, interests and learning styles through a variety of instructional methods and materials." This has been interpreted by some schools to mean that variety of instructional approaches per se is considered important. This poses problems for teachers who believe they can be most effective by relying on a limited number of proven instructional techniques.

A second example of a troublesome assumption reflected in the MAR quality review instrument relates to improving the learning environment. In rating school programs, MAR team members are to consider "To what degree has the instructional environment been refined or changed since last year? What's new? What has been dropped? What has been altered?" This question has led some practitioners to feel that change itself is being considered important in the evaluation of the school program. Clearly, in some situations little or no change in the instructional environment would lead to the best educational practice. In general, we believe that the emphasis in the MAR quality review process should be on promoting effective educational practices rather than on such particular attributes as variety or change in instructional programs. In addition, we believe it is essential that the MAR process be entirely objective in evaluating a range of educational practices, particularly in view of the fact that MAR ratings are an important factor in determining district expansion funds.

The third part of our recommendation relates to greater utilization of the MAR process for program improvement. Although this already occurs to some extent, we believe MAR teams should consistently place less emphasis on rating schools and more on providing recommendations for program improvement to school staff and parents. In our opinion, pupil performance should be a primary criterion considered in recommending

alternatives. If pupil performance is low, heavy emphasis should be placed on analyzing and modifying instructional methods; if pupil performance is high, caution should be taken in recommending changes.

Quantitative Estimate of Pupil Progress

Another issue concerning the rating of schools relates to the Education Code, Section 6445.10 requirement that the department derive a composite score for each ECE school based on factors relating to:

- (1) fiscal expenditures;
- (2) degree and success of program implementation; and
- (3) quantitative estimate of pupil progress.

In interpreting this code section in the past, the department has used a school's self-reported judgment of its success in meeting its program objectives as a quantitative estimate of pupil progress. We believe these self-reported judgments are relatively meaningless for ranking schools. Adequate quantitative measurement of pupil performance is particularly important because the law requires that during the third and subsequent years of program participation, pupil performance be given 50 percent weighting in deriving scores for ranking schools statewide. The rankings have been used by the department as a basis for allocating ECE expansion funds.

We understand the department is developing an alternative rating procedure based on an actual quantitative measure of pupil performance. A revision is overdue and we will follow the department's progress in taking corrective action.

Paperwork

Two ECE program components involve ECE schools and districts in burdensome, extremely time-consuming paperwork. These are (a) preparation of annual school level plans and (b) development of student records consistent with ECE's emphasis on providing individualized instruction.

The department has taken steps to address the paperwork problems that schools face in implementing ECE. For example, it has reduced emphasis on paperwork in the MAR process. In addition, it has proposed a procedure by which schools would not be required to prepare a new plan each year. As part of this approach, the department intends to disseminate to the field a guide for ongoing planning. The department is also preparing a manual for field use describing effective methods for individualizing instruction.

While these activities appear to represent improvement in procedures, it is not yet possible to judge their effectiveness. We will continue to seek feedback from practitioners and parents involved in the ECE program about the adequacy of changes.

Measuring School Climate

We recommend that the Department of Education develop and pilot test for inclusion in future ECE evaluations an Index of School Climate. The Index should be based on measures of such school characteristics as absenteeism, truancy, discipline problems and vandalism.

Chapter 912, Statutes of 1976, broadened the statutorily defined objec-

INSTRUCTION—Continued

tives of ECE to include promoting competence "in intrapersonal (self-understanding, self-awareness, and self-esteem) and interpersonal (understanding, being aware of, and esteeming others) relationships." It is difficult to evaluate the success of schools in meeting these affective and social objectives for a number of reasons (e.g., problems in defining criteria of success and in developing valid measures). The Department of Education will be attempting to collect information in these areas through its MAR process and through questionnaires administered to parents, teachers and students. However, because evaluation in these areas is difficult, we believe an alternative approach should be explored.

In particular, we believe that evaluation procedures based on what are generally referred to as unobtrusive measures (i.e., measures which can be collected readily without interference in school processes) warrant systematic investigation. This approach would involve the department's developing an Index of School Climate based on such factors as absenteeism, discipline problems, and the incidence and costs of school vandalism.

While such factors are largely descriptive of behavior which is undesirable in schools and do not provide a direct measure of intrapersonal and interpersonal relationships, we believe an index composed of factors such as these would provide a significant indication of the quality of school life and should be pilot tested as part of the department's 1977-78 program evaluation activities.

Development of the index should begin with analyses of the data schools are already reporting in these areas. Exploratory pilot testing should then be used to determine what dimensions of the education process can be measured reliably through unobtrusive procedures at little or no burden or cost to schools. Such unobtrusive measures should be based on the simplest possible reporting categories; they should be flexible enough to allow for use in evaluating secondary as well as elementary school programs.

A principal purpose of developing this index should be to lay the groundwork for reducing data collection activities required of local education agencies. This can be accomplished by making greater use of already available data in program evaluations rather than continually requesting that new information be collected by school and district staff. We believe the index we have proposed would be a significant step toward achieving this goal. Consistent with the goal of reducing burdensome reporting, the measures should be compatible with the prototype procedures for reporting information concerning school crime and violence which we recommend in Program III.

C. Governor's Proposal

The proposed NSSP attempts to be comprehensive and, accordingly, addresses the restructuring of schools. This would be accomplished by allowing an optional additional foundation program increase by 1981-82 of \$82 elementary, \$30 high school and \$66 unified.

The concept is to fold into this restructuring foundation program range the ECE, MGM, and Miller-Unruh programs and proposed programs such as RISE.

Districts would be required to apply for funds through a comprehensive application which contained provisions for minimum pupil competency, staff development and school site councils. If objectives were not reached within three years, funds would be cancelled.

Both state and local costs are involved in this proposal.

The concept of folding restructuring efforts into the foundation program has merit. It insures local funding participation and may end the need for the state to fund major programs in addition to the foundation program as under current law.

Serrano/Fiscal Impact

Including restructuring funding in the foundation program would have pro Serrano features because it would terminate additional state aid to wealthy districts. Only those districts in the foundation equalization program could get state aid for restructuring. Wealthier districts could have the restructuring range, but only from property tax sources.

The state and local cost of this proposal (in millions) is estimated by the Governor to be:

	1977-78	1978-79	1979-80	1980-1981	1981-82
State.....	\$+47	\$+67	\$+84	\$+107	\$+100
Local	+24	+31	+41	+48	+53
Total	\$+71	\$+98	\$+125	\$+155	\$+153

As mentioned, this proposal will be in separate legislation.

2. CONSOLIDATED CATEGORICAL PROGRAMS

A. Miller-Unruh Basic Reading Program

The Miller-Unruh reading program was established in 1965 in an effort to upgrade the reading achievement of California's primary grade children. 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)

Chapter 976, Statutes of 1976 (SB 460) authorized school districts the option of assigning Miller-Unruh reading teachers to grades 4 through 6 in lieu of grades K through 3 in schools receiving both Miller-Unruh and ECE funds.

INSTRUCTION—Continued

Table 35 shows Miller-Unruh program participation and funding since 1974-75.

Table 35
Miller-Unruh Reading Program Participation and Funding Since 1974-75

<i>Activity</i>	<i>1974-75</i>	<i>1975-76</i>	<i>1976-77</i>	<i>Proposed 1977-78</i>
Appropriation (General Fund)	\$15,349,625	\$13,849,625	\$13,849,625	\$14,680,625 ^a
Number of districts funded	248	238	203	203
Number of teachers funded	1,554	1,442	1,249	1,249
Estimated statewide average elementary teacher salary ^b	12,493	13,817	14,927	15,823 ^c
Percent of average teacher's salary funded by program	80%	70%	74%	74%
Estimated number of children served ..	167,197	^d	^d	^d

^a Budget Bill Item 287. Includes 6 percent inflation of \$831,000.

^b Based on statewide average of prior year.

^c Assumes 6 percent statewide average elementary salary increase.

^d Not available.

The table indicates that proposed program funding for 1977-78 is the same as the current and prior year with a 6 percent inflation factor added. The table also indicates that the proposed funding level will continue state support of Miller-Unruh teachers salaries at about 74 percent of the statewide average elementary teacher's salary. This assumes the same number of Miller-Unruh teachers as in the current year.

The Budget Act of 1976 provided that the maximum state subsidy for a Miller-Unruh teacher would be no greater than 75 percent of the statewide average salary. The Governor's Budget proposes continuation of this 75 percent maximum subsidy limitation.

The most recent available evaluation of the Miller-Unruh program is for the 1974-75 school year. It suggests that Miller-Unruh funding (separate from other funding sources) is associated with positive effects as measured by reading achievement on statewide tests. The positive effects are consistent with a general pattern of program effectiveness reported in previous evaluations.

C. SECONDARY EDUCATION

The Secondary Education Age Span element is responsible for management of (a) general secondary education programs, (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 component and source.

1. RISE

In 1974, the Superintendent of Public Instruction appointed the Commission on Reform in Intermediate and Secondary Education (RISE) to review the present state of education in California's intermediate and secondary schools, and to recommend improvements. The commission issued a report in August 1975, containing 26 major recommendations which were then developed into a legislative proposal (SB 1737, Dunlap).

Table 36
Secondary Education Expenditures and Funding

<i>Component</i>	<i>Actual 1975-76</i>	<i>Estimated 1976-77</i>	<i>Proposed 1977-78</i>	<i>Change Amount</i>	<i>Percent</i>
1. General Secondary Education..	\$119,725	\$3,318,107	\$3,505,387	\$187,280	5.6%
2. Consolidated Categorical Programs	33,667,070	38,512,940	39,885,529	1,372,589	3.5
3. Traffic Safety Education	238,964	283,275	501,106	217,831	76.9
4. Vocational Education	51,909,703	63,315,810	54,712,023	-8,603,787	13.6
Total	\$85,935,462	\$105,430,132	\$98,604,045	\$-6,826,087	-6.4%
<i>State Operations</i>					
General Fund	\$516,268	\$1,037,204	\$1,188,885	\$151,681	14.6%
Federal funds	7,395,292	9,011,484	9,365,608	354,124	3.9
Reimbursements	753,744	949,122	1,420,661	471,539	49.1
Subtotal	\$8,665,304	\$10,997,810	\$11,975,154	\$977,344	8.9%
<i>Local Assistance</i>					
General Fund	12,035,004	18,227,961	20,964,201	2,736,240	15.0
Federal funds	59,679,430	68,902,745	60,065,560	-8,837,185	-12.8
Reimbursements	5,555,724	7,301,616	5,599,130	-1,702,486	-23.3
Subtotal	\$77,270,158	\$94,432,322	\$86,628,891	\$-7,803,431	-8.3%

SB 1737 proposed a phase-in of extensive reform measures in grades 6-12, including a personalized learning program for each student, extensive community involvement, staff development and ongoing planning and evaluation. Participating school districts were to receive approximately \$35 per ADA during a planning year, and \$100 per ADA during subsequent implementation years for students in grades 6-8, \$65 per ADA for students in grades 9-12, and \$40 per ADA for students designated educationally disadvantaged. The RISE reform program contained an appropriation of \$80 million through 1980-81 and had fiscal implications for the years beyond 1980-81, including a potential state cost of over \$150 million per year.

The bill was vetoed by the Governor on the basis that a major new commitment to education could not be made unless it worked to solve the inequities central to the Serrano-Priest decision.

Evaluation of Title IVC Projects

We recommend that the Department of Education submit to the Joint Legislative Budget Committee by November 1, 1977, a status report concerning the pilot secondary school reform projects funded through ESEA, Title IVC.

During the development of the RISE program, the department secured federal funding (ESEA, Title IVC) for eight pilot projects involving innovative and exemplary educational practices similar to RISE. Common elements include emphasis on school site planning, personalized learning, individualized advising and school-community involvement.

These projects received planning grant funds totaling approximately \$650,000 in 1976-77, and should receive implementation grants of approximately \$2 million per year in 1977-78 and 1978-79.

The department is evaluating these projects as a distinct component of the Title IVC program; we believe this represents a sound decision. In

INSTRUCTION—Continued

view of legislative interest in the area of secondary school reform, we believe the progress of these projects should be reviewed annually.

To facilitate this process, we recommend that the Department of Education submit a status report which contains (a) a description of the activities undertaken in the eight sites during the planning year and (b) a detailed plan for evaluating the projects during the two years of program implementation under Title IVC funding.

The description of planning year activities should discuss expenditures for which planning grants were used and effects attributable to these grants. It should also be designed to assist the Legislature in analyzing the costs and benefits of funding schools for a planning year. This issue is particularly important in view of the fact that the total cumulative costs of planning grants alone in last year's RISE proposal would have been approximately \$64 million.

The plan for evaluating the eight projects during the two years of program implementation should describe methods for assessing the feasibility and cost-effectiveness of the various reform concepts being tested (e.g., personalized learning, school-site planning).

The plan should include procedures for evaluating the eight reform projects as measured by such factors as (a) pupil achievement (e.g., performance on standardized achievement tests, grade point averages) and (b) institutional characteristics (e.g., curriculum offerings and course enrollments, incidence of absenteeism, suspension, expulsion, and dropouts; incidence and costs of school violence and vandalism).

2. DRIVER TRAINING/TRAFFIC SAFETY EDUCATION

This unit is responsible for 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.

The \$217,831 increase in this item is primarily the result of Chapter 695, Statutes of 1976 (AB 1386) which requires the department to establish standards governing traffic safety education in K-12 grades and administer a traffic safety education pilot program of up to ten school districts. Federal funds for this program in the amount of \$207,083 were secured through the Office of Traffic Safety.

3. VOCATIONAL EDUCATION

The Vocational Education unit in the Department of Education consists of a professional and clerical staff of 171 positions and is almost entirely federally funded. The unit assists local education agencies in providing training and career guidance to students in the state's public schools.

Three program components comprise vocational education: (1) 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.

Table 37 presents a summary of all expenditures and funding sources for vocational education. The apparent \$8.6 million decrease in support for

the budget year is the result of a carryover of federal funds which artificially inflates the current year. Actually, support levels are fairly constant for the three-year period.

Table 37
Expenditures and Funding for
Vocational Education

<i>Item</i>	<i>Actual 1975-76</i>	<i>Estimated 1976-77</i>	<i>Proposed 1977-78</i>	<i>Change Amount</i>	<i>Percent</i>
1. Part A, Special Needs	\$1,687,988	\$2,606,345	\$1,781,393	\$ -824,952	-31.6%
2. Part B, Basic Grant	35,896,277	40,427,612	36,571,730	3,855,882	-9.5
3. Part C, Research and Training	955,735	1,256,195	673,855	-582,340	-46.3
4. Part D, Innovation	279,842	692,392	365,105	-327,287	-47.3
5. Part F, Consumer and Homemaking	3,620,096	4,331,111	3,303,371	-1,027,740	-23.7
6. Part G, Cooperative Education	1,069,960	1,361,181	1,065,377	-295,804	-21.7
7. Part H, Work Study	1,021,041	1,549,177	969,019	-580,158	-37.4
8. Special Grants	263,227	381,024	347,000	-34,024	-8.9
9. CETA	6,081,837	7,986,339	6,548,898	-1,437,441	-18.0
10. EPDA	391,066	427,215	393,225	-33,990	-7.9
11. Career Education	413,147	523,953	715,494	191,541	36.6
12. General Activities	193,424	273,266	394,287	121,021	44.3
13. Regional Adult and Vocational Education Councils ..	36,063	1,500,000	1,583,269	83,269	5.5
Total	\$51,909,703	\$63,315,810	\$54,712,023	\$ -8,603,787	-13.6%
<i>State Operations:</i>					
General Fund	\$84,485	\$335,266	\$463,556	\$128,290	38.3%
Federal funds	6,482,148	7,903,592	8,281,569	377,977	4.8
Reimbursements	672,617	872,723	1,138,768	266,045	30.5
<i>Local Assistance:</i>					
General Fund	—	1,250,000	1,325,000	75,000	6.0
Federal funds	39,114,729	45,652,613	37,904,000	-7,748,613	-16.9
Reimbursements	5,555,724	7,301,616	5,599,130	-1,702,486	-23.3

A. New Vocational Education Act Amendments

On October 12, 1976, the federal Education Amendments of 1976 were enacted. Title II concerns Vocational Education and makes several important changes in the existing Vocational Education Act of 1963. This title:

(1) requires states to share the expense of state-level administration, in the amount of 20 percent in 1977-78, 40 percent in 1978-79 and 50 percent in the years thereafter.

