

K-12 EDUCATION

	<i>Analysis Page</i>
Department of Education.....	848
Budget Bill Items	849
Summary of Major Issues and Recommendations	850
Total K-12 Revenues and Expenditures	853
Significant Program Changes.....	859
I. Local Assistance Expenditures	
A. General Education Program	861
General School Support Issues	861
State Teachers Retirement	865
Pupil Transportation	866
Capital Outlay	866
Urban Impact Aid	866
B. Categorical Education Programs	872
Educationally Disadvantaged Youth	874
Bilingual-Bicultural Education	896
Mentally Gifted Minors.....	911
Special Education	914
School Improvement Program	929
Miller-Unruh Reading Program	934
Instructional Television.....	935
Staff Development	936
Driver Training.....	937
Adult Education	939
Vocational Education.....	942
C. Child Development, Child Nutrition and Other Services.....	945
Child Care	945
Preschool.....	951
Child Nutrition	953
D. Legislative Mandates.....	957
II. State Operations	957
Department of Education	960
Program Evaluation.....	963
Curriculum Services	971
Textbooks	974
State Library Services	977

DEPARTMENT OF EDUCATION

Items 307-341 from various
funds

Budget p. 845

Requested 1979-80	\$3,615,666,196
Estimated 1978-79.....	3,452,422,041
Actual 1977-78	3,011,752,814
Requested increase \$163,244,155 (4.7 percent)	
Total recommended reduction	\$63,694,922

1979-80 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
307	General Activities	General	\$22,639,134
308	Nutrition Program Administration.....	General	840,050
309	Driver Training (Farm)	General	109,801
310	Administration of High School Proficiency Exam.....	General	240,059
311	School Facilities Planning.....	State School Building Aid	190,044
312	Educational Agency for Surplus Property	Surplus Property Revolving	29,054,957
313	Special Schools.....	General	20,429,028
314	State Library (Administration)	General	5,301,198
315	School Improvement Program	General	115,207,000
316	Staff Development	General	945,000
317	Conservation Education	California Environmental Protection Program	331,423
318	Economic Impact Aid Program	General	124,051,882
319	Urban Impact Aid Program	General	44,065,800
320	Compensatory Education Programs	General	3,736,818
321	Miller-Unruh Reading Program	General	14,005,317
322	Migrant Education	Federal	39,276,894
323	Master Plan for Special Education.....	General	149,404,143
324	Sheltered Workshops	General	190,800
325	Development Centers for the Handicapped	General	10,956,380
326	Vocational Education.....	Federal	55,355,751
327	Career Guidance Centers.....	General	250,000
328	Child Development	General	82,847,223
329	Preschool.....	General	24,542,044
330	American Indian Centers	General	606,753
331	American Indian Programs	General	257,580
332	Bilingual Teacher Corps	General	1,496,000
333	Instructional Materials.....	Instructional Materials	38,351,080
334	Instructional Television.....	General	821,364
335	Federal Instructional Support	Federal	30,596,909
336	Adult Basic Education	Federal	6,137,608
337	Child Nutrition	General	46,210,444
338	Apportionments for Public Schools	General	2,737,827,565
339	State Library (Local Assistance)	General	4,628,369
340	State Library (Local Assistance)	Federal	4,442,547
341	Legislative Mandates	General	319,231

DEPARTMENT OF EDUCATION—Continued

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS	Analysis page
1. Urban Impact Aid. Recommend Department of Education continue study of variable cost mechanism for distribution of state aid.	870
2. <i>Economic Impact Aid. Reduce Item 318 by \$23.5 million.</i> Recommend Economic Impact Aid be reduced from \$124.1 million to \$106.6 million. Current program overestimates population in need and the funding level per child.	890
3. <i>Economic Impact Aid. Reduce Item 307 by \$250,000.</i> Recommend reduction in state staff to correspond to the reduction of \$23.5 million in local aid to districts.	893
4. Educationally Deprived Children (Title I). Recommend Department of Education report on the status of \$967,000 contingent liability related to federal audit of state administration of ESEA Title I funds.	894
5. Bilingual Education. Recommend local school districts be given more program options to meet the needs of bilingual students.	898
6. Bilingual Education. Recommend Department of Education revise its instructions to school districts that require fully English speaking children to be given instruction in a second language. Recommend that such instruction be at local district option.	902
7. Bilingual Education. Recommend Department of Education report on academic performance level of children in bilingual classes.	903
8. Migrant Education. Recommend State Board of Education adopt regulations governing distribution of federal Title I Migrant funds.	906
9. Migrant Education. Recommend Department of Education submit its annual evaluation of migrant education by December 1 following the close of the fiscal year.	906
10. Bilingual Teacher Corps. Recommend the Bilingual Teacher Corps funding be transferred to the Student Aid Commission's Bilingual Teacher Development Grant Program.	909
11. <i>Indian Education Centers. Increase Item 330 by \$36,405.</i> Recommend augmentation to maintain current level of services.	910
12. <i>Mentally Gifted Minors Program. Reduce Item 338 by \$13.4 million.</i> Recommend deletion of funds for the current program.	912
13. <i>Mentally Gifted Minors. Reduce Item 307 by \$174,000.</i> Recommend deletion of state administrative support to correspond to the elimination of this program.	914
14. Master Plan for Special Education. Recommend postponement of expansion of this program and redirection of	920