(2) emphasizes the reduction of sex bias and stereotyping in vocational education programs.

(3) requires states to give priority in distributing funds to economically depressed areas, and areas with new or emerging manpower needs.

(4) requires states to establish state and local advisory councils representing at least 20 designated interests.

(5) provides special funds for disadvantaged, handicapped and limited-English speaking students.

(6) requires states to develop annual and five-year vocational education plans, and provides funds for this purpose.

(7) requires states to evaluate the effectiveness of each funded pro-

INSTRUCTION—Continued

gram within five years, including employment data in the assessment of programs designed to impart entry-level skills.

State-Level Administration

We recommend that the Department of Education be directed to develop and submit to the Joint Legislative Budget Committee by July 1, 1977, alternative management plans for the state-level administration of vocational education based on support levels of \$2.8 million, \$3.75 million, and \$4.5 million.

One of the most important fiscal changes in the new amendments for vocational education is the requirement that the states must share costs for state-level administration. Table 38 presents a summary of expenditures for vocational education, including state-level administration.

Table 38
Federal-State-Local Expenditures
for Vocational Education

	<i>Actual</i> 1975-76	<i>Estimated</i> 1976-77	<i>Proposed</i> 1977-78	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
<i>Federal (VEA)</i>					
State Administration.....	\$6,370,080	\$7,685,651	\$7,886,778	\$201,127	2.6%
Local Assistance	37,976,525	39,647,628	39,446,501	-201,127	—
Subtotal	\$44,346,605	\$47,333,279	\$47,333,279	—	—
<i>State (General Fund)</i>					
State Administration.....	\$84,485	\$335,266	\$463,556	128,290	38.3
Local Assistance					
Categorical	—	1,250,000	1,325,000	75,000	6.0
Foundation Program (State-Local)	465,844,405	496,999,440	521,848,950	24,849,510	5.0
Subtotal	\$465,928,890	\$498,584,706	\$529,637,506	\$31,052,800	6.2
Total	\$510,275,495	\$545,917,985	\$576,970,785	\$31,052,800	5.7

Administrative expenditures support a staff of 76 professional positions in the Department of Education and 26 professional positions in the community colleges. These positions include regional consultants in four major subject areas (Agriculture, Business, Homemaking and Industrial Education), program managers, coordinators, and planners. Personnel in the community colleges are supported by a contract negotiated with the Department of Education.

Under existing law, the federal government pays virtually all administrative costs for vocational education. As mentioned, the new amendments will require California to provide a 20 percent match of the total federal allocation for vocational education administration in 1977-78, 40 percent in 1978-79 and 50 percent in the years thereafter. The total amount authorized nationally in the new legislation for administration is presently \$25 million, which would provide California approximately \$2,250,000 for the 1977-78 fiscal year. However, it is very possible that this amount will be increased by Congress.

This \$2,250,000 grant represents the 80 percent federal share of total state administration costs. California would be required to provide a 20 percent state match of \$562,500 in 1977-78. This would result in a total

federal-state support level for administration of \$2,812,500.

Table 39 summarizes support levels under the new matching requirements. This table does not include \$1.7 million in expenditures for certain categories of vocational education administration (consumer education, research) which will probably be assigned to programs and thus not included as administrative costs. The \$400,000 in state expenditures shown in the current year for vocational education administration represents the approximate cost that can be charged to Regional Occupational Centers/Programs (ROC/Ps) and Regional Adult and Vocational Education Councils (RAVECs) for state-level staff.

Table 39
Projected Funding Levels for Vocational Education Administration

<i>State-Level Administration</i>	<i>Old Law</i>	<i>New Matching Requirements</i>		
	<i>1976-77</i>	<i>1977-78</i>	<i>1978-79</i>	<i>1979-80</i>
Federal	\$6,000,000	\$2,250,000	\$2,250,000	\$2,250,000
State (General Fund)	400,000	562,500	1,500,000	2,250,000
Total.....	\$6,400,000	\$2,812,500	\$3,750,000	\$4,500,000

This table shows that the new support levels authorized by federal law represent a significant reduction from the current level of \$6,400,000. The table also shows that if the state decides to provide only the minimum match required each year (20 percent, 40 percent, 50 percent), funding for state-level administration would undergo a highly irregular growth over the next three years. A 20 percent state match in 1977-78 would provide a total federal-state support level of \$2,812,500, a 56 percent reduction from the current level of \$6,400,000. This total federal/state support level would then rise to \$3,750,000 in 1978-79 as the state's share increased to 40 percent, and finally stabilize at \$4,500,000 with both the federal government and the state contributing \$2,250,000.

We believe that this fluctuation in support levels is undesirable for both program and staff continuity. Therefore, we believe the Legislature should determine optimum funding levels for state-level administration at the outset, and make up the difference (if there is any) between this optimum level and the minimum state matching level in the first and second years to insure continuity of support.

Table 40 presents the state obligation at a variety of funding levels. If the state determines that the first year support level of \$2,812,500 is sufficient to insure adequate state-level leadership and program review, an additional state appropriation of the approximately \$162,500 (over the present \$400,000 expenditure for ROC/P and RAVEC staff) would be required in 1977-78 to meet federal matching requirements. However, if the legislature determines that the final level of support of \$4,500,000 is more appropriate, an augmentation of \$1,850,000 (\$2,250,000 - \$400,000) in the state budget would be required in the first year (1977-78) to insure a constant level of support in the future.

The determination of the optimum support level for vocational education administration requires a thorough knowledge of all responsibilities of the vocational education staff. We believe the Department of Education should be directed to submit alternative management plans for this purpose. These plans should examine all the leadership and review functions

INSTRUCTION—Continued

Table 40
State Matching for Alternative Funding Level

<i>Total Federal/State Support Level</i>	<i>State-Match Requirement</i>		
	<i>1977-78 (20%)</i>	<i>1978-79 (40%)</i>	<i>1979-80 (50%)</i>
\$2,812,500.....	\$562,500	\$1,124,000	\$1,406,250
\$3,750,000.....	750,000	1,500,000	1,875,000
\$4,500,000.....	900,000	1,800,000	2,250,000

of the department and community college staffs, and propose organizational structures to meet these responsibilities based on the potential support levels of \$2.8 million, \$3.75 million and \$4.5 million. These budgets should clearly indicate the position and activities at each expenditure level and the impact of funding reductions. A thorough description of the relationship between the Department of Education and community college staffs should also be included. This type of document would permit the Legislature to make a knowledgeable decision concerning future expenditures for vocational education administration.

It should be noted that there is a possibility California will not be required to provide matching funds in the first year. The new amendments provide that if a state can show that it currently spends more than 10 times the federal allocation, it will be permitted to waive the 20 percent matching requirement in 1977-78. Table 38 shows that the federal allocation in 1976-77 was \$47,333,279. The table also shows that state and local funds for administration and local assistance were \$498,584,706; more than 10 times the federal support level. It appears therefore that California could qualify for the first year waiver. However, the expenditures levels for 1976-77 are only projections at this time, and it is questionable if the federal government will accept projections from previous years as proof of support levels.

B. Regional Adult and Vocational Education Councils (RAVECs)

Chapter 1269, Statutes of 1975, replaced 12 existing area vocational planning committees and adult continuing education coordinating councils with a statewide network of 71 consolidated regional adult and vocational education councils (RAVECs). Council boundaries are based on community college district boundaries.

Each council consists of 11 members, including (1) four representatives from the high school or unified districts within the council boundaries selected by the governing boards, (2) four representatives from the community college selected by the governing board, (3) one representative from the county office of education, (4) one representative of a prime sponsor under the Federal Comprehensive Employment and Training Act (CETA) and (5) one representative from a private postsecondary educational institution in the region.

The principal responsibility of the RAVEC councils is to review certain adult and vocational education courses and programs offered in each region and eliminate those courses which represent an unnecessary du-

plication of effort. Courses under the jurisdiction of the councils include:

- (1) adult basic education, including adult high school diploma programs, vocational and occupational training, adult continuing and personal development education, and adult programs in grades 13 and 14,
- (2) all courses operated by regional occupational centers or programs (ROP/Cs),
- (3) community service classes,
- (4) those community college courses being changed from noncredit to credit status.

This list indicates that the councils have control over most adult education programs but only a portion of the vocational education courses offered by high schools and community colleges. Courses which are part of the regular high school program and all credit classes in community colleges are not subject to council review.

Evaluation of RAVECS

Chapter 1269 also required the Legislative Analyst to analyze RAVECS following their first year of operation. This report was published January 1, 1977 and included the following two recommendations to facilitate future evaluations.

Data Collection and Annual Report

We recommend that the Department of Education direct the regional adult and vocational education councils to collect performance data to permit a thorough evaluation following the first full year of council operation.

We recommend that the Department of Education submit an annual report to the Legislature summarizing council activity and performance.

The primary purpose of the councils is to eliminate unnecessary duplication of courses and programs and to recommend the appropriate level of instruction of new offerings (Section 6268.8). This mandate suggests several types of data which could be collected to enable a thorough evaluation of council performance, including

- (1) the total number of courses under the jurisdiction of each council,
- (2) the total number of courses receiving an in-depth review by council members and staff,
- (3) a list of courses found to be unnecessarily duplicative,
- (4) a list of courses discontinued as a result of duplication (by agency),
- (5) a list of new courses submitted for approval which were not permitted to begin because of unnecessary duplication (by agency),
- (6) a list of courses judged by the councils to be duplicative which continue to receive state apportionments. This list should contain an explanation as to why the course has been continued in spite of council findings.

The above quantitative measures could be easily collected and would provide a fair indicator of council effectiveness. In addition to these data, the department could also accumulate qualitative information regarding council performance. Collection of all types of data could be incorporated

INSTRUCTION—Continued

into the annual activity report currently required by each council, and summarized by the department's consultant staff in an annual report to the Legislature.

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 veteran's training. There are three divisions in the unit: (1) adult program planning and development, (2) adult field services, and (3) school approvals.

Over 1.9 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. The apparent \$1.8 million reduction in support for the budget year is the result of the carryover of federal funds which makes the current year artificially inflated. Actually, support levels are fairly constant for the three-year period.

Table 41
Expenditures and Funding for Adult Education

<i>Component</i>	<i>Actual</i>	<i>Estimated</i>	<i>Proposed</i>	<i>Change</i>	
	<i>1975-76</i>	<i>1976-77</i>	<i>1977-78</i>	<i>Amount</i>	<i>Percent</i>
a. Adult education instruction	\$6,415,459	\$7,620,790	\$6,511,130	\$-1,109,660	-14.5%
b. Postsecondary education (school approvals).....	943,110	1,161,546	1,179,661	18,151	1.6
c. Vocational education (local assistance)	3,209,936	4,002,810	3,282,866	-719,944	-17.9
Total	\$10,568,505	\$12,785,146	\$10,973,657	\$-1,811,489	-14.2
<i>State Operations:</i>					
General Fund	\$174,360	\$247,783	\$261,192	\$13,409	5.4%
Federal funds	1,082,230	1,449,379	1,544,719	95,340	6.6
Reimbursements.....	333,927	364,577	364,880	303	0
Subtotal.....	1,590,517	2,061,739	2,170,791	109,052	5.3
<i>Local Assistance:</i>					
Federal funds	6,809,444	7,883,889	6,526,764	-1,357,125	-17.2
Reimbursements.....	2,168,544	2,839,518	2,276,102	-563,416	-19.8
Subtotal.....	8,977,988	10,723,407	8,802,866	-1,920,541	-17.9

1. POSTSECONDARY EDUCATION (SCHOOL APPROVALS)**Responsibilities**

The Bureau of School Approvals operates under the following state and federal mandates:

(1) State—Division 21 (Education Code) which requires the bureau to monitor and review all postsecondary institutions in the state not accredited by a recognized agency. There is also a small state component which requires the bureau to review General Education Development (GED) centers.

(2) Federal—Title 38 (U.S. Code) which, under an annual contract, requires the bureau to approve all schools enrolling veterans who receive educational benefits.

Table 42 summarizes expenditures for the bureau. Support for the Division 21 (and GED) review mandate come from fees charged to clients. Support for the Title 38 review mandate are received by contract from the federal Veteran's Administration. Therefore, the bureau is theoretically self-supporting. However, client fees and federal funds do not leave sufficient reserves to pay the Department of Education 29 percent overhead charge for administration. Thus, the bureau actually operates at a deficit of approximately \$100,000 per year which is offset by miscellaneous savings from other areas of the department.

Table 42
Expenditures for the Bureau of School Approvals

Activity	Actual	Estimated	Proposed	Change	
	1975-76	1976-77	1977-78	Amount	Percent
Division 21 (state).....	\$313,852	\$332,000	\$331,534	-\$466	-.10
Title 38 (federal).....	609,183	796,969	814,781	+17,812	+2
GED Testing.....	20,075	32,577	33,346	+769	+2
Total.....	\$943,110	\$1,161,546	\$1,179,661		

Recent Developments

The bureau has been the subject of extensive review in recent months by a variety of public and private agencies, including the Department of Education, professional organizations for private postsecondary institutions, and the California Postsecondary Education Commission. It appears that one, and most likely all, of these agencies will introduce major legislative proposals to promote the following reforms:

- (1) increase responsiveness of the bureau to student and private school needs,
- (2) increase consumer protection,
- (3) improve the collection of fiscal and enrollment data and private postsecondary institutions,
- (4) provide additional protection against misuse of A-3 provision which allows schools to grant degrees merely by showing \$50,000 in assets, and
- (5) provide additional staff to improve the monitor and review responsibilities of the bureau.

Separation of the Bureau

A study by the California Postsecondary Education Commission suggests that the above reforms can be best implemented by separating the bureau from the Department of Education, an agency which is primarily concerned with elementary and secondary education. Under this proposal, the bureau would operate as an autonomous agency under the direction of a thirteen-member council. Organizations representing the private school sector support this position. The Department of Education is in opposition, believing that the bureau can function effectively under its jurisdiction with certain legislative reforms.

INSTRUCTION—Continued

Each side of this separation issue involves certain advantages and disadvantages. However, we believe there are several changes which would improve the functioning of the bureau regardless of whether it operates under the department or as a separate agency. These are discussed below.

Reclassify Field Positions

We recommend that the Department of Education be directed to reclassify eight field representative positions (as vacated) to staff services analyst positions for a savings of approximately \$64,000 per year (Item 300).

To perform the review responsibilities required in law, the bureau employs a staff of 16 field representatives (plus two supervisors) organized on a regional basis. These representatives visit degree-granting and vocational education schools to insure compliance with the regulations of Division 21, and public and private postsecondary education institutions to insure compliance with Title 38. In many cases, an institution falls under both these categories, and a field representative can perform both Division 21 and Title 38 reviews during one visit.

A breakdown of the field representative workload shows a great amount of technical work, as opposed to educational review or counseling. A document prepared by the Department of Education listed technical responsibilities as the review for correctness of new and renewal applications, the collection of data, maintenance of files, the updating of directories of private institutions, and the preparation of reports relating to violations of Division 21. Professional responsibilities involved assisting secondary schools through staff meetings, workshops and conferences, conducting on-site inspections of schools, providing follow-up to problems encountered under technical activities, and resolving client complaints. This document shows that the person/days now assigned to technical activities approximately equal those assigned to professional activities. Yet the bureau maintains an undifferentiated staff of professional school administrators at an average salary of \$27,000 per year to perform all duties, technical and professional alike.

We believe the current staff should be differentiated to reflect the actual level and complexity of the bureau's responsibilities. Since half of these responsibilities are technical in nature, we recommend that eight of the total 16 professional educator positions be reclassified (as vacated) to staff services analyst, the entry-level, noneducator analyst position in the department. Beginning salary level for this position is approximately \$14,000 per year versus the \$22,000 beginning salary for a field representative. Reclassification could be accomplished by waiting until field representatives positions are vacated. The bureau reports that seven members of its members of its field staff are within five years of retirement. Thus, staff differentiation could be done gradually over the next five years.

Field Activities

We recommend that the Department of Education be directed to submit to the Joint Legislative Budget Committee by November 1, 1977, a revised workplan for field representatives and staff analysts which de-

emphasizes the annual on-site visit to every private school and instead provides for selective indepth reviews and counseling.

The current workplan for the bureau requires field representatives to make one or more visits per year under Division 21 regulations to approximately 1,800 degree-granting and vocational education schools, and two to three visits per year under Title 38 regulations to approximately 1,459 public and private institutions enrolling veterans. This visitation schedule requires an extensive amount of travel by each representative. A brief survey by this office indicates that representative spend from 30-60 percent of their day in travel time between schools. This represents an expensive and time consuming form of school review. More importantly, it does not leave enough time for a thorough review of the school plant, classroom activities, and school records. In five school visits attended by this office, field representatives were able to spend only minutes in an actual classroom setting, spoke to no students concerning course content, spoke only briefly to teachers concerning classroom conduct, and made only minor comments of an educational nature to school administrators. The majority of the visit was spent checking the correctness of state forms, the enrollment records of veterans, and student progress reports.

We believe this type of cursory review could be just as effectively performed at a state or regional office, without the necessity of repeated on-site visits, by the use of forms reporting basic fiscal and pupil enrollment data. These forms could be reviewed and processed at the state office by the staff services analyst element of the bureau.

This type of workplan deemphasizing regular on-site visits would relieve the field representatives from time-consuming reviews and travel, and permit them to concentrate more on educational counseling and program improvement for which they have been trained. Specifically, they could perform (1) random in-depth review of schools, (2) educational and fiscal counseling to new schools, (3) follow-up to client complaints, and (4) in-depth visits to schools showing frequent violations.

We believe that the department should be required to submit a detailed report outlining this type of workplan, including (1) new forms designed to consolidate data collection and reduce on-site review of pupil progress, (2) work schedules broken down into personnel-days to show the relationship between on-site visitation, office activities, and travel, and (3) a methodology for visiting schools on the basis of random selection and need.

E. STUDENT ACHIEVEMENT IN CALIFORNIA SCHOOLS

One of the most significant problems in American education during the late 1960's and early 1970's was the decline of student performance in basic skills in the upper elementary, intermediate and secondary grades. Unlike the higher grades, a pattern of increased performance was found in the primary grades.

Achievement data are available in California from the Statewide Testing program for second and third grade students in reading and for sixth and twelfth grade students in reading, language and mathematics. Additional information for college-bound eleventh and twelfth graders is avail-

INSTRUCTION—Continued

able from college entrance examinations.

Statewide testing data show that from 1965-66 through the early 1970's, California's second and third graders improved on reading achievement tests. This upward trend was not unique to California, but was found nationwide. In the past two years, scores of second the third graders in the state have been essentially stable, although slight increases were registered at grade 3.

Test scores of California's sixth graders declined between the late 1960's and 1973-74 in reading, written expression, and mathematics. This pattern was consistent with data from other states and national samples.

In both 1974-75 and 1975-76, California's sixth grade students were reported to have improved in all areas. While changes in testing procedures make it difficult to interpret these findings fully, their consistency suggests that the earlier decline at this grade level may have been arrested.

Among the most significant measures of student performance are those available for twelfth graders because they reflect performance at the termination of the public secondary school experience.

Statewide testing data show that performance of California twelfth graders declined markedly between 1969-70 and 1974-75, with the largest declines in reading and written expression. However, data from 1975-76 indicate improvement in all areas of testing: reading, written expression, spelling, and mathematics. Although modifications in testing procedures again make it difficult to interpret these changes, they suggest that the declines in achievement may be bottoming-out.

College entrance examination data show a complex picture, with results mixed for 1975-76. In general, the data indicate a pattern of marked decline in performance between 1971-72 and 1974-75, which, although decreasing in magnitude, continued through 1975-76 on the most frequently taken tests. The decline during the 1970's has been on both verbal and mathematical aptitude tests, but the most dramatic drop has been in verbal test scores.

One of the most striking findings from the college entrance data was the decline in the number of high scoring students. In both California and nationally, the number of students scoring in the high ranges on the most widely taken verbal test decreased by approximately one-third between 1971-72 and 1974-75. During 1975-76 the numbers in this category remained essentially constant.

Additional evidence concerning student performance comes from enrollment statistics for University of California elementary English composition courses. During 1975-76, approximately 50 percent of incoming freshmen did not meet the University's basic standards of proficiency in written English and, therefore, had to take special course work intended to teach the basic skills of English composition.

In summary, numerous data sources indicate that achievement in the basic skills among California's upper elementary and secondary school students has declined in the past decade. While a stabilization of achievement scores may be occurring, performance is nevertheless well below

that of previous years and many students lack basic skills in such fundamental areas as English composition.

Reasons for Declines

Several reasons have been suggested for the achievement decline in the higher grades which has been found in both California and the nation. Among these are such societal phenomena as television, changes in family structure, and changes in patterns of drug or alcohol consumption. However, it is extremely difficult to establish any clear linkage between these societal phenomena and the declines in performance. In addition, the significance of many of these factors is thrown into question by the finding that there have been increases in performance nationally in the natural sciences.

It appears that the declines relate at least partially to the school environment itself and are linked to such factors as changes in curriculum, course enrollments, academic standards and school environments. Discipline problems have increased sharply; crime in schools has mounted steeply; homework is being emphasized less and less; fewer students are enrolled in basic courses; enrollment in elective courses (e.g., vocational skills, contemporary issues) has increased. This situation concerns us. Our recommendations for dealing with these problems in the immediate future and for conducting essential research examining the nature and causes of the declines are given in several sections of this analysis.

PROGRAM II

ADMINISTRATIVE SUPPORT SERVICES

Program II consists of two major elements (a) apportionment and distribution of aid and (b) administrative services to local education.

The apportionment and distribution of aid 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 43 shows the disbursement of funds for each component. The major components are analyzed in separate sections.

A. APPORTIONMENT AND DISTRIBUTION OF AID

1. ADMINISTRATION AND APPORTIONMENT OF STATE AID

A. Public School Funding

The system of public school apportionments is controlled by constitutional and statutory provisions which guarantee each of the 1,048 school districts minimum state support of \$125 per ADA (average daily attendance). This is referred to as "basic aid." Additional state support is provided to approximately 82 percent of the state ADA in the form of "equalization aid." To receive equalization aid, a district must be unable

ADMINISTRATIVE SUPPORT SERVICES—Continued

Table 43
Administrative Support Services
Disbursement of Funds

<i>Program Element</i>	<i>Actual 1975-76</i>	<i>Estimated 1976-77</i>	<i>Proposed 1977-78</i>	<i>1977-78 Change Amount Percent</i>	
A. Apportionment and Distribution of Aid					
1. Administration and Apportionment of State Aid					
State Operations ..	\$991,040	\$1,079,110	\$1,162,652	\$83,542	+7.7%
Local Assistance....	2,135,364,585	2,319,456,367	2,356,295,367	36,839,000	+1.6
2. Textbook Management and Distribution					
State Operations ..	838,308	1,088,185	933,445	-154,740	-14.2
Local Assistance....	24,929,177	49,034,339	31,394,323	-17,640,016	-35.0
3. Surplus Property					
State Operations ..	3,358,902	4,770,434	4,968,445	198,011	4.2
4. Food and Nutrition					
State Operations ..	953,132	2,139,294	2,055,430	-83,864	-3.9
Local Assistance....	193,618,292	234,965,333	263,779,745	28,814,412	12.3
Subtotal.....	\$2,360,053,436	\$2,612,533,062	\$2,660,589,407	\$48,056,345	1.8%
B. Administrative Services to Local Education					
1. School Facilities					
Planning.....	\$549,757	\$632,047	\$652,465	\$20,418	3.2%
2. Field Management ..	1,007,670	1,394,230	1,320,855	-73,375	-5.3
Subtotal.....	\$1,557,427	\$2,026,277	\$1,973,320	-\$52,957	2.6%
Total.....	\$2,361,610,863	\$2,614,559,339	\$2,662,562,727	\$48,003,388	1.7%

Funding**A. Apportionment and Distribution of Aid**

<i>Totals</i>	<i>\$2,360,053,436</i>	<i>\$2,612,533,062</i>	<i>\$2,660,589,407</i>
<i>General Fund</i>	<i>2,183,837,758</i>	<i>2,381,811,771</i>	<i>2,423,522,003</i>
<i>General Fund (loan recoveries)</i>	<i>-320,915</i>	<i>-178,333</i>	<i>-248,333</i>
<i>State School Fund</i>	<i>5,635,856</i>	<i>6,400,000</i>	<i>6,200,000</i>
<i>Surplus Educational Property Revolving Fund</i>	<i>3,326,667</i>	<i>4,719,572</i>	<i>4,916,820</i>
<i>Instructional Materials Fund</i>	<i>-2,325,504</i>	<i>19,189,389</i>	<i>—</i>
<i>Driver Training Penalty Assessment Fund.....</i>	<i>—</i>	<i>200,000</i>	<i>—</i>
<i>Federal Funds</i>	<i>169,604,310</i>	<i>199,699,397</i>	<i>226,099,792</i>
<i>Reimbursements.....</i>	<i>295,264</i>	<i>691,266</i>	<i>99,125</i>

B. Administrative Services to Local Education

<i>Totals</i>	<i>\$1,557,427</i>	<i>\$2,026,277</i>	<i>\$1,973,320</i>
<i>General Fund</i>	<i>683,514</i>	<i>901,133</i>	<i>880,881</i>
<i>School Building Aid Fund.....</i>	<i>308,468</i>	<i>338,865</i>	<i>349,927</i>
<i>Federal Funds</i>	<i>402,067</i>	<i>480,936</i>	<i>416,980</i>
<i>Reimbursements.....</i>	<i>163,378</i>	<i>305,343</i>	<i>325,532</i>

to raise sufficient local revenue from a defined "computational" 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."

In addition to these features, the state's system of providing aid to school districts includes a local revenue control mechanism designed to limit the future growth in school expenditures and related property tax rates, based upon revenues received in the 1972-73 fiscal year. The theory of the control mechanism is that after an annual inflation factor is determined, poor districts are allowed to increase their "revenue limits" by a larger amount than are more wealthy districts so that within a period of years expenditures per ADA in all districts will be nearly equal. This control feature, enacted in 1972, was a response to both the *Serrano* issue and demands for property tax relief. However, the revenue limit may be exceeded with local funds if specifically authorized in a district election. These increases to the revenue limits are known as "voter overrides."

B. 1977-78 Apportionments

In 1977-78, state apportionments for K-12 are expected to increase \$37.1 million (1.6 percent) over the 1976-77 level. The amount of state support is determined by the interaction of several factors, some of which cause apportionment increases while others cause decreases. The state cost of a foundation program increase of \$73 per ADA plus other program increases are offset by assessed value growth (slippage), declining ADA and other factors. Table 44 shows these offsets.

Table 44
Explanation of the \$37.1 million Increase
in K-12 School Apportionments
1977-78

Foundation Program Increase of \$73 per ADA	\$268.2
Assessed Value Increases	-222.6
Changes in ADA.....	-58.0
Summer School Foundation Change.....	-2.7
Adult "Hold Harmless" Addition to Regular Program	-10.6
Adult Foundation Program	15.0
Special Education and Transportation.....	25.2
State Teacher's Retirement Fund	19.8
County School Service Fund.....	3.1
Other	-0.3
Total Change in 1977-78 over 1976-77	\$+37.1

The apportionments for 1977-78 are based on an estimated increase of 9.0 percent in assessed property values, compared to a 13.3 percent increase in 1976-77. Table 45 presents a breakdown and comparison of total K-12 apportionments from 1975-76 through 1977-78.

ADMINISTRATIVE SUPPORT SERVICES—Continued

Table 45
K-12 Apportionment Estimates
1975-76 through 1977-78

	<i>Actual 1975-76</i>	<i>Estimated 1976-77</i>	<i>Estimated 1977-78</i>
Elementary:			
Basic Aid	\$383,866,375	\$378,593,800	\$369,675,000
Equalization Aid	797,619,607	861,345,700	849,107,600
Subtotal	1,181,485,982	1,239,939,500	1,218,782,600
High School:			
9-12 Basic Aid	193,126,125	186,000,000	187,406,300
9-12 Equalization aid	368,499,003	370,455,200	364,596,700
Subtotal	561,625,128	556,455,200	552,003,000
High School Adult Classes:			
Adult Basic Aid	9,179,250	29,050,000	31,975,000
Adult Equalization Aid	5,971,963	65,405,500	77,496,600
Subtotal, Adult Classes	15,151,213	94,455,500	109,471,600
County School Service Fund:			
Elementary Foundation Program	11,785,718	14,403,000	16,051,900
High School Foundation Program	35,671,546	10,447,700	11,943,000
Subtotal	47,457,264	24,850,700	27,994,900
TOTALS, FOUNDATION PROGRAM	1,805,719,587	1,915,700,900	1,908,252,100
County School Service Fund:			
Direct Service	3,556,417	3,325,700	3,328,600
Other Purpose	16,158,271	16,343,300	16,357,600
Subtotal	19,714,688	19,669,000	19,686,200
Special Education:			
Physically Handicapped	94,166,005	98,584,200	96,727,500
Mentally Retarded	25,415,007	23,074,000	24,314,000
Special Transportation	14,621,300	14,257,200	14,888,000
Educationally Handicapped	75,847,396	74,649,000	76,524,400
Autistic Minors	1,402,027	7,200,000	7,200,000
Mentally Gifted	15,192,135	15,217,100	15,156,900
Fund Transfer to Master Plan for Special Education Pilot Program	-14,000,000	-15,200,000	—
Subtotal, Special Education	212,643,870	217,781,500	234,810,800
Adults in Correctional Facilities, E.C., 41841	461,055	700,000	900,000
Dropout Prevention, Ch. 1532/72	20,900	22,000	25,000
County Cooperative Publications, E.C., 14035	10,384	11,000	11,000
Regular Transportation	47,244,383	55,000,000	63,000,000
Adjustments	-21,017,900	-21,000,000	-21,000,000
TOTALS, PER EDUCATION CODE 41301	2,064,796,967	2,187,884,400	2,205,685,100
Special Apportionments and Programs:			
State Teacher's Retirement System Increase			
Elementary	32,856,609	30,747,700	26,843,600
High School	17,790,737	15,702,600	15,515,000
Ch. 323/76 Supplemental Increase	—	59,600,000	83,500,000
Subtotal, STRS	50,647,346	106,050,300	125,858,600
Ch. 323/76 County ROP/ROC hold harmless	—	4,000,000	2,000,000
Driver Training	20,241,187	21,500,000	23,000,000
Subtotal, Special Apportionments	70,888,533	131,550,300	150,858,600
GRAND TOTAL, K-12	2,135,685,500	2,319,434,700	2,356,543,700

Table 46 shows a breakdown in the total ADA that these apportionments supported in those years.

Table 46
Second Principal Apportionment Average Daily Attendance
in California Public Schools

	<i>Actual</i> <i>1975-76</i>	<i>Estimated</i> <i>1976-77</i>	<i>Estimated</i> <i>1977-78</i>	<i>1977-78</i> <i>Percentage</i> <i>Change</i>
Elementary				
Regular Classes	2,953,648	2,919,160	2,846,040	-2.5%
Summer School	114,302	106,600	108,900	2.2
County School Service Fund	14,130	14,730	15,270	3.7
High School				
Regular Classes	1,480,409	1,436,120	1,443,120	.5
Summer School	73,666	60,850	64,000	5.2
County School Service Fund	35,575	12,430	13,200	6.2
Adults	73,434	232,400	255,800	10.1
Special Education				
Physically Handicapped	53,577	55,270	60,350	9.2
Mentally Retarded	30,132	30,300	30,950	.2
Educationally Handicapped	49,302	47,400	51,960	9.6
Mentally Gifted (FTE basis)	162,621	161,811	160,488	-.8

C. 1977-78 Apportionment Issues

The primary issues related to the 1977-78 school apportionments are (1) the adequacy of the apportionment increase in relation to inflationary pressure, (2) the increase in the foundation levels for 1977-78, (3) the projected decrease in the state's share of foundation program costs, (4) the projected growth in property values for 1977-78, and (5) proposed Serrano solutions.