- proposed expansion funds to districts that are not able to meet federal special education mandates due to lack of funds.
15. Special Education. Recommend State Board of Education adopt regulations to ensure that all regular classroom teachers receive inservice training in the needs of exceptional students. 923
 16. Special Schools. Recommend that new vocational education position at the Riverside School for the Deaf be approved on a limited-term basis. 928
 17. *School Improvement Program. Reduce Item 315 by \$6.9 million.* Recommend that this program be reduced to correspond to 1978-79 expenditures per student. 931
 18. *School Improvement Program. Reduce Item 307 by \$187,000.* Recommend that state administration for this program be reduced to correspond to the reduction of \$6.7 million in local aid to districts. 931
 19. Instructional Television. Recommend local districts be notified that funding for this program may not be provided to cover costs incurred in 1979-80. Recommend Department of Education submit evaluation of program by December 1979. 935
 20. *Staff Development. Increase Item 339 by \$290,700.* Recommend funding for this program be increased pursuant to law. 936
 21. *Driver Training. Reduce Item 338 by \$18.9 million.* Recommend that this program be eliminated. Program has not been effective. Further recommend continuation of driver training for handicapped students. 937
 22. *Driver Training. Reduce Item 307 by \$187,000.* Recommend reduction in state staff to correspond to the elimination of program. Some state staff would remain to manage driver training for handicapped students. 939
 23. Adult Education. Recommend Department of Education change its instructions to districts concerning compliance with adult program maintenance of support provisions contained in the 1978 Budget Act. 940
 24. Vocational Education. Recommend legislation to repeal the statutory authorization for the Regional Adult Vocational Education Councils (RAVECs). 945
 25. Child Care. Recommend the 25 percent local match for campus child care programs be eliminated. 950
 26. *Child Nutrition. Reduce Item 308 by \$31,377.* Recommend reduction to correspond to current law administrative cost allowance for this program. 956
 27. *Department of Education. Reduce Item 307 by \$100,000.* Recommend reduction in out-of-state travel base historical over budgeting of this item. 962
 28. *Program Evaluation. Reduce Item 307 by \$40,500.* Recommend reduction in out-of-state travel base historical over budgeting of this item. 965

DEPARTMENT OF EDUCATION—Continued

- ommend elimination of the following evaluation reports:
 (1) Alternative Schools (2) Demonstration Programs in
 Reading and Mathematics (3) Nutrition Education and (4)
 Bilingual Teacher Corps.
29. *Program Evaluation. Reduce Item 307 by \$101,000.* Rec- 966
 commend California Assessment Program include grade
 eight testing and that testing be conducted biennially
 rather than annually.
 30. *Program Evaluation. Increase Item 307 by \$110,000.* Rec- 968
 commend an augmentation for Proficiency Assessment to
 (1) train local county and district staffs and (2) survey
 districts on status of implementation of the state proficien-
 cy requirements.
 31. *Program Evaluation.* Recommend that California High 969
 School Proficiency Exam be given twice rather than three
 times in 1979-80. Change could annually save \$100,000.
 32. *Curriculum Services. Reduce Item 307 by \$196,400.* Rec- 972
 commend deletion of funds for new curricular materials for
 the School Improvement program.
 33. *Continuation Schools.* Recommend Department reallo- 974
 cate permanent position to administer this program.
 34. *Textbooks.* Recommend the Legislature contract for a 976
 mangement study of the state textbook adoption, produc-
 tion and distribution process.
 35. *State Library Services. Reduce Item 314 by \$70,000.* Rec- 978
 commend contingency funds for relocation of Sutro Library
 be reduced. Further recommend study of alternatives for
 relocation be conducted by State Librarian.

GENERAL PROGRAM STATEMENT

K-12 Attendance

In 1979-80, approximately 4.3 million students will attend 7,000 public elementary and secondary schools in California's 1,044 elementary, high school and unified districts. This attendance level is a drop of 1.6 percent from the current year. When attendance in 1979-80 is compared to 1977-78 attendance, the decrease is estimated to total 8.4 percent. Most of this decline resulted from districts reducing their summer school and adult programs in reaction to the passage of Proposition 13. Table 1 shows past, current and budget year attendance figures.

Table 1
Annual Average Daily Attendance (ADA) in California Public Schools *

	<i>Actual</i> 1977-78	<i>Estimated</i> 1978-79	<i>Proposed</i> 1979-80	<i>Change</i>
<i>Elementary:</i>				
Kindergarten	280,620	276,800	285,500	3.1%
Grades 1-8 and Special Classes	2,539,712	2,487,800	2,435,500	-2.1
Summer School	121,994	30,500	30,000	-1.6
Opportunity School	1,480	1,500	1,500	—
County School Service Fund	16,928	17,800	18,600	4.5
Total, Elementary	2,960,734	2,814,400	2,771,100	-1.5%
<i>High School:</i>				
Grades 9-12 and Special Classes	1,269,880	1,262,500	1,233,100	-2.3
Regular in Adult Classes	7,666	3,800	3,800	—
Summer School	79,832	20,000	19,500	-2.5
Opportunity School	3,296	3,300	3,300	—
Continuation School	36,068	37,200	37,600	1.1
ROP/C	39,742	38,700	41,600	7.5
County School Service Fund	13,499	14,000	14,700	5.0
Total, High School	1,449,983	1,379,500	1,353,600	-1.9%
<i>Adult:</i>				
Adult Classes	218,944	109,500	109,500	—
ROP/C	22,825	22,200	23,900	7.7
Total, Adult	241,769	131,700	133,400	1.3%
<i>Sedgwick:</i>				
Grant Total	—	3,700	3,600	-100
Grant Total	4,652,486	4,329,300	4,261,700	-1.6%

* Assumes the limits on summer school and actual ADA, as specified in the Budget Bill (Item 338).
Source: Department of Finance's mid-range projection of October 16, 1978.

Total K-12 Revenue and Expenditures

Total K-12 Revenue

Table 2 shows the total state, federal and local revenue support for K-12 education. Total revenue will be just over \$10 billion in 1979-80.