1. Inflationary Pressure

During the 1976 session, the Legislature enacted Chapter 323, Statutes of 1976 (SB 1641). One of the primary arguments made by supporters of this measure was that apportionment increases per ADA were insufficient to keep pace with inflationary pressures. Prior to the adoption of Chapter 323, districts at the foundation level (approximately 65 percent of the state's ADA) would have received an increase in their revenue limit per ADA ranging from 6 percent to 7.2 percent. Districts above the foundation level (approximately 30 percent of the state's ADA) would have received a lesser increase depending upon the relationship of its revenue limit to the prior year foundation program (the so called "squeeze factor").

Chapter 323 increased the foundation program levels to a range between 9.4 percent and 11.3 percent over 1975-76 amounts as shown in Table 47.

Table 47
1976-77 Foundation Programs Under SB 1641
Foundation Program Levels

	1976-77	1976-77	Change Over 1975-76				
	Prior to	Under	Prior to SB 1641		Under SB 1641		
	SB 1641	SB 1641	Amount	Percent	Amount	Percent	
1975-76							
Elementary	\$909	\$975	\$1,012	\$66	7.2%	\$103	11.3%
High School	1,094	1,160	1,198	66	6.0	104	9.4

ADMINISTRATIVE SUPPORT SERVICES—Continued

The state cost in 1976-77 of this increase is estimated to be \$146.5 million. This additional state aid goes to those districts at or below the foundation program levels. Districts above the foundation program were able under Chapter 323 to increase their local property tax revenues by an estimated \$7.6 million.

For 1977-78, the increase in the foundation program levels will be based on the prior year percentage change in the price index for state and local government purchases for goods and services. It is estimated that the foundation programs for 1977-78 will increase 6.1 percent and 7.2 percent as shown in Table 48.

Table 48
1977-78 Foundation Programs Under SB 1641

	Foundation Program Levels		Change over 1976-77	
	1976-77	1977-78	Amount	Percent
Elementary.....	\$1,012	\$1,085	\$73	7.2%
High School	1,198	1,271	73	6.1

Uses of SB 1641 Increases

In order to determine how the additional state aid appropriated by Chapter 323 was being spent, we conducted a survey of 31 school districts. Eighteen of the districts surveyed received substantial additional state aid ranging from \$37 per ADA to \$71 per ADA. We were primarily interested in determining whether the additional state aid was absorbed disproportionately by teacher salaries. For 1976-77 this does not seem to be the case. Six of the eighteen districts we surveyed which had received substantial funds, allocated part of the additional aid for salary increases, but these increases did not exceed 6 percent.

Most of the districts we surveyed stated that the additional funds merely made it possible for them to maintain existing programs and in some instances restore program cuts.

2. Foundation Program Increase for 1977-78

We recommend that the legislative fiscal committees clarify the manner in which the increase in the 1977-78 elementary and high school foundation programs is to be determined.

According to Chapter 323, Statutes of 1976, the increase in the elementary and high school foundation program levels for 1977-78 shall be calculated by multiplying the prior year's percentage change in the price index for state and local government purchases for goods and services (GPSL) times the weighted average of the elementary and high school foundation program levels for 1976-77. The GPSL is a quarterly index, with estimates available for the third and fourth quarter of 1976, and for the first quarter of 1977. The exact manner of calculating the prior year's percentage change is not specified.

The Department of Finance has calculated the Governor's Budget figures based on the percentage change between the *average* of the present year (from the second quarter of 1976 to the first quarter of 1977) and the *average* of the preceding year (from the second quarter of 1975 to the first quarter of 1976). Using this method the percentage change is 6.7 percent. This is not the normal procedure. We believe the calculation should be based on the percentage change between the first quarter of 1976 and the

first quarter of 1977. This method would result in a change of 6.4 percent. The difference between 6.7 percent and 6.4 percent will result in a state savings in apportionments of approximately \$11.0 million.

3. Projected Decrease in the State's Share of the Foundation Program

We recommend that the Legislature include in any Serrano solution a flexible computational tax rate in order to maintain the state's share of the total foundation program at a fixed percentage.

When the yearly changes in the foundation program levels do not keep up with the changes in assessed property values, the state's share of the foundation program drops. This decrease is commonly known as "slip-page" and results because the local share is determined by a fixed computational tax rate times the assessed value per ADA. Table 49 shows the changes in assessed values that have occurred in the past, and our forecast for the future.

Table 49
Assessed Value Growth For School Districts^a

	1972	1973	<i>Actual</i>		1976 ^b	<i>Estimated</i>		1979	1980
Percentage Growth in Property Assessed Values.....	7.2%	7.2%	1974	1975	1976 ^b	1977	1978	1979	1980
	7.2%	7.2%	10.4%	10.8%	13.0%	10%	9½%	8½%	8½%

^a Includes homeowner's and business inventories exemption, but excludes all other exemptions (e.g., property used for welfare and charitable purposes).

^b Estimated.

Using these assumptions about future growth in property values, Table 50 provides an estimate of future state apportionments.

Table 50
Projected State Apportionments
(in millions)

	1976	1977	1978	1979	1980
Foundation Program ^a	\$4,956	\$5,095	\$5,291	\$5,520	\$5,771
Regular K-12 apportionment ^b	1,796	1,753	1,715	1,691	1,677
State's share	36%	34%	32%	31%	29%
Amount needed to maintain 1976-77 state's share ..	-	92	201	309	410

^a Foundation program levels times the respective ADA

^b Does not include adults.

As can be seen in Table 50, there will be an actual decline in state apportionments because of slippage. We believe it is appropriate for the state to maintain a fixed share of the total cost of the foundation program and recommend inclusion of such a provision in any Serrano solution adopted by the Legislature.

4. Projected Growth in Property Values

The apportionments for 1977-78 are based on an estimated assessed value growth of 9 percent. The same figure was used in budget projections last year. However, as was shown in Table 49, the estimated assessed value growth for 1976-77 is 13.0 percent. We see no reason to assume that the assessed value growth for 1977-78 will be as low as 9 percent and believe an estimate of 10 percent is more realistic. This would result in an estimat-

ADMINISTRATIVE SUPPORT SERVICES—Continued

ed savings of \$22 million in state apportionments. Therefore, we will review the May revision of estimated apportionment in light of this situation.

5. Serrano Consideration

A general review of the *Serrano* decision and alternative solutions is in the introduction of this Analysis. Additional matters to consider include:

a. *The change in the entire range of the distribution of revenue limits between the present year 1976-77 and the year 1980-81.* Table 51 shows the change in the distribution of base revenue limits for unified school districts between 1976-77 and 1980-81. It also shows for both 1976-77 and 1980-81, the relationship between district expenditures (base revenue limit per ADA), district wealth (modified assessed value per ADA), district effort (general purpose tax rate per ADA), and state aid per ADA.

Serrano clearly states that per pupil expenditures cannot be a function of district wealth. Table 51 shows that for the unified districts in 1980-81, there will continue to be a strong relationship between the base revenue limit per ADA and the modified assessed value per ADA.

b. *The elimination of basic aid payments to high wealth school districts.* In 1977-78, about \$100 million will be distributed to high property wealth districts in the form of basic aid. If this money were recaptured for distribution to low wealth districts and high wealth districts were allowed to tax themselves to offset the loss, the result would be a significant improvement in terms of *Serrano* equalization over the current system.

c. *School Finance Model.* The current system as simulated by a school finance computer model of the Department of Education should be used as a benchmark for comparing and examining alternative financing systems.

The computer model for school finance was designed by legislative and executive staff to (1) simulate the current law and (2) to test the impact of alternative school finance bills on school districts in California. Creation and maintenance of the model is a joint enterprise intended to serve the diverse needs of its users, the Department of Finance, Department of Education, Assembly, Senate, and Legislative Analyst.

It is extremely important that the users reach an agreement on simulations of the current system. This does not imply that each user must accept the assumptions built into the simulation, such as the growth in the assessed values or the growth in ADA. But in evaluating school finance alternatives, each user should clearly state the differences between assumptions made and those of the "benchmark" simulation.

Documentation

We recommend that the Department of Education prepare a document describing the data base used in simulating the current school finance system, and describing how and when this data base is updated.

In order to project accurately the fiscal consequences of alternative school finance proposals, the data base for the Department of Education's simulation model must be updated to reflect any changes, errors, or discrepancies. Documentation of the data base is essential.

Table 51
Revenue Limit Analysis, Unified School Districts
1976-77 vs. 1980-81 *

Base Revenue Limit Per ADA	Number of Districts		Percent of Unified District ADA		Average Modified Assessed Value Per ADA		Average District General Purpose Tax Rate ^b		Average State Aid per ADA ^c		State Aid as Percent of Base Revenue Limit		Average Voted Override as of 1975-76
	1976-77	1980-81	1976-77	1980-81	1976-77	1980-81	1976-77	1980-81	1976-77	1980-81	1976-77	1980-81	
\$1,050-1,099	39	0	22.3%	—%	\$15,728	—	\$3.98	—	\$501	\$—	46%	—%	\$6
1,100-1,149	89	0	49.9	—	17,555	—	4.11	—	466	—	42	—	12
1,150-1,199	26	0	5.9	—	25,400	—	4.02	—	283	—	24	—	26
1,200-1,249	15	0	3.2	—	29,815	—	3.97	—	205	—	17	—	23
1,250-1,299	19	0	7.8	—	30,441	—	3.94	—	243	—	19	—	7
1,300-1,349	16	0	3.3	—	44,430	—	3.38	—	187	—	14	—	65
1,350-1,399	13	45	2.6	28.2	44,031	\$22,679	3.32	\$4.00	153	551	11	40	40
1,400-1,449	6	88	.7	45.4	45,265	29,716	3.10	3.86	170	435	12	31	—
1,450-1,499	4	29	.4	7.1	23,934	43,131	5.57	3.55	325	225	22	15	177
1,500-1,549	4	21	.1	8.2	57,586	40,569	3.53	3.67	125	201	8	13	8
1,550-1,599	5	17	2.5	3.7	47,418	74,398	3.45	2.53	271	156	17	10	34
1,600-1,649	1	9	.1	2.5	61,431	67,949	2.43	2.94	125	191	8	12	—
1,650-1,699	3	11	.4	1.1	43,772	46,634	4.06	3.61	125	354	7	21	142
1,700-1,749	5	3	.1	.1	59,102	27,878	3.02	4.97	188	458	11	27	—
1,750-1,799	3	8	.5	2.3	39,219	86,249	4.61	2.39	125	125	7	7	98
1,800-1,849	0	3	—	.1	—	105,865	—	2.22	—	206	—	11	—
1,850-1,899	1	3	.005	.4	46,861	46,384	3.31	4.33	369	246	20	13	—
1,900-1,949	1	4	.01	.1	118,134	94,107	1.76	2.30	125	153	6	8	193
1,950-1,999	0	6	—	.5	—	55,694	—	3.69	—	287	—	15	—
2,000-2,049	0	0	—	—	—	—	—	—	—	—	—	—	—
2,050-2,099	1	1	.2	.007	77,122	35,536	2.77	4.07	125	710	6	34	200
2,100-2,149	0	1	—	.01	—	246,321	—	0.93	—	125	—	6	—
2,150-2,199	1	0	.05	—	43,259	—	4.98	—	125	—	6	—	—
2,200-2,249	0	1	—	.2	—	109,823	—	2.14	—	125	—	6	—
2,250-2,299	0	0	—	—	—	—	—	—	—	—	—	—	—
2,300-2,349	0	1	—	.05	—	32,619	—	6.61	—	208	—	9	—
2,350-2,399	0	0	—	—	—	—	—	—	—	—	—	—	—
over 2,399	2	3	.03	.04	111,030	128,749	2.48	2.50	125	125	5	5	—
Total	254	254	100%	100%	\$27,926	\$42,831	\$3.90	\$3.60	\$346	\$353	30%	24%	\$24

* Based on School Finance Model's projections, which assumed for unified districts a —4.5% growth in ADA and a 53.4% growth in modified assessed value between 1976-77 and 1980-81.

^b Does not include permissive overrides or capital outlay tax rates.

^c Basic and equalization state aid. Does not include state aid for adults.

ADMINISTRATIVE SUPPORT SERVICES—Continued

We strongly support the computer model for school finance, but we feel that it is extremely important for the Legislature to be aware of the assumptions behind each simulation. This was not the case with regard to the Governor's New State School Program (NSSP).

2. TEXTBOOK MANAGEMENT AND DISTRIBUTION

State adoption and acquisition of elementary school textbooks is required by Article IX, Section 7.5 of the State Constitution. 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). This formula is adjusted annually for changes indicated by the Consumer Price Index and will be an estimated \$9.54 per ADA in 1977-78. The amount derived by this formula was \$27.5 million in 1975-76, \$29.9 million in 1976-77, and is estimated to be \$31.9 million in 1977-78.

Table 52
Textbook Expenditures and Funding

	1975-76	1976-77	1977-78
Expenditures:			
State Operations:			
Elementary Education Program—Curriculum Frameworks	\$373,104	\$466,369	\$508,094
Administrative Support Services—Textbook Distribution Office	302,782	338,185	348,221
Warehousing and Shipping	535,526	750,000	585,224
Department Management and Special Services—Curriculum Commission	44,683	48,576	52,594
Totals	\$1,256,095	\$1,603,130	\$1,494,133
Local Assistance:			
Obsolete Textbooks	255,653	640,404	—
Royalties on Prior Adoptions	61,247	90,000	—
Nonpublic Schools Credit	2,014,098	2,145,876	2,059,481
Braille and Large Print	578,175	625,000	645,175
Reserve	—	50,000	50,000
School District Credit	20,474,326	43,441,170	26,684,853
School District Cash Allotment	1,545,678	1,999,448	1,913,113
Carryover	—	42,441	41,701
Totals	\$24,929,177	\$49,034,339	\$31,394,323
Funding:			
State Operations:			
General Fund	\$1,202,299	\$1,545,903	\$1,435,443
Federal Funds	35,690	57,227	58,690
Reimbursements	18,106	—	—
Local Assistance:			
General Fund	27,527,178	29,954,546	31,979,547
Less Transfer to State Operations	—528,150	—750,000	—585,224
Instructional Materials Fund	—2,325,504	19,189,389	—
Reimbursements	255,653	640,404	—

Table 52 shows the total support for textbook selection, production and distribution in recent years. The amount available to school districts is shown under Local Assistance-School district credit. This amount is different from that derived by formula because districts often do not spend their entire allotment in the year it is derived. For example, the \$43,441,176 credit shown for 1976-77 contains a carryover of \$19,189,389 from the previous year. Districts saved a portion of their textbook credit from 1975-76 for new reading and language arts adoptions which will become available this year.

3. FOOD AND NUTRITION SERVICES

The Department of Education 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 its 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 in schools with-

Table 53
Participation in Meals Programs in California Schools

	1975-76	Estimated 1976-77	Projected 1977-78	1977-78 Change	
				Amount	Percent
GENERAL STATISTICS					
No. of Public School Districts.....	1,046	1,045	1,043	-2	—
No. of Schools.....	9,435	9,435	9,435	—	—
Public.....	7,045	7,045	7,045	—	—
Private.....	2,390	2,390	2,390	—	—
Enrollment (K-12).....	4,688,550	4,616,870	4,534,884	-81,986	-1.8%
Public.....	4,284,471	4,222,300	4,149,100	-73,200	-1.7
Private.....	404,079	394,570	385,784	-8,786	-2.2
NATIONAL SCHOOL LUNCH PROGRAM PARTICIPATION					
No. of Sponsors.....	940	1,050	1,300	250	23.8
No. of Schools.....	6,465	6,748	7,203	455	6.7
Public.....	6,328	6,579	7,000	421	6.4
Private.....	137	169	203	34	20.1
Enrollment of Participant Schools....	3,794,204	3,983,900	4,183,100	199,200	5.0
Average Daily Participation.....	1,487,259	1,673,238	1,924,226	250,988	15.0
Regular.....	636,112	654,566	674,327	19,761	3.0
Reduced Price.....	50,247	82,228	115,383	33,155	40.3
Free.....	800,900	936,444	1,134,516	198,072	21.1
SCHOOL BREAKFAST PROGRAM PARTICIPATION					
No. of Sponsors.....	215	350	450	100	28.6
No. of Schools.....	1,505	1,931	2,318	387	20.0
Public.....	1,429	1,847	2,226	379	20.5
Private.....	76	84	92	8	9.5
Enrollment of Participant Schools....	939,136	1,265,503	1,645,155	379,652	30.0
Average Daily Participation.....	245,033	329,450	428,285	98,835	30.0
Regular.....	25,762	39,534	55,678	16,144	40.8
Reduced Price.....	4,693	6,589	12,848	6,259	95.0
Free.....	214,578	283,327	359,759	76,432	27.0

ADMINISTRATIVE SUPPORT SERVICES—Continued

out food services, helping existing programs improve food delivery systems, and ensuring that food service programs meet established nutritional requirements.