General Fund revenue is divided into three components: (1) programs shown in the Governor's Budget (2) funds that the Governor has set aside for local government fiscal relief (bail-out money) and (3) property tax subventions. In the budget, program support is shown to increase by \$162.8 million or 4.8 percent in 1979-80. The Governor has set aside the same amount (\$2,072.3 million) of funds for K-12 bail-out in 1979-80 that was provided by the Legislature in 1978-79. Property tax subventions will increase by \$21 million (8.4 percent). Combining these three components, the overall percentage increase in General Fund support is \$183.8 million (3.2 percent) in 1979-80.

Federal revenue, including reimbursements, is projected to increase by \$121.1 million (14.3 percent) in 1979-80. Local property tax levies are expected to show an increase of \$199 million (10 percent). However, total local revenue will increase by 6.8 percent due to a drop in use of reserves.

The combination of all the changes shown in Table 2 results in a 1979-80 projected revenue increase for K-12 education of \$436.0 million (4.6 percent). The percentage increase per pupil, however, totals 6.2 percent due to the projected decline in attendance in the budget year.

DEPARTMENT OF EDUCATION—Continued

Table 2
Total Revenue for K-12 Education
State, Local and Federal Sources
(in millions)

Revenue Source	Actual 1977-78	Estimated 1978-79	Proposed 1979-80	Change	
				Amount	Percent
State					
General Fund					
Governor's Budget.....	\$3,095.1	\$3,400.4	\$3,563.2	\$162.8	4.8%
Surplus Allocation	—	2,072.3	2,072.3	—	—
Property Tax Subventions	532.0	249.0	270.0	21.0	8.4
Subtotal, General Fund	\$3,627.1	\$5,721.7	\$5,905.5	\$183.8	3.2%
Other Funds ^a	-6.6	74.8	39.9	-34.9	-46.7
Subtotal, State.....	\$3,620.5	\$5,796.5	\$5,945.4	\$148.9	2.6%
Federal ^b	\$747.9	\$845.7	\$966.8	\$121.1	14.3%
Local					
Property Tax Levies	\$4,216.0	\$1,996.0	\$2,195.0	\$199.0	10.0%
Debt Service	376.0	380.0	380.0	—	—
Reserves (SB 154)	—	33.0	—	-33.0	-100.0
Other ^c	25.0	25.0	25.0	—	—
Subtotal, Local	\$4,617.0	\$2,434.0	\$2,600.0	\$166.0	6.8%
Miscellaneous ^d	500.0	490.0	490.0	—	—
Total, Revenue	\$9,485.4	\$9,566.2	\$10,002.2	\$436.0	4.6%
Revenue Per ADA.....	\$2,039	\$2,210	\$2,347	\$137	6.2%

^a Textbooks, surplus property, and misc. which fluctuate annually.

^b Includes reimbursements.

^c Prior year taxes, timber yield receipts.

^d Includes food sales, sale of property, sale of bonds, interest, fees and rentals.

The passage of Proposition 13 and the enacted legislation relating to it caused a dramatic shift in the state, local and federal shares of K-12 education revenue support as shown in Table 3. In 1977-78 local property tax levies accounted for 48.7 percent of the total while state support was 38.2 percent. In 1978-79 local support dropped to 25.4 percent while state support increased to 60.6 percent. Table 3 also shows the percent change in total revenue per pupil over the past several years.

Table 3
K-12 Total Revenue ^a
(in millions)

<i>Year</i>	<i>Local Property Tax Levies</i>	<i>State Aid^b</i>	<i>Federal Aid</i>	<i>Miscellaneous^c</i>	<i>Total Funding</i>	<i>Percent Change</i>	<i>ADA</i>	<i>Total Funding Per ADA</i>	<i>Percent Change</i>
1971-72	\$2,898.7 (54.0%)	\$1,662.8 (31.0%)	\$435.0 (8.1%)	\$371.6 (6.9%)	\$5,368.1	—	4,686,340	\$1,145	—
1972-73	2,190.1 (36.4%)	2,945.1 (48.9%)	399.5 (6.6%)	485.1 (8.1%)	6,019.8	12.1%	4,655,974	1,293	12.9%
1973-74	3,051.9 (45.5%)	2,683.0 (40.0%)	467.5 (7.0%)	509.1 (7.6%)	6,711.5	11.5	4,647,128	1,444	11.7
1974-75	3,348.2 (45.3%)	2,952.5 (40.0%)	570.3 (7.7%)	524.4 (7.1%)	7,395.4	10.2	4,714,154	1,569	8.7
1975-76	3,795.2 (47.2%)	3,247.5 (40.4%)	613.4 (7.6%)	391.1 (4.9%)	8,047.2	8.8	4,760,966	1,690	7.7
1976-77	4,256.1 (48.1%)	3,422.3 (38.7%)	669.0 (7.6%)	495.6 (5.6%)	8,843.0	9.9	4,718,800	1,874	10.9
1977-78	4,617.0 ^d (48.7%)	3,620.5 (38.2%)	747.9 (7.6%)	500.0 (5.3%)	9,485.4	7.3	4,652,486	2,039	8.8
1978-79 (Budget)	2,434.0 ^e (25.4%)	5,796.5 (60.6%)	845.7 (8.8%)	490.0 (5.1%)	9,566.2	.9	4,329,300	2,210	8.4
1979-80 (Budget)	2,600.0 ^d (26.0%)	5,945.4 (59.4%)	966.8 (9.7%)	490.0 (4.9%)	10,002.2	4.6	4,261,700	2,347	6.2

^a Includes county superintendents of schools, state operations, State Teachers' Retirement system direct support, and debt service on public school building bonds.

^b Includes property tax subventions.

^c Includes food sales, sale of property, sale of bonds, interest, fees and rentals.

^d Includes \$25 million for prior year taxes and timber yield receipts.

^e Includes district reserves of \$33 million and \$25 million for prior year taxes and timber yield receipts.