The Office of Food and Nutrition Services also administers the State Child Nutrition Program authorized by Chapter 1487, Statutes of 1974, and Chapter 1277, Statutes of 1975. Chapter 1487 provides a basic state reimbursement for each nutritionally adequate meal served by any school district, county superintendent of schools, certain child development programs and private or parochial schools. Chapter 1277 provides an additional state subsidy for meals served to needy pupils and mandates that by July 1, 1977, all K-12 school districts and county superintendents of schools shall provide during each school day one nutritionally adequate free or reduced price meal for each needy student.

Table 53 summarizes program participation.

The table indicates substantial growth in both the school lunch and breakfast programs in the current and budget years.

Table 54 summarizes expenditures and funding of these programs.

Substantial Increases

The table indicates substantial growth in the federal subsidies commensurate with the above projected program growth. The state basic subsidy also indicates substantial growth. Although, the state needy subsidy shows a substantial reduction in the budget year, this is not, in fact, the case. The expenditure estimates in the Governor's Budget are not current. The Department of Education's latest estimate indicates current year expenditures for the needy subsidy of approximately \$7.8 million instead of \$12.8 million. The budget year expenditure projection of \$9.8 million reflects an increase of approximately \$2 million or 26 percent. This is consistent with program growth projections.

The table also indicates a substantial increase in federal Child Nutrition Act funds for state operations in the current and budget years. This is due to the rapid expansion in federally subsidized food services programs. The Department of Education has experienced difficulty in establishing and maintaining administrative control over these programs. The U.S. Department of Agriculture, in recognition of this expanded workload, has authorized an additional \$636,730 in the current year for administrative expenses. This will permit the addition of 22.5 positions in the Office of Food and Nutrition Services which will be retitled the Bureau of Child Nutrition Services (BCNS).

The 1977-78 budget continues this higher level of federal administrative funds. We recommend this expanded administrative budget.

Open-ended Programs

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. Table 55 summarizes the per meal subsidies since July 1, 1975.

Table 54
Food Services Programs Expenditures and Funding

	<i>Actual 1975-76</i>	<i>Estimated 1976-77</i>	<i>Proposed 1977-78</i>	<i>1977-78 Change Amount Percent</i>	
Federal Funds:					
State Operations—Child Nutrition Act	\$344,244	\$1,451,264	\$1,348,919	—\$102,345	—7.1%
Local Assistance:					
School Lunch:					
General assistance	34,589,172	39,476,200	45,411,400	5,935,200	15.0
Special assistance to needy children	90,794,438	93,648,800	96,366,725	2,717,925	2.9
School breakfast	18,228,921	28,980,000	36,514,800	7,534,800	26.0
Special milk	10,147,988	12,754,277	15,501,464	2,747,187	21.5
Special food services:					
Year round	4,462,792	5,406,056	6,865,691	1,459,635	27.0
Summer	6,672,390	14,000,000	19,125,000	5,125,000	36.6
Nonfood assistance equipment..	2,223,112	4,000,000	5,000,000	1,000,000	25.0
Cash for commodities	2,141,079	—	—	—	—
Subtotal	169,259,892	198,265,333	224,785,080	26,519,747	13.4
Total—Federal Funds	\$169,604,136	\$199,716,597	\$226,133,999	\$26,417,402	13.2%
State Funds:					
State Operations:					
Food and nutrition services	\$570,551	\$555,861	\$587,590	\$31,729	5.7%
Child nutrition program:					
Projects	508,503	657,508	660,593 ^c	3,085	—
Administration	38,337	149,369	153,128 ^c	3,759	2.5
Subtotal	\$1,117,391	\$1,362,738	\$1,401,311	\$38,573	2.8%
Local Assistance:					
Basic Subsidy	14,858,400	23,900,000	29,171,714	5,271,714	22.1
Needy Subsidy	9,500,000 ^a	12,800,000 ^a	9,822,951	—2,977,049	—23.3
Subtotal	24,358,400	36,700,000	38,994,665 ^d	2,294,665	6.3
Total—State Funds	\$25,475,791	\$38,062,738	\$40,395,976	\$2,333,238	6.1%
Combined Totals:					
State Operations	\$1,461,635	\$2,814,002	\$2,750,230 ^b	\$—63,772	—2.3
Local Assistance	193,618,292	234,965,333	263,779,745	28,814,412	12.3
Total	\$195,079,927	\$237,779,335	\$266,529,975	\$28,750,640	12.1

^a Department of Education revised needy subsidy estimate for 1975-76—\$5,088,173 and for 1976-77—\$7,800,000.

^b Includes \$660,593 in Program I and \$34,207 in Program III.

^c Combined total—\$813,721, Budget Bill item 301(b).

^d Budget Bill item 296.

Data Needed

We recommend that the Department of Education develop and publish annually a statewide average needy subsidy per meal.

Table 55 does not include a statewide average needy subsidy per meal. These data are useful in (1) making yearly comparisons of statewide average per pupil expenditures for meals, (2) comparing the relationship of state and local contributions to school meals and (3) establishing the annual budget for this program. The Department of Education has not provided such an average because each district's subsidy is computed individually based on the estimated statewide average meal cost and the district's assessed valuation.

ADMINISTRATIVE SUPPORT SERVICES—Continued

Table 55

Subsidies per Meal for School Lunch and Breakfast Program

	July- December 1975	January- June 1976	July- December 1976	January- June 1977
Federal Subsidies				
School Lunch				
General Assistance	12¼¢	12½¢	13¢	13¼¢
Free.....	54½	56¼	58½	60
Reduced Price	44½	46¾	48½	50
School Breakfast				
General Assistance	9¼	10	10½	10¼
Free.....	24¼	25¼	26	26¾
Reduced Price	18¼	19	19½	20
Especially Needy				
Free.....	45	45	45	45
Reduced Price	40	40	40	40
State Subsidies	1974-75	1975-76	1976-77	1977-78
Basic	5¢	5.036¢	5.77¢	6.14¢
Needy	N/A	N/A	N/A	N/A

Because of relatively large increases in assessed valuations and because the statewide average meal cost has not increased as rapidly as projected, the statewide average needy subsidy per meal in 1975-76 (the first year of the program) is estimated to be about four cents (4¢) instead of seven cents (7¢) as had been projected. 1976-77 and 1977-78 subsidies are also expected to be proportionately lower.

PROGRAM III

DEPARTMENT MANAGEMENT AND SPECIAL SERVICES

This program consists of Department Management and Special Services. It includes the Superintendent of Public Instruction and his executive staff, program and administrative managers and their staffs, departmental support activities and special services provided the State Board of Education and various commissions and committees.

Table 56 summarizes expenditures and funding for these elements.

Table 56

Department Management and Special Services
Expenditures and Funding

Element	Actual 1975-76	Estimated 1976-77	Proposed 1977-78	1977-78 Change Amount	Percent
A. Department Management	\$7,457,666	\$8,309,603	\$8,097,896	\$-211,707	-2.5%
B. Special Services	430,734	527,371	562,284	34,913	6.6
Total	\$7,888,400	\$8,836,974	\$8,660,180	\$-176,794	-2.0%
State Operations					
General Fund.....	\$3,748,192	\$5,060,555	\$4,638,978	\$-421,577	-8.3%
Federal funds.....	3,203,133	2,775,763	3,031,539	254,776	9.2
Reimbursements	655,460	720,656	733,413	12,757	1.8
Subtotal	\$7,606,785	\$8,556,974	\$8,403,930	\$-153,044	-1.8%
Local Assistance					
Federal funds	\$281,615	\$280,000	\$256,250	\$-23,750	-8.5%

A. DEPARTMENT MANAGEMENT

The department management element is subdivided into executive, program management and management services components as shown in Table 57.

Table 57
Department Management Expenditures and Funding

<i>Component</i>	<i>Actual</i>	<i>Estimated</i>	<i>Proposed</i>	<i>1977-78 Change</i>	
	<i>1975-76</i>	<i>1976-77</i>	<i>1977-78</i>	<i>Amount</i>	<i>Percent</i>
1. Executive	\$7,036,301	\$6,884,921	\$6,845,504	\$-39,417	-1.0%
2. Program management—distributed as indirect costs.....	(1,563,614)	(1,790,969)	(1,851,758)	(60,789)	(3.4)
3. Management Services					
Undistributed	421,365	1,424,682	1,252,392	-172,290	-12.1
Distributed as indirect costs....	(3,314,831)	(3,835,956)	(4,016,912)	(180,956)	(4.7)
Distributed as service units	(2,303,022)	(2,950,545)	(3,069,312)	(118,767)	(4.0)
Total	\$7,457,666	\$8,309,603	\$8,097,896	\$-211,707	-2.5%
<i>General Fund</i>	<i>\$3,428,303</i>	<i>\$4,675,244</i>	<i>\$4,229,870</i>	<i>\$-445,374</i>	<i>-9.5</i>
<i>Federal funds</i>	<i>3,373,903</i>	<i>2,913,703</i>	<i>3,134,613</i>	<i>220,910</i>	<i>7.6</i>
<i>Reimbursements</i>	<i>655,460</i>	<i>720,656</i>	<i>733,413</i>	<i>12,757</i>	<i>1.8</i>
<i>Indirect Costs</i>	<i>(4,878,445)</i>	<i>(5,626,925)</i>	<i>(5,868,670)</i>	<i>(241,745)</i>	<i>(4.3)</i>
<i>Service Units</i>	<i>(2,303,022)</i>	<i>(2,950,545)</i>	<i>(3,069,312)</i>	<i>(118,767)</i>	<i>(4.0)</i>

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, educational information/dissemination (which includes media services and publications), student liaison, intergroup relations, and policy analysis and special projects.

Expenditures for this component are shown in Table 58.

Table 58
Expenditures for Executive Component

<i>Activity</i>	<i>Act.</i>	<i>Est.</i>	<i>Proposed</i>	<i>Act.</i>	<i>Est.</i>	<i>Proposed</i>
	<i>1975-76</i>	<i>1976-77</i>	<i>1977-78</i>	<i>1975-76</i>	<i>1976-77</i>	<i>1977-78</i>
a. Office of Superintendent and Chief Deputy	23	20.9	20.9	\$1,721,871	\$969,258	\$1,010,287
b. Deputy for Programs.....	9.6	9	9	303,508	317,979	330,283
c. Deputy for Administration.....	3	2.9	2.9	112,224	138,833	141,481
d. Governmental Affairs	6.3	6.6	6.6	176,745	188,432	195,773
e. Program Evaluation and Research:						
State Operations	60.7	67.7	67.7	2,992,421	3,720,255	3,443,513
Local Assistance.....	-	-	-	281,615	280,000	256,250
f. Legal Office	7.8	8.3	8.3	255,760	296,150	304,794
g. Office of Information/Program Dissemination	4	5	7.5	139,136	182,640	286,082
h. Special Projects and Policy Analyses.....	5	5	5	187,756	192,202	199,745
i. Intergroup Relations.....	17.6	15.7	17.8	852,451	599,172	677,296
j. Special Grants.....	-	-	-	12,814	-	-
Totals.....	136.2	141.1	145.2	\$7,036,301	\$6,884,921	\$6,845,504

DEPARTMENT MANAGEMENT AND SPECIAL SERVICES—Continued**A. Office of Program Evaluation and Research**

The Office of Program Evaluation and Research (OPER) is the Department of Education's centralized evaluation unit. Responsibilities of the office include (a) program evaluation, (b) the statewide testing program, and (c) the department's management information center. Funding of the office is summarized in Table 59.

Table 59
Funding of Office of Program Evaluation and Research

<i>Function</i>	<i>Actual 1975-76</i>	<i>Estimated 1976-77</i>	<i>Proposed 1977-78</i>
State Operations			
Program evaluation	\$1,872,414	\$2,580,940	\$2,265,486 ^a
Statewide testing.....	1,120,007	1,139,315	1,178,027
Management information center	(288,029) ^b	(338,919) ^b	(352,993) ^b
	(-) ^c	(4,000) ^c	(4,250) ^c
Subtotal	\$2,992,421	\$3,720,255	\$3,443,513
Local Assistance ^d	281,615	280,000	256,250
TOTAL	\$3,274,036	\$4,000,255	\$3,699,763

^a The total program evaluation component is less during 1977-78 than 1976-77. This is largely attributable to a number of one-time evaluation activities no longer funded during 1977-78. These include (a) an evaluation of the critical mass concept and (b) the development of a bilingual scholastic aptitude test.

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

^c Funding obtained through reimbursements from outside the department.

^d Funding of the Regional Evaluation Improvement Project.

Data from Nationally Used Tests in Statewide Testing Program

We recommend that the Department of Education present information annually in its statewide testing report describing performance of a representative sample of California students on a nationally standardized test in grades 3, 6 and 12.

California has recently developed its own instruments for statewide testing to replace nationally used tests of student achievement. These new instruments were developed to match the objectives of California's curriculum frameworks.

It is important that information be available on an annual basis concerning performance as measured not only by California's own tests but also by nationally used tests. This information should (a) allow for year-to-year comparisons on unchanging national instruments and (b) provide data describing performance of California students in relation to recent national norms. It should be presented separately for different ability levels within the state's student population (e.g., 25th, 50th, and 75th percentiles). Information based on annual testing of a small representative sam-

ple of California students or schools on national tests is necessary for policy makers to assess accurately the relationship between student achievement in California and elsewhere.

Our recommendation can be implemented largely by using data already collected in district testing programs throughout the state. Thus, the recommendation will require very little additional testing.

The costs of providing information annually concerning performance on national tests of reading at grade 3 and reading, language and mathematics at grades 6 and 12 can be financed through savings which should be realized in 1977-78 in the total evaluation budget as a result of Chapter 791, Statutes of 1976, which streamlined program evaluation requirements.

Annual Reporting of Testing Data in Relation to Financial and Educational Characteristics

We recommend that the Department of Education develop a consistent plan for annual reporting of statewide testing data by school and student characteristics.

The *Education Code* specifies that annual reports of the Statewide Testing program are to include an analysis of operational factors (demographic, financial, pupil, instructional, etc.) which relate to student performance. Although some information of this nature has been included in recent reports, we believe that considerably greater attention to this aspect of the Statewide Testing program is necessary to increase the utility of the program. In order to allow for meaningful analyses, some basic categories of financial and educational characteristics should remain constant in each annual report. Wherever possible, the definitions of reporting categories should parallel those used for program funding to ensure direct applicability to programmatic decisions.

It is important to note that data required to address our recommendation are already collected annually. Our recommendation would ensure greater utilization of this information through consistent reporting of educational inputs (e.g., patterns of expenditures, student body characteristics) as they relate to student achievement.

Policy Recommendations in Annual Reports

We recommend that annual reports of the Statewide Testing program contain (a) state-level policy recommendations and (b) a status report concerning implementation of recommendations made the previous year.

The primary purpose of the testing program is to provide information for use in allocating educational resources and designing effective educational programs (*Education Code*, Section 12821). To ensure that this is accomplished would require (a) reporting of test data by appropriate

DEPARTMENT MANAGEMENT AND SPECIAL SERVICES—Continued

categories as discussed above and (b) using statewide testing as a basis for targeting educational resources to high priority problem areas. To facilitate this process, the annual testing program report should include recommendations which relate findings of the program to specific state programs, services and policies.

Preparation of Adequate Technical Manual

We recommend that the Department of Education develop a technical manual which contains complete and updated technical information about each of the instruments used in the Statewide Testing program.

Although there are several documents which describe aspects of the new Statewide Testing program, complete information about all of California's new tests is not found in any combination of these documents or in any single, readily usable document. The absence of a technical manual presents serious problems to users of the test results, including school and district staff, and makes it extremely difficult for outsiders to assess the technical quality of the tests. We have been informed that department staff are working on the development of a technical manual. We believe the preparation and distribution of such a manual is long overdue and that this task should be accorded high priority by the department. The manual should be updated for distribution with new tests the department plans to develop for grades 2 and 3 in 1977-78.

Analysis of Secondary Schools' Achievement Patterns

We recommend legislation to authorize an independent evaluation of the relationship between secondary school achievement changes registered during the past several years and various school and student characteristics.

An important area in which statewide testing data might be used as a basis for designing effective educational programs concerns the marked decline found in recent years in twelfth grade reading, language and mathematics achievement (discussed previously in Program I). However, neither statewide testing data nor district testing program data have yet been used (a) to determine whether the achievement decline was found to be largely true of all California secondary schools or was greater among certain populations, or (b) to examine possible causes of the test score declines.

We believe a study of the relationship between secondary school and student characteristics and achievement changes can provide important information for policy decisions at both the state and local levels. The study should examine such factors as (a) student body composition, (b) course offerings and enrollments, (c) textbook and curriculum materials,

and (d) expenditure patterns as they relate to achievement changes. The study should be completed in approximately one year so that results will be available for policy decisions in the near future.

The study we are recommending would be similar to the Department of Education's School Effectiveness Study which examined the characteristics of unusually high-performing and low-performing elementary schools. However, unlike the School Effectiveness Study which has required over two and one-half years for completion, this study would be designed to allow for comprehensive analyses within a one-year period through the use of appropriate survey research methods.

Because the study would be an intensive, one-time effort, we believe it should be conducted by an independent evaluator. Preliminary estimates indicate that the study could be conducted through this procedure within a one-year period at a total cost of approximately \$150,000. We believe it appropriate that, as was the case with the School Effectiveness Study, this new research be funded by separate authorizing legislation.

B. Bureau of Intergroup Relations

The Bureau of Intergroup Relations performs a range of activities related to promoting intergroup relations and reducing friction and disruption in schools. Included in its responsibilities are the reduction of discrimination in the public schools and providing assistance to local school districts for implementing pupil desegregation programs. In addition, the bureau is the departmental unit responsible for the management of conflict and the prevention and reduction of school violence and vandalism.

Expenditures for this element were shown previously in Table 58.

Approaches for Reducing School Crime and Violence

We recommend that the Department of Education's Bureau of Intergroup Relations apply to the State Office of Criminal Justice Planning (OCJP) for a portion of federal crime prevention funds allocated to the state. These funds should be used for the development, evaluation and dissemination of innovative practices for reducing crime and violence in the schools.

Crime and violence have increased markedly in California's secondary schools in the past few years, particularly in large urban areas. This is reflected in escalating numbers of assaults against school personnel and students, rising property losses, and increasing numbers of teachers and students reporting fear of attending secondary schools. The costs associated with crime and violence in California's schools have been estimated at approximately \$50 million annually.

National surveys indicate the seriousness of problems associated with school crime and violence. In the 1974 annual Gallup Poll of Public Atti-

DEPARTMENT MANAGEMENT AND SPECIAL SERVICES—Continued

tudes Toward Education, 40 percent of the respondents reported that "stealing occurs a great deal" in their local schools, 41 percent said that "some stealing occurred", and only 18 percent estimated that "very little stealing goes on". In the 1975 survey, the number of respondents mentioning "crime" (vandalism, stealing, etc.) was great enough to place this problem among the top ten in the survey for the first time. Seven of the eight surveys conducted since 1969 have found the most frequently mentioned problem in public schools to be "lack of discipline."

In a National Education Association survey in 1973, 37 percent of the teachers surveyed reported that a teacher had been physically assaulted in their schools, a large increase over the figure for 1964. In school districts with enrollments over 25,000, almost 50 percent of the teachers responding were aware of specific assaults on teachers in their schools.

To deal with the problems of crime and violence in the schools, funding is needed to test a number of alternative programs. Law Enforcement Assistance Administration (LEAA) Federal Omnibus Crime Control and Safe Streets Act of 1968 (Safe Streets Act) funds administered through the state Office of Criminal Justice Planning (OCJP) could be used for this purpose. Approximately \$6 to \$8 million of these Safe Streets Act (Part C) funds are projected to be available during 1977-78 for allocation to state agencies, and the Department of Education could qualify for a portion of the funds.

The Bureau of Intergroup Relations has administered a project funded through OCJP in the past. The project was developed by the bureau in cooperation with a participant school district. It involved training a cadre of students in skills related to conflict management. The students were utilized as indigenous leaders to work with school personnel in the reduction of crime, violence and vandalism. The students were paid for their work in this project which was judged by OCJP to be worthy of consideration for continued support.

Additional funding to the bureau would allow for (a) extension of this initial project, (b) funding of additional demonstration projects such as this one, (c) evaluation and dissemination of information concerning a range of alternatives for dealing with school crime and violence, and/or (d) replication of exemplary approaches in other school districts. Consistent with the Safe Streets Act, these projects should involve a broad spectrum of juvenile justice agencies (e.g., courts, probation offices, police.).

We believe the department should submit an application to OCJP specifying proposed strategies at different levels of funding ranging from \$.5 million to \$1.5 million. In our discussion of the OCJP budget (Item 358), we have recommended that if determined to be sound, this project should be funded by OCJP at a level consistent with available resources.

Prototype Reporting Procedures

We recommend that the Department of Education develop and distribute to local education agencies prototype procedures for collecting and reporting statistical information concerning school crime and violence.

Because of inadequacies and variations among local education agencies in statistical reporting procedures, it is difficult to estimate accurately (a) the incidence and costs of school crime and violence and (b) trends in these areas. Thus, the Ad Hoc Committee on Management of Conflict and Crime in the Schools—an advisory group composed of leaders in the criminal justice and educational systems established to make recommendations to the Attorney General and Superintendent of Public Instruction—recommended that data collection concerning school crime be more systematic and consistent.

We believe the Department of Education should provide leadership to local education agencies in this area by making available to them prototype reporting procedures. These procedures should be developed in conjunction with the Bureau of Criminal Statistics in the Department of Justice to ensure compatibility with existing data collection procedures of law enforcement agencies.

It should be emphasized that the principal purposes of this prototype system would be (a) to reduce unnecessary duplication of effort by local education agencies which have chosen to develop reporting systems and (b) to promote state-level coordination of data collection consistent with procedures used in the criminal justice system. In addition, we believe it would be appropriate for use of this consistent reporting system to be required as a condition of receiving the LEAA funds discussed in the preceding recommendation.

Dissemination

We recommend that the Department of Education develop procedures for systematic dissemination of information to local education agencies about federal crime prevention funds for which they qualify.

Because federal crime prevention funds are administered through the criminal justice rather than education system, local education agencies lack information about funds for which they may qualify.

To address this problem, the Bureau of Intergroup Relations, in conjunction with the Department of Education's Office of Information/Program Dissemination, should coordinate systematic dissemination of information to education agencies about available crime prevention funds.

The significance of action in this area is underscored by two findings: (a) few education agencies in the state applied last year for available federal LEAA funds intended specifically to deal with crime and disruptive behavior in schools, and (b) additional LEAA funds to support juvenile justice and delinquency prevention projects which include emphases on both learning disabilities and alternative schools are expected to become available during 1977.

DEPARTMENT MANAGEMENT AND SPECIAL SERVICES—Continued**2. PROGRAM MANAGEMENT**

The program management component consists of (a) the Deputy Superintendent for Programs and his elementary, secondary, adult education and special programs and support activities managers and (b) the Deputy Superintendent for Administration and the management units, Division of Financial Resources and Distribution of Aid and Division of Administrative Services. Program management expenditures are distributed to all programs as indirect costs.

A. Departmental Reorganization

The Department of Education has recently shifted some key personnel and solidified its educational program organization. The changes include (1) the assignment of Compensatory Education to the Elementary Education Program Manager, (2) the assignment of Curriculum Services to Secondary Education, (3) the promotion of the Associate Superintendent for Education Support Services to Deputy Superintendent for Administration, (4) the movement of the Chief of Governmental Affairs to head the Serrano Equalization Planning Project, (5) the transfer of an executive assistant to the Superintendent to head the Support Services Unit in the Program Division, and (6) the creation of an Office of Data and Forms Control.

Chart A displays the overall organization of the department while Charts B and C reflect details of the two major divisions, Administration and Education Programs.

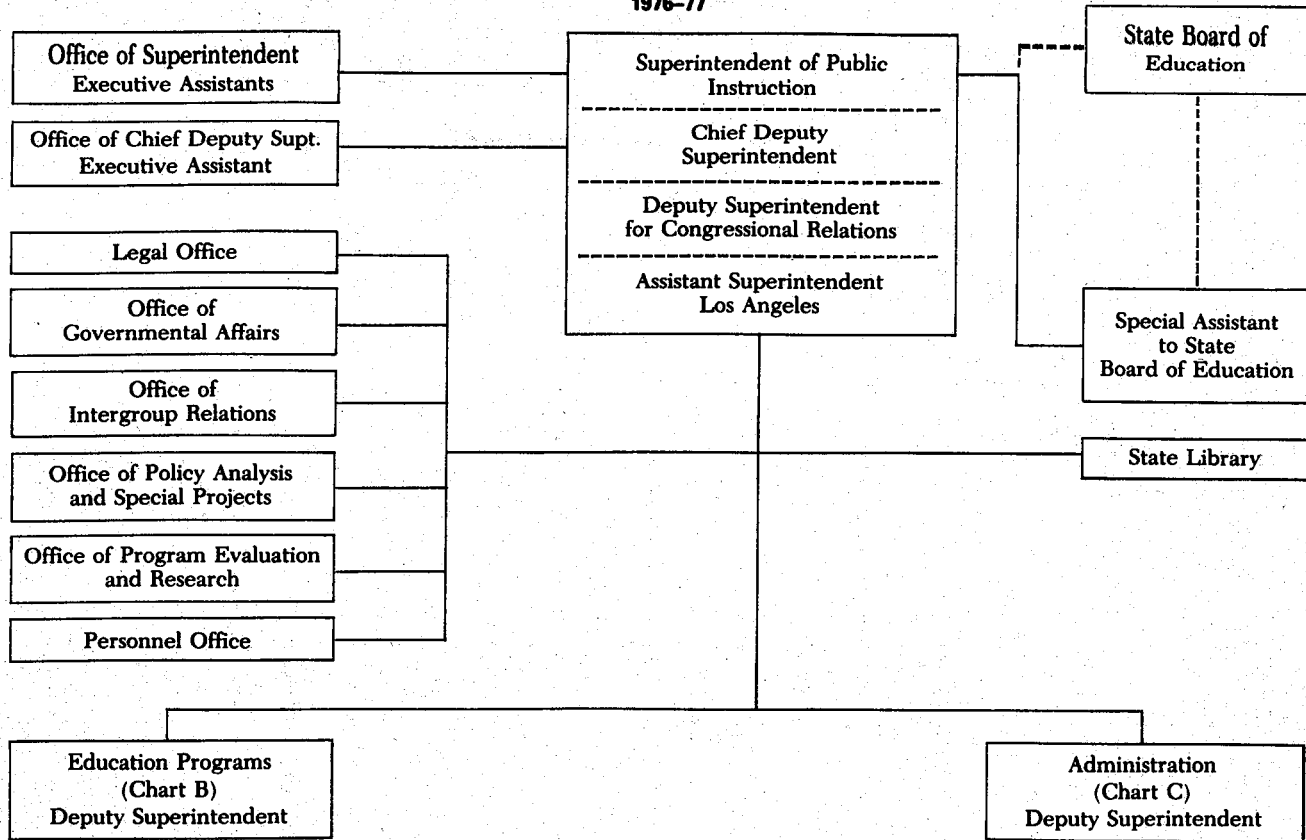
We believe that the Legislature should be apprised of these developments particularly in light of its past interest in the department's organization when matrix management was attempted in the Education Program's Division.

With several reservations, we believe that the organizational changes reflect realistic needs. First, it is our opinion that the Adult Education Program Management Unit (Chart B) needs additional responsibilities in order to justify an associate superintendent level position. There are only three activities in the unit, of which the Bureau of School Approvals employs 32 of the 58 positions in the unit and is a specialized autonomous fee and federally funded program.

In addition, it should be noted that numerous staff functions, such as the legal office and the Office of Program Evaluation and Research, report directly to the Chief Deputy Superintendent. We believe that this places a significant administrative burden on that office.

Chart A, which was prepared by the department, displays the Deputy Superintendent for Congressional Relations and the Assistant Superintendent, Los Angeles in the same management position as the Superintendent and Chief Deputy. However, this is misleading because these positions do not have management authority over either the Deputy for Programs or Deputy for Administration.