DEPARTMENT OF EDUCATION—Continued

Total K-12 Expenditures

Table 4 presents an overview of K-12 education expenditures. The table is first divided into two categories, local assistance and state operations. Local assistance is further divided into the following three categories: (1) basic support for general education, (2) categorical education programs and (3) child development, child nutrition and other services. Within general education, the funds for block grants to school districts are expected to increase by 4.5 percent unadjusted for ADA changes or by 6.3 percent on a per ADA basis. Categorical education is budgeted to increase by 9.8 percent, mostly due to state and federal special education funding increases. Large increases are expected in the budget year for both federal and state child nutrition programs. Child care is proposed for a 6 percent increase in the Governor's Budget.

Net state operations expenditures are proposed to increase by 2.3 percent prior to cost-of-living salary adjustments. Overall expenditures per ADA are expected to increase by 6.2 percent.

Tables 5, 6, 7, and 8 display the detail a.) on the three categories of local assistance and b.) on state operations expenditures.

Table 4
Expenditures for K-12 Education
(in millions)

	<i>Actual</i> 1977-78	<i>Estimated</i> 1978-79	<i>Proposed</i> 1979-80	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
A. Local Assistance					
1. General Education (see Table 5)					
A. Block Grant					
Apportionments	\$1,815.8	\$2,114.3	\$2,214.7	\$100.4	4.7%
Surplus (SB 154)	—	2,072.3	2,072.3	—	—
Local Support	4,729.0	2,263.0	2,450.0	187.0	8.3
Subtotal, Block Grant	\$6,519.8	\$6,449.6	\$6,737.0	\$287.4	4.5%
Per ADA	(\$1,478)	(\$1,536)	(\$1,632)	(\$96)	(6.3%)
B. Other (see Table 5)	1,442.8	1,439.8	1,422.3	-17.5	-1.2
Totals, General Education	\$7,987.6	\$7,889.4	\$8,159.3	\$269.9	3.4%
Per ADA	(\$1,717)	(\$1,822)	(\$1,915)	(\$93)	(5.1%)
2. Categorical Education Programs (see Table 6)	\$986.2	\$1,112.3	\$1,221.4	\$109.1	9.8%
3. Child Development, Nutrition and Other (see Table 7)	437.7	459.2	513.9	54.7	11.9
Subtotal, Local Assistance	\$9,411.5	\$9,460.9	\$9,894.6	\$433.7	4.6%
B. State Operations (see Table 8)	73.9	105.3	107.6	2.3	2.3
Grand Total, K-12 Expenditures	\$9,485.4	\$9,566.2	\$10,002.2	\$436.0	4.6%
Expenditures per ADA (in dollars)	\$2,039	\$2,210	\$2,347	\$137	6.2%

Table 5
Local Assistance
General Education Programs
(in millions)

	<i>Actual</i> 1977-78	<i>Estimated</i> 1978-79	<i>Proposed</i> 1979-80	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
A. Regular Education—Block Grants					
Apportionments ^G	\$1,815.8	\$2,114.3	\$2,214.7	\$100.4	4.7%
Surplus ^G (SB 154)	—	2,072.3	2,072.3	—	—
Local ^L	4,729.0	2,263.0	2,450.0	187.0	8.3
Subtotal, Block Grant	\$6,544.8	\$6,449.6	\$6,737.0	\$287.4	4.5%
Per ADA	(\$1,478)	(\$1,536)	(\$1,632)	(\$96)	(6.3%)
B. Other					
Federal PL 874 ^F	\$102.6	\$96.2	\$96.7	\$5	1%
Urban Impact ^G	71.7	44.1	44.1	—	—
Transportation ^G	59.4	60.3	60.3	—	—
STRS Apportionment Aid ^G	118.1	128.8	128.8	—	—
STRS Direct Support ^G	144.3	144.3	144.3	—	—
Debt Service on Public School Building Fund ^G	10.5	-15.3	-30.7	-15.4	100.6
State School Building Safety ^G	—	.9	-.3	-1.2	-133.3
Textbooks ^G	16.2	70.5	38.4	-32.2	-45.6
Debt Service ^G	420.0	420.0	420.0	—	—
Miscellaneous ^L	500.0	490.0	490.0	—	—
Subtotal, Other	\$1,442.8	\$1,439.8	\$1,422.3	-\$17.5	-1.2%
TOTAL, General Education Programs	\$7,987.6	\$7,889.4	\$8,159.3	\$269.9	3.4%
Per ADA	(\$1,717)	(\$1,822)	(\$1,915)	(\$93)	(5.1%)

^G Indicates state supported.^F Indicates federally supported.^L Indicates locally supported.

Table 6
Local Assistance
Categorical Education Programs
(in thousands)

<i>Program</i>	<i>Actual</i> 1977-78	<i>Estimated</i> 1978-79	<i>Proposed</i> 1979-80	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
Special Needs					
Economic Impact Aid Program ^G ..	\$130,064	\$124,052	\$124,052	—	—
Educationally Disadvantaged Youth	(118,540)	(112,958)	—	—	—
Bilingual-Bicultural	(11,524)	(11,094)	—	—	—
Title VII Bilingual ^F	23,800	25,900	25,900	—	—
Educationally Deprived Children ^F ..	164,786	200,039	215,123	\$15,084	7.5%
Follow Through ^F	6,100	6,100	6,100	—	—
Bilingual Teacher Corps Program ^G ..	1,245	1,401	1,496	95	6.8
Migrant Education ^F	31,373	36,645	39,277	2,632	7.2
American Indian Education Centers ^G	636	607	607	—	—
American Indian Education Programs ^G	270	258	258	—	—
Demonstration Programs in Reading and Mathematics ^G	3,228	3,080	3,080	—	—
Subtotal, Special Needs	\$361,502	\$398,082	\$415,893	\$17,811	4.5%
Mentally Gifted Minors Program ^G	\$14,981	\$13,374	\$13,374	—	—

DEPARTMENT OF EDUCATION—Continued

Special Education

Non-Master Plan Special Education ^G	\$231,239	\$244,315	\$266,727	\$22,412	9.2%
Master Plan Special Education ^G	57,395	101,424	149,404	47,980	47.3
Educational Improvement for the Handicapped ^F	19,097	52,479	77,927	25,448	48.5
Special Schools ^G	(16,984)	(19,269)	(20,429)	(1,160)	(6.0)
Sheltered Workshops ^G	180	180	191	11	6.0
Development Centers for the Handicapped ^G	14,523	14,523	10,956	-3,567	-24.6
Development Centers for the Handicapped ^F	—	1,073	1,073	—	—
Subtotal, Special Education	\$322,434	\$413,994	\$506,278	\$92,284	22.3%

School Improvement Program^G

K-12	(115,325)	(118,762)	(110,967)	(-7,795)	(-6.6)
7-12	(1,455)	(4,524)	(4,240)	(-284)	(-6.3)
Subtotal, School Improvement	\$116,780	\$123,286	\$115,207	\$-8,079	-6.6%

Miller-Unruh Reading Program ^G	\$14,681	\$14,005	\$14,005	—	—
Instructional Television ^G	774	821	821	—	—
Driver Training ^G	21,116	19,800	19,800	—	—
Adult Education Apportionments ^G ..	92,990	39,753	42,139	\$2,385	6.0
Adult Basic Education ^F	5,955	6,914	6,138	-776	-11.2
Vocational Education ^F	43,967	51,213	55,356	4,143	8.1
Vocational Education Reimburse- ments ^F	11,423	12,900	13,325	424	3.3
Supplementary Centers and Services (innovative K-12 programs) ^F	59	13,702	14,524	822	6.0
School Personnel Staff Development and Resource Centers ^G	—	945	945	—	—
Career Guidance Centers ^G	250	250	250	—	—
Professional Development Centers ^G ..	535	657	657	—	—
Conservation Education ^G	311	331	331	—	—
All Other Programs ^{G, F}	13,041	2,282	2,366	84	3.7
Adjustments	-34,622	—	—	—	—
Total, Categoricals	\$986,178	\$1,112,309	\$1,221,408	\$109,098	9.8%
State Supported Categoricals	(\$666,576)	(\$703,062)	(\$764,300)	(\$61,238)	(8.7%)
Federally Supported Categoricals ..	(\$319,602)	(\$409,247)	(\$457,108)	(\$47,860)	(11.7%)

^G Indicates state supported.^F Indicates federally supported.^L Indicates locally supported.

Table 7
Local Assistance*
Child Development, Child Nutrition and Other Services
(in thousands)

	Actual 1977-78	Estimated 1978-79	Proposed 1979-80	Change	
				Amount	Percent
Child Development ^G					
Child Care	(\$72,728)	(\$81,467)	(\$82,847)	(\$1,380)	(6.9%)
Preschool	(24,542)	(24,542)	(24,542)	(—)	(—)
	\$97,270	\$106,009	\$107,389	\$1,380	1.3%
Child Care Reimbursements ^F	32,749	45,181	51,989	6,808	15.1
Migrant Day Care ^F	457	457	457	—	—
Child Nutrition ^F	255,400	247,942	232,940	34,998	14.1
Child Nutrition ^G	33,761	35,293	46,210	10,918	30.1
School Libraries ^F	13,417	15,517	15,816	299	1.9
Assistance to Public Libraries ^F	3,613	4,211	4,443	231	5.5

Assistance to Public Libraries ^C	1,000	4,590	4,628	38	.8
Total.....	\$437,667	\$459,200	\$513,872	\$54,672	\$11.9%

^A Figures do not include federal headstart funding estimated to total \$28.4 million in 1977-78 and \$50 million in both 1978-79 and 1979-80.

^C indicates state supported.

^F indicates federally supported.

^L indicates locally supported.

Table 8
State Operations
(in thousands)

	<i>Actual</i> 1977-78	<i>Estimated</i> 1978-79	<i>Proposed</i> 1979-80	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
STATE OPERATIONS					
Department of Education	\$44,905	\$51,607	\$51,954	\$347	.7%
Special School	16,984	19,269	20,429	1,160	6.0
Division of Libraries	5,339	5,552	6,200	648	11.7
Surplus Property Revolving Fund	6,703	28,846	29,055	209	.7
Local Assistance Administration.....	2,692	941	647	-294	-31.2
Reimbursements.....	7,402	7,947	7,664	-283	-3.6
TOTAL, Expenditures	\$84,024	\$114,162	\$115,948	\$1,787	1.6%
Less Reimbursements	-7,402	-7,947	-7,664	283	3.6
Less Local Assistance Administration	-2,692	-941	-647	294	31.3
NET TOTALS, State Operations	\$73,931	\$105,274	\$107,638	\$2,364	2.3%

Significant Program Changes in 1979-80

The Governor proposes several major changes in both the amount for K-12 education proposed in the budget and in K-12 education's share of local government fiscal relief. These changes are summarized in Table 9. Also displayed in Table 9 are programs that were denied statutory increases for 1979-80. The major local assistance increases are state and local support for the foundation program and federal and state increases for educationally handicapped and special education students. The Governor's Budget also proposes to eliminate 50 positions from the Department of Education which have not been unidentified (30 General Fund and 20 non-General Fund supported.)

Three programs are proposed for elimination through the Governor's local government fiscal relief plan. The savings from these programs are planned for redirection into expansion of bilingual preschool education (\$4 million) and a new school maintenance program (\$30.4 million). The fiscal relief proposal also includes merger of funding from the Economic Impact Aid and Urban Impact Aid programs. The funding from these programs would be apportioned in a new, as yet undefined, formula. The Governor's proposal also includes creation of a New Cooperative Education and Job Training Program at a funding level of \$20 million. This money would not be "new" but rather would come from redirection of existing K-12 and community college regular program support. We have very little information on that program.