Chart A
Overall Department of Education Organization
1976-77



DEPARTMENT MANAGEMENT AND SPECIAL SERVICES—Continued

Chart B
Education Programs Division

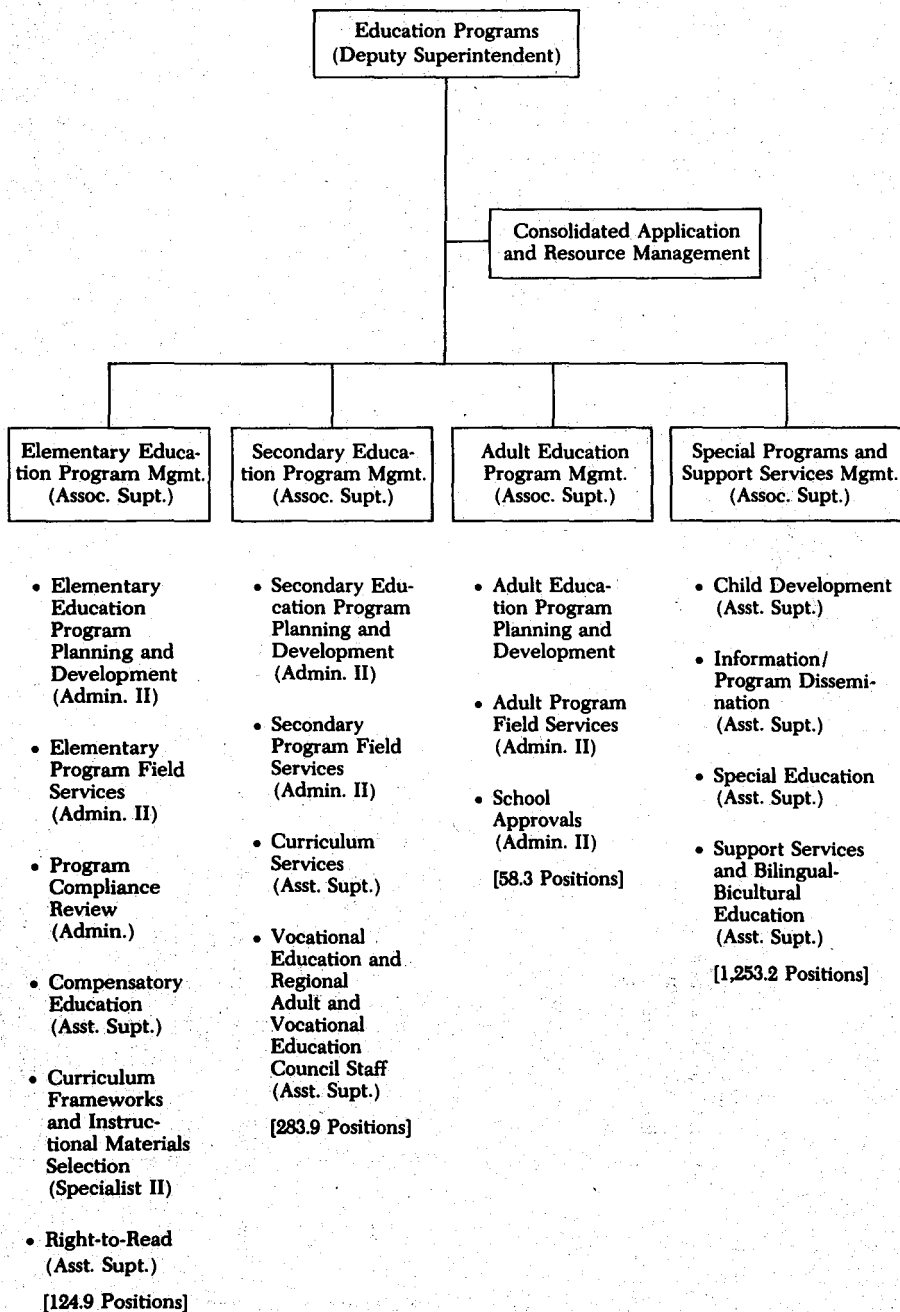
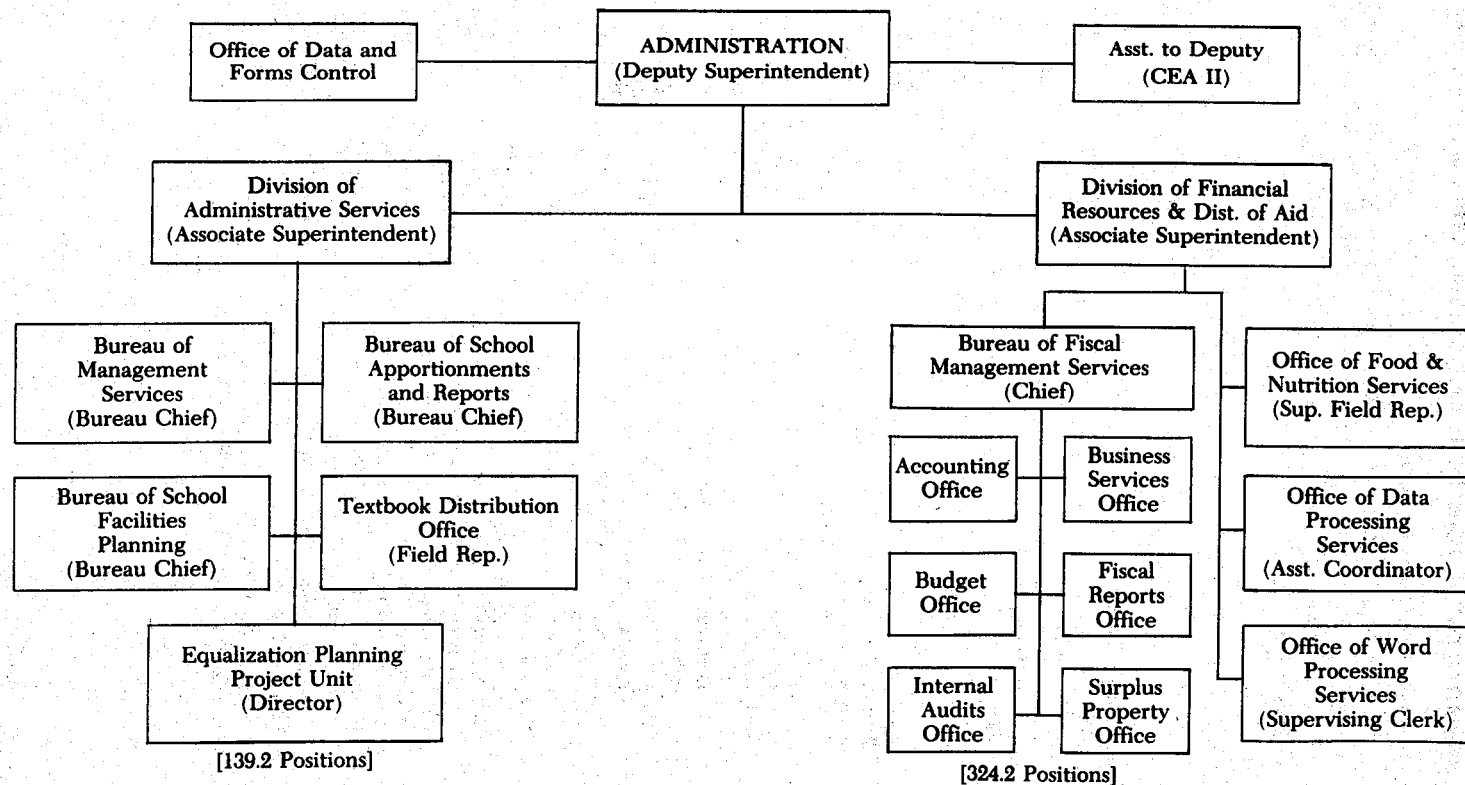


Chart C
Administration Division



DEPARTMENT MANAGEMENT AND SPECIAL SERVICES—Continued

B. 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." Expenditure of these funds is shown in Table 60.

Table 60
ESEA, Title V-IVC *

<i>Activity</i>	<i>Actual 1975-76</i>	<i>Estimated 1976-77</i>	<i>Proposed 1977-78</i>
Elementary Education:			
Planning	\$47,058	\$55,373	\$56,824
Field Services	320,557	435,454	449,268
Curriculum Frameworks	46,420	57,227	58,690
Secondary Education:			
Planning	87,779	140,291	144,757
Field Services	129,163	170,005	176,768
Career Education	182,339	192,146	152,959
Adult Education:			
Planning	155,851	212,179	173,525
Special Programs and Support Services:			
Planning	150,145	198,389	204,170
Nonpublic Schools Liaison	50,765	60,697	63,661
Genetic Disorders	55,719	—	—
Gifted and Talented	48,985	54,979	56,435
Continuous Learning	74,588	56,089	—
Environmental Education Co-op	10,152	—	—
Innovation and Planning Commission	—	5,117	5,625
Administrative Support Services:			
School District Management Assistance Teams	402,067	480,936	416,980
Department Management and Special Services:			
Labor, Industry, and Education Liaison	189	6,000	6,000
Student Liaison	33,682	42,902	45,798
Program Evaluation—Administration	376,684	525,781	481,502
State Assessment	371,843	378,950	386,742
Policy Analysis and Special Projects	187,756	192,202	199,745
EDP Information Systems	171,590	168,539	173,976
Mexican-American Advisory Commission	62,602	72,892	75,933
Regional Evaluation Improvement Centers	366,558	385,949	354,618
Deputy Superintendent for Programs	31,202	48,635	51,545
American Indian Education Centers Evaluation	13,644	—	—
Consolidated Grants Management	12,814	—	—
Executive Staff Assistants	34,648	111,241	115,382
Total Expenditures, ESEA V-IVC	\$3,424,800	\$4,051,973	\$3,850,903
Add planned carryover	1,922,154	1,262,869	804,654
Total Available, ESEA V-IVC	\$5,346,954	\$5,314,842	\$4,655,557

* Includes ESEA V-IVC, Sections 503(a), 503(c) and 505.

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 component is divided into indirect cost units and service units. Indirect cost units are departmental activities that support and are distributed to all programs on the basis of direct labor costs incurred. Service units are departmental activities that provide direct services to all programs but are centralized to provide greater efficiency and avoid duplication. Service units bill at established rates to offset the cost.

Table 61 summarizes expenditures of indirect cost units.

Table 61
Distributed Costs: Indirect Cost Units

<i>Activity</i>	<i>Actual 1975-76</i>	<i>Estimated 1976-77</i>	<i>Proposed 1977-78</i>
Department Management:			
Fiscal Management Services.....	\$53,795	\$64,229	\$65,666
Budget Office	240,183	267,676	273,962
Fiscal Reports Office.....	200,606	352,959	367,679
Accounting Office	1,151,717	1,282,049	1,321,139
Business Services Office	404,505	480,437	498,678
Internal Audit Office	57,067	94,699	97,714
Personnel and Training Office.....	306,219	368,402	381,626
Management Analysis Office	127,418	155,505	160,448
Division Management:			
Financial Resources and Distribution of Aid	63,210	72,261	73,902
Administrative Services	59,648	69,515	71,526
Elementary Education	101,333	90,247	93,026
Secondary Education	103,186	96,204	98,694
Adult Education	86,240	84,818	87,447
State Library	400,860	434,353	453,437
Special Programs and Support Services.....	90,123	117,247	121,544
Group Management:			
Planning and Federal Administration	60,382	68,440	70,561
Child Development.....	49,739	94,748	99,330
Special Education.....	128,632	147,542	151,751
State Special Schools.....	93,175	110,761	115,110
Compensatory Education.....	124,280	85,645	88,216
Curriculum Services	76,024	94,810	97,889
Vocational Education	126,782	224,378	229,325
Totals, Departmental Management	\$4,105,124	\$4,856,925	\$5,018,670
Statewide cost allocation	773,321	770,000	850,000
Totals, Indirect Costs	4,878,445	5,626,925	5,868,670
Less distribution to programs	-4,878,445	-5,626,925	-5,868,670
Net.....	—	—	—

DEPARTMENT MANAGEMENT AND SPECIAL SERVICES—Continued

Table 62 summarizes expenditures of service units.

Table 62
Distributed Costs: Service Units

<i>Activity</i>	<i>Actual 1975-76</i>	<i>Estimated 1976-77</i>	<i>Proposed 1977-78</i>
Publications Office.....	\$498,445	\$511,395	\$525,236
Publications Distribution	-	204,795	211,958
CDS File, Public and Private School Directories	-	72,923	81,113
Copyright Services.....	-	18,290	19,372
Media Services	116,407	194,960	205,710
EDP Management.....	83,136	88,754	91,409
Duplicating Services	479,464	415,886	437,889
Word Processing Center	173,899	199,306	205,261
Management Information Center	288,029	338,919	352,993
Consolidated Application and Resources Management	530,699	661,355	689,874
Systems and Program Support	132,943	243,962	248,497
Totals, Service Unit Costs	\$2,303,022	\$2,950,545	\$3,069,312
Less user charges	-2,303,022	-2,950,545	-3,069,312
Net	-	-	-

Procedures Needed

We recommend that the Department of Education develop written procedures for review of school district annual audits conducted pursuant to Education Code, Section 17206 and for follow-up of audit exceptions.

Section 17206 of the *Education Code* requires (a) independent, annual audits to be conducted of all funds managed by school districts and county superintendents of schools and (b) the Superintendent of Public Instruction to "make any adjustments necessary in future apportionments of state funds, to correct any discrepancies revealed by such audit reports. . . ." The Department of Finance has prepared guidelines for these audits. Each audit is forwarded to the respective school board and also to the State Department of Education.

However, the Department of Education is not fulfilling its responsibilities in that it has not systematically reviewed these audit reports or followed up on audit exceptions which might involve adjustments in state apportionments. We are concerned about this possible loss of state funds. The department has initiated a review of this process and its review of 1973-74 audits disclosed that over 3,000 audit exceptions were found by audit firms, including many cases involving average daily attendance (ADA), upon which state support is based.

We believe the department should develop procedures to ensure that (1) audits are conducted according to Department of Finance guidelines, (2) audit exceptions are identified and corrective action taken, and (3) adjustments are made as required by *Education Code*, Section 17206.

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, and (4) 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>1977-78 Change</i>	
	<i>1975-76</i>	<i>1976-77</i>	<i>1977-78</i>	<i>Amount</i>	<i>Percent</i>
State Board of Education	\$132,218	\$159,581	\$169,866	\$10,285	6.4%
Education Commission of the States	40,491	35,000	35,000	-	-
Advisory commissions and committees	248,263	321,190	344,865	23,675	7.4
Council for Private Postsecondary Education	9,762	11,600	12,553	953	8.2
Total	\$430,734	\$527,371	\$562,284	\$34,913	6.6%
<i>General Fund</i>	<i>\$319,889</i>	<i>\$385,311</i>	<i>\$409,108</i>	<i>\$23,797</i>	<i>6.2%</i>
<i>Federal funds</i>	<i>110,845</i>	<i>142,060</i>	<i>153,176</i>	<i>11,116</i>	<i>7.8</i>

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 64.

Table 64
Expenditures and Funding of
Library Services

<i>Element</i>	<i>1975-76</i>	<i>1976-77</i>	<i>1977-78</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
a. Reference for Legislature	\$413,608	\$430,931	\$473,126	\$42,195	9.8%
b. Statewide Library Support	7,556,021	7,336,315	6,285,955	-1,050,360	-14.3
c. Special Services	463,117	775,836	624,951	-150,885	-19.4
d. State Library Support Services	1,973,329	2,149,253	2,308,321	159,068	7.4
Total	\$10,406,075	\$10,692,335	\$9,692,353	\$-999,982	-9.4%
<i>State Operations</i>					
<i>General Fund</i>	<i>\$3,293,639</i>	<i>\$3,884,325</i>	<i>\$4,034,781</i>	<i>\$150,456</i>	<i>3.8%</i>
<i>Federal funds</i>	<i>919,210</i>	<i>961,393</i>	<i>993,303</i>	<i>31,910</i>	<i>3.3</i>
<i>Reimbursements</i>	<i>27,570</i>	<i>44,039</i>	<i>21,000</i>	<i>-23,039</i>	<i>-47.4</i>
Subtotal	\$4,240,419	\$4,889,757	\$5,049,084	\$159,327	3.3%
<i>Local Assistance</i>					
<i>General Fund</i>	<i>\$1,000,000</i>	<i>\$1,000,000</i>	<i>\$1,000,000</i>	<i>0</i>	<i>0</i>
<i>Federal funds</i>	<i>5,165,656</i>	<i>4,802,578</i>	<i>3,643,269</i>	<i>-1,159,309</i>	<i>-24.1</i>
Subtotal	\$6,165,656	\$5,802,578	\$4,643,269	\$-1,159,309	-20.0%

LIBRARY SERVICES—Continued

The 1977-78 budget includes the following augmentations:

(1) \$34,785 for one librarian and clerk-typist in the Legislative Reference section to process additional information requests, (2) \$41,000 for the preparation of a list of California state publications as provided by Chapter 1038, Statutes of 1976 (AB 3539), (3) \$25,000 to conduct a pilot project in the restoration of historical materials, (4) \$22,930 for two clerks in the Law Library.

In addition, the State Library expects a one-time grant of \$385,946 in special federal funds under the Public Works Employment Act, Title II (PL 94-369) which it will use to reduce backlogs in cataloging, and in the processing of historical materials.

CALIFORNIA ADVISORY COUNCIL ON VOCATIONAL EDUCATION AND TECHNICAL TRAINING

Item 307 from the General
Fund

Budget p. 800

Requested 1977-78	\$55,587
Estimated 1976-77	65,660
Actual 1975-76	99,933
Requested decrease \$10,073 (15.4 percent)	
Total recommended reduction/increase	None

GENERAL PROGRAM STATEMENT

The Advisory Council is composed of 30 members and a staff of five professionals who (1) advise the State Board of Education and the Board of Governors of the Community Colleges in the development and administration of state vocational plans, (2) prepare an annual evaluation report of vocational education programs statewide, and (3) investigate important elements of vocational education in the state and make recommendations for improvement.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

Table 1 presents a summary of funding for the council. It shows that the council will be almost 80 percent federally funded in the budget year.

In the current year, the council has published a variety of special reports in addition to the annual evaluation required by law. The subjects of these reports include (1) an analysis of the delivery system of vocational education programs in San Diego County, (2) a review of a community-based Youth Employment Service, and (3) a review of the development and management of manpower information in California.

Table 1
Funding for Advisory Council

	<i>Actual 1975-76</i>	<i>Estimated 1976-77</i>	<i>Proposed 1977-78</i>
Federal funds	\$99,932	\$197,916	\$204,105
General Fund	99,933	65,660	55,587
	<u>\$199,865</u>	<u>\$263,576</u>	<u>\$259,692</u>

CONTRIBUTIONS TO THE TEACHERS' RETIREMENT FUND

Item 308 from the General
Fund

Budget p. 801

Requested 1977-78	\$144,300,000
Estimated 1976-77	144,300,000
Actual 1975-76	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

CONTRIBUTIONS TO THE TEACHERS' RETIREMENT FUND—Continued

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.

ANALYSIS AND RECOMMENDATIONS*We recommend approval.*

This statutorily required \$144.3 million annual appropriation is essential for the full funding of specified retirees' benefits for which the state has accepted funding responsibility.

State Contribution Raised

Effective July 1, 1976, Chapter 323, as amended by Chapter 991, Statutes of 1976, provided a one-time increase in pension benefits on the first \$300 of the monthly allowances of State Teachers' Retirement System (STRS) retirees, disabilitants and their beneficiaries with a minimum 20 years of credited service. The increase ranged from 3 percent to 9 percent, depending on the effective date of retirement. To actuarially fund this increase requires annual state General Fund contributions of \$9.3 million for the next 26 years. Therefore, starting July 1, 1976, the new total state General Fund contribution for this program is raised from \$135 million to \$144.3 million per year for the next 26 years.