Several programs that would have had increased funding under current law in 1979-80 are proposed at their 1978-79 levels. Most notable are Economic Impact Aid, the School Improvement Program and Urban Impact Aid.

DEPARTMENT OF EDUCATION—Continued

Table 9
Significant Program Changes in 1979-80
(in thousands)

	Change Over 1978-79		
	Amount	Percent	
1. Governor's Budget ^a			
Local Assistance			
Foundation Program ^G	\$100,400	4.7%	
Local Property Tax Levies ^L	199,000	10.0	
Educationally Deprived Children ^F	15,084	7.5	
Non-Master Plan Special Education ^G	22,412	9.2	
Master Plan Special Education ^G	47,980	47.3	
Educational Improvement for the Handicapped ^F	25,448	48.5	
Child Nutrition ^{G,F}	45,915	16.2	
School Improvement Program ^G	-8,079	-6.6	
Other Local Assistance	-14,460	NA	
Subtotal, Local Assistance	\$433,700	4.6%	
State Operations			
Position Reductions (Unidentified)			
General Fund 30 positions	-\$495	NA	
Other funds 20 positions	-330	NA	
Other State Operations	3,125	NA	
Subtotal, State Operations	\$2,300	2.3%	
Total Change	\$436,000	4.6%	
2. Recommendations Related to Local Government Relief			
Decreases	1979-80 Costs		
Eliminate Mentally Gifted Program	-\$13,374		
Eliminate Driver Training Program	-19,800		
Eliminate Instructional Television Program	-821		
Increases			
Expand Preschool Bilingual Education	4,000		
New School Maintenance Program	\$30,400		
Redesign Economic Impact Aid and Urban Impact ^b ..	—		
New Cooperative Education and Job Training ^c	—		
3. Major Items Not Given Statutorily Authorized Increases	Statute	Budget	
in the Governor's Budget	Level	Proposal	
Economic Impact Aid	\$189,600	\$124,100	-\$65,500
School Improvement Program	153,700	115,200	-38,500
Urban Impact Aid	52,300	44,100	-8,200
Instructional Materials	44,200	38,400	-5,800
Staff Development and Resource Centers	\$1,600	\$900	-\$700

^a G = state supported; F = federally supported and L = locally supported.

^b Proposal calls for combining the 1979-80 funding for these programs into a new formula.

^c Proposal would set aside \$20 million from current apportionment funding for this program.

Our Analysis is organized according to the presentation in Table 4. That is, local assistance issues are discussed first followed by state operations issues. As detailed previously, we are recommending that the Governor's K-12 Education Budget be reduced by \$63.6 million.

I. LOCAL ASSISTANCE**A. GENERAL EDUCATION PROGRAMS**

Table 10 displays total funding for general education programs for the past, current and budget years. The regular education apportionment and surplus (SB 154) figures are taken from the Governor's Budget.

Table 10
Local Assistance
General Education Programs
(in millions)

	<i>Actual</i> 1977-78	<i>Estimated</i> 1978-79	<i>Proposed</i> 1979-80	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
A. Regular Education—Block Grants					
Apportionments.....	\$1,815.8	\$2,114.3	\$2,114.7	\$100.4	4.7%
Surplus (SB 154)	—	2,072.3	2,072.3	—	—
Local	4,729.0	2,263.0	2,450.0	187.0	8.3
Subtotal, Block Grant	\$6,544.8	\$6,449.6	\$6,737.0	\$287.4	4.5%
Per ADA.....	(\$1,478)	(\$1,536)	(\$1,632)	(\$96)	(6.3%)
B. Other					
Federal PL 874	\$102.6	\$96.2	\$96.7	\$5	.1%
Urban Impact	71.7	44.1	44.1	—	—
Transportation	59.4	60.3	60.3	—	—
STRS Apportionment Aid	118.1	128.8	128.8	—	—
STRS Direct Support.....	144.3	144.3	144.3	—	—
Debt Service on Public School Building Fund.....	10.5	-15.3	-30.7	-15.4	100.6
State School Building Safety	—	.9	-.3	-1.2	-133.3
Textbooks	16.2	70.5	38.4	-32.2	-45.6
Debt Service	420.0	420.0	420.0	—	—
Miscellaneous	500.0	490.0	490.0	—	—
Subtotal, Other	\$1,442.8	\$1,439.8	\$1,422.3	-\$17.5	-1.2%
TOTAL, General Education Programs	\$7,987.6	\$7,889.4	\$8,159.3	\$269.9	3.4%
Per ADA.....	(\$1,717)	(\$1,822)	(\$1,915)	(\$93)	(5.1%)

Block grants to districts for the basic education programs are projected to increase by \$287.4 million, or 6.3 percent per student in 1979-80. The state's support for block grants will increase by \$100.4 million while local support will increase by \$187.0 million. Most other aid for general education is projected to stay at the same level as in the current year. The sharp decrease in textbook funding is due to a change in accounting procedures rather than a program change. Issues related to these general education expenditures are discussed below.

1. GENERAL SCHOOL SUPPORT ISSUES**A. Level of Funding**

In 1978-79 the Legislature provided \$2,072.3 billion in the SB 154 "bail-out" to offset part of the local property tax revenue losses to K-12 education caused by approval of Proposition 13. The Governor's local fiscal relief plan proposes to set aside the same level of bail-out funding for 1979-80. As mentioned, this results in an overall 6.3 percent increase in block grant funding per student.

Table 11 shows the amount of bail-out funds needed to attain various percentage increases in spending per student in 1979-80.