Chapter 1418, Statutes of 1976, (SB 80) provided for a one-time (1976-77) General Fund appropriation of \$33,100 to pay the additional benefit-costs for two STRS retirees with specified reinstated service credit.

Unfunded Liability Keeps Growing

Our 1976-77 Analysis outlined briefly the reasons for the system's unfunded liability and why it has been increasing in recent years. We expressed concern over the potential, long-term fiscal crisis this problem could lead to if not checked or corrected. We suggested consideration of corrective legislation, if the new actuarial valuation, due November 1976, showed continued growth in the level of unfunded liability.

The new valuation indicates that the system's unfunded liability grew from \$5.3 billion in 1973 to \$7.6 billion as of June 30, 1975.

The actuarial valuation estimated that the following contribution rates would be required to amortize the unfunded liability through various time periods, as shown in Table 1.

Table 1
Suggested Rates and Time Periods to Amortize the Unfunded Liability

Rates (percent of payroll)	Funding Period				
	Infinite ^a	100 Years	50 Years	40 Years	30 Years
Total rate required	21.19%	21.89%	23.72%	24.75%	26.55%
Existing rate ^b	16.00	16.00	16.00	16.00	16.00
Additional rate required	5.19	5.89	7.72	8.75	10.55

^a Unfunded obligation would grow in proportion to payroll.

^b Actually, this rate is phased in at 0.8 percent annually and will not reach the full 16 percent until 1978-79. In 1976-77, it is at 14.4 percent.

The valuation report suggests amortization of the unfunded liability over a 40-year period while a recently published report by the California Taxpayers Association called for full funding in 30 years. Another suggestion would hold the unfunded liability constant, without amortizing it. However, any of these proposals would require a substantial increase in the existing contribution rate, as shown in Table 1.

Stop-gap Funding Proposed

Publication of the actuarial valuation in November 1976, initiated a dialogue in state government on potential courses of action to be taken regarding the problem of growing unfunded liability. Considering the substantial cost of amortizing the unfunded liability, the administration is proposing a minimum program designed to slow down the growth of, but not to amortize, the unfunded liability. This program, included in the recently published New State School Program (NSSP) to meet the *Serrano* decision, will be reviewed in detail in our supplemental analysis on this issue which will be published later.

Need for Funding Solution

We believe that legislation directed toward solving the STRS funding problems should be given high priority this year. If we continue to defer these problems, the costs of correcting them in the future may be prohibitive. We believe such legislation should include the following policy concepts:

1. *Amortization of the unfunded liability.* We believe that it is necessary to begin amortizing the unfunded liability in the Teachers' Retirement Fund. Because of the significant costs involved, the time period for amortization would have to be long. Pursuant to estimates in the new valuation report, amortization of the unfunded liability over a 40-year period would require a total contribution rate of 24.75 percent or an increase of 8.75 percent, which is about a 50 percent increase over the prevailing rate.

2. *Increased funding should come from employer-employee contributions.*

It has been our long-standing belief that the primary funding responsibility for benefits in excess of employee contributions belongs to the school districts as employers. In addition, these benefits in excess of employee contributions are part of the total compensation granted employees and should be paid from the same sources that pay salaries.

3. *The state should not fund directly the retirement costs.*

Any substantial increase in employer contributions may require some financial assistance from the state. Such assistance should not be a direct payment to the Teachers' Retirement Fund but, instead, should be channeled to the districts through the apportionment process. Because retirement costs increase proportionately to salary costs, and local districts make salary decisions, we see no reason to separate the funding sources for these costs.

COMMISSION FOR TEACHER PREPARATION AND LICENSING

Item 309 from the Teacher Credentials Fund

Budget p. 807

Requested 1977-78	\$2,805,867
Estimated 1976-77	2,632,383
Actual 1975-76	2,179,095
Requested increase \$173,484 (6.5 percent)	
Total recommended reduction	\$45,815

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONSAnalysis
page

1. *Staff Counsel.* Delete \$8,085 from Teacher Credentials Fund. Recommend reclassification of staff counsel position to certification analyst. 773
2. *Licensing Workload.* Delete \$37,730 from the Teacher Credentials Fund. Recommend elimination of 1.5 temporary analyst positions (\$20,000) and one certification analyst position (\$17,730). Recommend two additional certification analyst positions be limited term, one year only. 774
3. *Bilingual Teacher Assessment.* Recommend legislation to transfer support of bilingual teacher assessment program from General Fund to Teacher Credentials Fund. 775
4. *Child Care.* Recommend the commission by November 15, 1977 (a) review initial level professional programs and certificates for child care instructional staff and (b) establish procedures for certifying such training as adequate preparation for an instructional position in publicly subsidized child care centers. 776

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.

ANALYSIS AND RECOMMENDATIONS

Table 1 summarizes expenditures and funding sources for the functions of the commission. The budget request is for \$2,805,867, a 6.5 percent increase over the current year.

Application Backlog

Funding for the commission's ongoing programs is provided through fees paid by applicants. Consequently, it is of fundamental importance that the commission's services be provided in an efficient and timely

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

	Actual 1975-76	Estimated 1976-77	Proposed 1977-78	Change Amount	Percent
a. Approved Programs	\$324,654	\$494,843	\$580,072	\$85,229	17.2%
b. Examinations and Evaluations	192,435	305,244	327,071	21,827	7.2
c. Licensing	1,280,358	1,491,010 ^a	1,579,781 ^a	88,771	5.9
d. Professional Standards	392,384	391,769	418,943	27,174	6.9
e. Teacher Evaluation Study	807,224	1,107,034	742,632	-364,402	-32.9
f. Administration	(579,088)	(733,432)	(785,049)	(51,617)	(7.0)
Totals	\$2,997,055	\$3,789,900	\$3,648,499	-\$141,401	-3.7%
Teacher Credentials Fund	\$2,179,095	\$2,632,383	\$2,805,867	\$173,484	6.6%
Federal funds	807,224	1,107,034 ^a	742,632 ^a	-364,402	-32.9
General Fund	888	50,483	100,000	49,517	98.1
Reimbursements	9,848	-	-	-	-
Personnel-years	98.6	107	110.5	3.5	3.2%

^a Does not include a total of \$92,347 in federal funds (Public Works Employment Act, Title II), split between 1976-77 and 1977-78.

manner. However, this has clearly not been the case with the processing of credentials applications. Table 2 summarizes the actual workload of the licensing unit from 1972-73 through 1975-76.

Table 2
Credentials Applications Workload, 1972-73 through 1975-76

	1972-73	1973-74	1974-75	1975-76	1976
Applications Received	122,731 ^a	110,952	121,737	120,361	
Applications Processed	115,526	98,445	124,125	106,735	
Unprocessed Applications (end of fiscal year)	7,205	19,712	17,324	30,950	

^a Includes 12,787 unprocessed applications carried over from 1971-72.

As the table indicates, there was a total of 30,950 unprocessed applications as of June 30, 1976. This resulted in a turnaround time of almost 120 days which is the legal maximum. This backlog has interrelated implications for three issues discussed separately below: (a) reclassification of a certification analyst position to staff legal counsel, (b) receipt of federal funds to reduce the backlog and (c) additional state supported positions in the 1977-78 budget to reduce backlog.

a) Questionable Priorities.

We recommend that the staff counsel I position administratively established in 1976-77 be reclassified to a certification analyst II for a savings of \$8,085 to the Teacher Credentials Fund.

During the 1974-75 fiscal year a legal counsel position was administratively established to assist the commission in the implementation of the Ryan Act. Although the position was for one year only, the commission requested the continuation of the position in the 1975-76 budget on a separate basis. This request was rejected by the Legislature and the position was terminated at the end of the 1974-75 fiscal year.

COMMISSION FOR TEACHER PREPARATION AND LICENSING—Continued

During 1976-77, the Department of Finance again authorized the administrative establishment of a legal counsel position. This was accomplished by permitting the reclassification of a vacant certification analyst II position in the Licensing Unit to a staff counsel position. This action was taken despite the existence of a substantial backlog of credential applications in the Licensing Unit (discussed above) for which the commission has requested and received augmentation in both fiscal years 1976-77 and 1977-78. The staff counsel position is proposed for continuation in the 1977-78 Governor's Budget.

We question both the method by which the staff counsel position was created and the priorities of the commission and the Department of Finance in reclassifying a needed position (certification analyst) to establish the legal position.

We believe the commission should assign a high priority to reducing the credential backlog to a manageable level. We also believe that in view of previous legislative action, the staff counsel position should be justified on its own merits during the budget hearings. Consequently, we recommend that the staff counsel I position be reclassified to a certification analyst II position. Because the staff counsel position has a higher salary range than the certification analyst, the reclassification would result in a savings of \$8,085 to the Teacher Credential Funds in 1977-78. This reclassification will also result in the reduction of one of three additional certification analyst positions proposed in the 1977-78 Governor's Budget (discussed separately under c below).

b) Public Works Employment Act of 1976.

The commission has received \$92,347 through the federal Public Works Employment Act, Title II (PL 94-369) to reduce partially the backlog of teacher credential applications. According to the commission, the funds will be used to hire five certification officer II's for a twelve month period (January 1977 through December 1977). The five positions will be eliminated at the end of the 12 months although the analysts will have the opportunity to move into presently funded positions if they become vacant during the 12 month project.

The funds are shown in the Governor's Budget in the Employment Development Department, but were not considered in the decision to increase support for the Licensing Unit (discussed below).

c) Unnecessary Augmentation.

OK a. necessary
closed positions
We recommend the elimination of 1.5 temporary analyst positions (\$20,000) and one certification officer II position (\$17,730). We further recommend that the remaining two additional certification officer II positions be for a one year limited term only.

The 1977-78 Governor's Budget provides (a) \$20,000 for 1.5 limited term temporary help positions to reduce the backlog of licensing applications and (b) three certification officer II positions for ongoing workload. Both of these decisions were made prior to the approval of \$92,347 in federal funds discussed above.

Table 3 compares the estimated workload level of the Licensing Unit as

3 a.o. to test
2 missing
2 closed
1.5 limited term

budgeted with the workload as augmented by the federal funds.

Table 3

Estimated Credential Applications Workload, 1975-76 through 1977-78

	1975-76	1976-77 As Budgeted/ Plus Federal Augmentation	1977-78 As Budgeted/ Plus Federal Augmentation
Applications received	137,685 *	121,470/121,470	110,000/110,000
Applications processed	106,735	107,500/120,000	117,500/130,000
Unprocessed applications (end of fiscal year)	30,950	44,920/32,420	37,420/12,420

* Includes 17,324 unprocessed applications carried over from 1974-75.

As Table 3 indicates, the level of support proposed in the 1977-78 Governor's Budget would result in a total of 37,420 unprocessed applications as of June 30, 1978. With the additional support provided from the federal funds, this figure will be reduced by 25,000 to a total of 12,420. This total may be reduced even more due to the final implementation of the Ryan Act (September 15, 1976) which should substantially reduce the number of applications received.

While we support the necessity to reduce the number of unprocessed applications to a reasonable level, a reduction of this magnitude is more than sufficient. Because of the unanticipated addition of federal funds, we believe the \$20,000 augmentation for 1.5 positions proposed in the Governor's Budget for backlog is no longer necessary and should be eliminated. Under our recommendation, we estimate the turnaround time would be reduced from almost 120 days to around 60 days.

After reviewing the estimated ongoing workload data provided by the commission, we support the need for the three additional certification officer II positions proposed in the budget. However, based upon our recommendation to reclassify the existing staff counsel position to a certification officer, we are recommending that the augmentation be reduced by one position for a savings of \$17,730 to the Teacher Credentials Fund. We also believe that the remaining two positions should be limited term one year only in anticipation of a reduction of applications received resulting from the final implementation of the Ryan Act.

Bilingual Teacher Assessment

We recommend that legislation be enacted to transfer support of the bilingual teacher assessment program from the General Fund to the Teacher Credentials Fund.

Chapter 984, Statutes of 1976, (AB 3339) requires the commission to (a) grant certificates of bilingual cross-cultural competence, (b) set certain minimum requirements for qualifications, and (c) develop an assessment program to determine the competence of bilingual cross-cultural teachers. Chapter 978, Statutes of 1976, (AB 1329) provided \$150,000 from the General Fund (\$50,000 in 1976-77 and \$100,000 for 1977-78) to support the assessment program. *Major cost will be assessment program.*

The assessment program is directed at an apparent shortage of bilingual teachers among a general surplus of teachers. Once developed, the pro-

Save as a bilingual assessment program

COMMISSION FOR TEACHER PREPARATION AND LICENSING—Continued

gram will provide a means for using the language skills of existing teachers to meet an immediate need rather than waiting for new bilingual teachers presently in training.

While we encourage the development of an assessment program, we do not believe it should be supported from the General Fund. The normal operating expenses of the commission are funded almost entirely from the Teacher Credentials Fund. Included in these expenses are functions similar to the assessment program such as the development of single and multi-subject examinations. We are aware of no special circumstances which justify support for the assessment program from other than the Teacher Credentials Fund.

This support would not place an unusual burden on that fund. Over a three-year period, it has shown an accumulated surplus as follows:

<i>Actual</i>	<i>Estimated</i>	<i>Proposed</i>
<i>1975-76</i>	<i>1976-77</i>	<i>1977-78</i>
\$1,994,634	\$1,832,251	\$1,376,384

In light of the existing surplus in the Teacher Credentials Fund and the fact that all other state supported activities within the Commission for Teacher Preparation and Licensing are supported from that fund, we believe support for the assessment program should be changed from the General Fund to the Teacher Credentials Fund for 1977-78. This change, which requires new legislation, would result in a savings of \$100,000 to the General Fund and an increased expenditure of \$100,000 to the Teacher Credentials Fund.

Child Care

We recommend that by November 15, 1977 the Commission for Teacher Preparation and Licensing (a) review the federal Child Development Associate and other initial level professional programs and certificates for child care instructional staff and (b) establish procedures for certifying such training as adequate preparation for an instructional position in publicly subsidized child care centers. c) Give room

In order to promote efficient patterns of staffing in child development programs, the federal government has developed an "associate level" certification procedure for initial level child care instructional personnel. Under this associate program, individuals with appropriate training and demonstrated competence receive a Child Development Associate (CDA) certificate intended to qualify them to serve as instructional staff in a child care setting that allows for close contact with more trained and experienced staff members.

Provisions do not exist for recognition of the CDA in California's children's center permit certification system. This is the principal system designed to certify instructional staff for subsidized child care centers in the state. Neither do provisions exist within the children's center permit structure for recognition of a wide range of initial level training experiences.

We believe it is essential that flexible procedure be established to recognize a broad range of well-qualified personnel as initial level instructional

ETC. request

staff in child care programs.

In particular, our analyses indicate that an "associate" category should be established within the children's center permit which recognizes appropriate initial level training (e.g., CDA, associate degrees, other satisfactory academic and field training in early childhood education) as part of a defined sequence of steps toward a full instructional permit. The "associate" category should be more inclusive than the current "postponement of requirements" category intended for individuals who do not qualify for a full instructional permit. It should enable individuals to serve as instructional staff under supervision in child care centers.

This issue is particularly important in view of the high cost of subsidized child care in California. Heavy reliance in many subsidized centers on personnel having extensive formal training and receiving relatively high salaries is one of the principal reasons for these high costs.

However, numerous studies in California and elsewhere have found consistently that staff varying widely in formal training and degree status—including staff with little traditional academic training—provide quality child care. In view of this finding, we believe the commission should study the issue of broadening recognized procedures for qualifying initial level instructional personnel for subsidized child care centers, with particular emphasis on the establishment of an "associate" category within the children's center permit certification system.

POSTSECONDARY EDUCATION

	<i>Page</i>
General Statement	777
California Postsecondary Education Commission (Item 310)	785
University of California (Items 311-322)	788
Hastings College of Law (Item 323)	855
California State University and Colleges (Item 324)	859
California Maritime Academy (Item 325)	907
Board of Governors of the California Community Colleges (Items 326-328)	909
Student Aid Commission (Items 329-332)	920

POSTSECONDARY EDUCATION GENERAL STATEMENT

Postsecondary education consists of formal instruction, research, public service, and other learning opportunities offered by educational institutions which are eligible for state fiscal support or which 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 presents data which relate 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.