DEPARTMENT OF EDUCATION—Continued

Table 11

Bail-Out Funds Needed for Various Assumed Percentage Increases in Block Grants Per ADA in 1979-80*
(in millions)

<i>Percent Increase Per ADA</i>	<i>Funding Needed</i>	<i>Governor's Proposal</i>	<i>Difference</i>
5.0%	\$1,994.2	\$2,072.3	-\$78.1
6.3	2,072.3	2,072.3	—
7.0	2,122.2	2,072.3	49.9
8.0%	\$2,184.1	\$2,072.3	\$111.8

* Figures assume the block grant amounts shown in Table 10 and the ADA estimates shown in Table 1. Calculations exclude adults.

Increases per ADA could be applied either to each district or to all districts in the aggregate (with varying increases for individual districts). The latter, sliding scale, approach was used in SB 154. We believe that the sliding scale approach should be utilized again in order to help bring the state closer to Serrano equalization.

B. Serrano

The Serrano school finance issue was first heard by the state's Supreme Court in 1971. In 1976 the Court ruled that the state's school finance system was unconstitutional because expenditures for children varied from district to district due to the property wealth of the districts. Wealth-related differences in spending (which at that time were due primarily to differences in local revenue sources) had to be reduced to "considerably less than \$100 per pupil" by 1980.

Proposition 13 imposed a statewide property tax of \$4.00 (excluding amounts for servicing voter-approved debt) for all local governments. This caused a decline in local revenue and an increase in state revenue. Consequently, under the current school finance system, state General Fund aid primarily determines the expenditure levels among all districts.

Table 12 shows the SB 154 guarantee for a selected number of unified districts. It should be noted that Beverly Hills' guarantee amounts to \$1,324 (\$136 from apportionment aid and \$1,288 from SB 154) and is almost identical to Baldwin Park's state aid per ADA of \$1,327 (\$1,182 from apportionment aid and \$145 from SB 154). We do not believe that there is any reason for the state to continue this pattern of state aid for any prolonged length of time.

Table 12
SB 154 Guarantee for a Selected Number
of Unified Districts

Unified Districts	1978-79 ADA	SB 154 Guarantee		Per 1978-79 ADA	
		Local Property Tax Revenue	Apportion- ment Aid	SB 154 Surplus Aid	Total Aid
San Bernardino.....	29,566	\$297	\$894	\$214	\$1,405
Baldwin Park.....	11,567	133	1,182	145	1,459
Stockton.....	24,333	436	593	409	1,438
Fresno.....	51,240	361	618	402	1,381
ABC.....	25,138	289	900	340	1,528
Sacramento.....	40,950	451	623	532	1,607
San Juan.....	49,060	350	581	477	1,408
San Diego.....	117,260	591	341	462	1,393
Los Angeles.....	525,497	585	322	737	1,644
Orange.....	30,815	545	485	402	1,432
Oakland.....	51,006	522	379	738	1,639
Long Beach.....	55,949	575	136	761	1,472
San Francisco.....	59,769	822	133	945	1,901
Piedmont.....	2,357	647	156	1,111	1,914
Berkeley.....	10,234	752	145	1,246	2,143
Beverly Hills.....	5,732	1,116	136	1,288	2,541
Emery.....	599	\$1,571	\$126	\$1,270	\$2,968

C. Summer Session and Adult Programs

One of the unique features of SB 154 was that it provided funding ostensibly for summer session and adult education without requiring districts to conduct summer or adult programs. The distribution of this aid was based on the district's summer session and adult ADA earned in the prior year. Thus, the amount of aid received in the current year is based on the total so-called "phantom ADA" that a district is allowed to claim. Districts that did not offer summer sessions or adult programs in the prior year received no extra money.

The new fiscal relief plan should examine the logic and fairness of this policy.

D. Small Districts

It appears that small districts had more difficulty than large districts in coping with the effects of Proposition 13, even after receiving the state aid provided by SB 154. There were several reasons for this. The cost of operating small districts are more rigid, and unlike many large districts, the small districts did not have substantial adult and summer school programs that could be cut back or eliminated in order to generate savings for use in the regular program. Many of these districts also have a relatively high level of expenditures per pupil because their small size does not allow them to realize the economies available to large districts. This is reflected by a higher foundation program level.

SB 154 utilized an average foundation program level for all districts. If a small district mechanism is included in future legislation, we believe the district's actual foundation program level, rather than an average level, should be incorporated in this mechanism.

DEPARTMENT OF EDUCATION—Continued**E. Restrictions on Layoffs.**

School district personnel costs account for approximately 85 percent of overall district expenditures. Consequently, if district revenue growth from all sources is below the rate of inflation, a school district may find it necessary to reduce staff. However, numerous Education Code provisions severely limit a district's ability to reduce staff. Education Code Section 44955 provides that school districts may reduce certificated staff for two reasons—a decline in enrollment or a reduction in a particular kind of service. Education Code Section 44892 specifically prohibits school districts from laying off permanent employees because of a reduction in revenues.

Districts are further required to issue preliminary layoff notices by March 15 and a final notice by May 15. School districts, however, will probably not be aware of their 1979-80 funding levels until late June, precluding an accurate determination of the need to layoff staff prior to March 15. While districts could "play it safe" and send out layoff notification just in case layoffs become necessary, this has a negative impact on employee morale, even if the employees are rehired during the summer.

In order to give districts more flexibility in maintaining the quality of education programs in the face of declining revenues, the Legislature should (1) eliminate those sections of the code that prohibit layoffs of permanent employees based on reduced revenues and (2) alter layoff notification dates. In the long run district budget cycles, which now are the same as the state, should be altered in order to allow the districts more time to adjust to state budget decisions.

F. District Reserves

SB 154 required districts to use in 1978-79 one-third of their unrestricted reserves exceeding 5 percent of their 1977-78 budget. Any future bail-out legislation will have to deal with the issue of whether to require further drawdowns from reserves in order to qualify for state aid.

G. Salary Increase

SB 154 effectively prevented salary increases in school districts during the current year. Here again, any future bailout legislation will have to deal with the issue of whether to require continuation of the salary freeze in order to qualify for state aid.

H. Federal and Court Mandates

Chapter 1135, Statutes of 1977 (SB 90), allowed school districts to add the cost of any federal or court mandate such as school busing to their revenue limits. Prior to Proposition 13, AB 65 would have permitted these increases to be funded from local property tax revenue. Under SB 154, the cost of mandates were included in the target budget, and consequently, certain school districts (Los Angeles, San Diego and San Bernardino) received additional state funds of \$78 million.

Claims for these districts should decrease after the initial cost of busing has been funded. Consequently, we believe that the \$78 million in state cost for 1978-79 should not be permanently built into the district's "revenue limit". In addition, we believe it appropriate for the Controller to audit all claims made under this provision.

I. Deficit in the County Superintendent's SB 154 Guarantee

According to preliminary estimates from the Department of Education, county superintendents may be facing a deficiency in their SB 154 guarantee of between \$40 to \$65 million. Some counties could even run out of cash before the end of this fiscal year.

On the other hand, county superintendents have reserves totalling almost \$80 million, and this must be taken into consideration in enacting legislation aimed at correcting this deficiency.

J. Public Law 81-874

PL 874 (Impact Aid) provides federal aid of \$96.7 million to certain school districts that contain federal installations or federal employees. Since federal lands are tax exempt, and since the school districts must serve the students from these installations, the purpose of this aid is to offset the property tax revenue loss resulting from the federal installation. This aid is in addition to the district's SB 154 block grant.

Future bail-out legislation should provide for a portion of PL 874 funds to be included as part of the 1978-79 block grant in calculating the new 1979-80 block grant amount. For example, the portion included could gradually be increased over 5 years to 80 percent. The remaining 20 percent should not be included in the block grant so that it can be used to cover the administrative cost associated with these federal funds.

2. STATE TEACHERS RETIREMENT SYSTEM FUNDING**STRS Apportionment Aid to School Districts**

The State Teachers Retirement System (STRS) is presently funded through four principal sources:

- (1) teacher contributions equal to 8 percent of salary;
- (2) direct state grant of \$144.3 million to provide funds for benefits of already retired teachers (Item 343);
- (3) interest on STRS investments; and
- (4) district contributions equal to 8 percent of salary.

As mentioned under Item 343, the unfunded liabilities (that is, accrued benefit liabilities for which there are no assets) have been increasing, and are presently estimated to exceed \$9 billion. Just to keep the unfunded liability at a constant percentage of payroll (that is, without making provision to amortize the current obligation) would require an increase of approximately 5.7 percent over the current 16 percent contribution rate for teachers and districts.

The state helps districts in meeting their STRS contribution through a complicated apportionment process. In 1979-80 (and 1978-79) this apportionment aid is estimated to be \$128.8 million, or approximately 2.5 percent of teacher's salaries. This aid flows directly to districts, and for 1978-79 can be considered as an addition to the district's SB 154 guarantee. We believe the STRS apportionment mechanism needs to be revised. It was intended to equalize tax efforts but Proposition 13 has mooted the issue.

3. PUPIL TRANSPORTATION

In 1977-78, 941,251 students were transported from home to school by 925 school districts.

Transportation expense reimbursements to local districts are limited to median statewide expenses per bus day, plus 25 percent, using 16 classifi-

DEPARTMENT OF EDUCATION—Continued

cations of buses reflecting hours of operation and capacity. Distribution of these funds is also based on the level of district costs and the district's wealth.

Proposition 13 school finance changes have made the current formula inappropriate because alternative sources of revenue for excessive transportation costs are no longer available. We believe the current formula should be revised to address variable home-to-school transportation costs.

4. CAPITAL OUTLAY

The current investment in public school buildings is estimated to be \$24 billion. There are several major capital outlay problems facing California school districts:

1. Maintenance of existing facilities.
2. New construction.
3. Modification of existing facilities to provide access to handicapped children.

New school construction needs are estimated to be \$400 million annually, despite an overall decline in enrollment. Some urban and rural area school districts are growing and many school districts have shifting enrollment patterns. However, because of Proposition 13, school districts have much less ability to raise revenue to finance capital construction. Consequently, district officials will attempt to escalate the problem to the state level.

The estimated cost of modifying school facilities to provide access to handicapped children is in excess of \$250 million.

Major maintenance needs are estimated to be over \$150 million annually. The Governor's local fiscal relief plan proposes \$30.4 million in state funds to address this part of the problem.

5. URBAN IMPACT AID AND CHAPTER 323 GENERAL AID (Item 319)**A. OVERVIEW**

The Legislature provided additional general aid to certain urban districts through Chapter 323, Statutes of 1976 (SB 1641) and Chapter 894, Statutes of 1977 (AB 65). The premise for the aid was that certain districts, because of their urban setting, experience higher costs in educating students.

Two separate sections of the Education Code prescribe funding mechanisms.

(1) Chapter 323 General Aid. Over 250 districts will receive general aid funds totaling \$7.3 million in 1978-79. Under this chapter, \$8.7 million is authorized in 1979-80 and thereafter.

(2) Urban Impact Aid. Through the provisions of AB 65, 19 districts (14 of which receive Chapter 323 general aid) would receive urban impact aid amounting to \$36.7 million in 1978-79 and \$43.6 million in 1979-80. Under existing law, these allocations will cease after the 1979-80 school year.

Table 13 displays the funding levels for these programs for the past, current and budget year.

Table 13
AB 65 Urban Impact and Chapter 323 General Aid

	<i>Actual 1977-78</i>	<i>Estimated 1978-79</i>	<i>1979-80</i>	
			<i>Authorized by AB 65</i>	<i>Proposed in Governor's Budget</i>
Urban Impact Aid	\$64,000,000	\$36,720,000 ^a	\$43,600,000	\$36,720,000
Chapter 323 General Aid	7,700,000	7,345,800 ^b	8,652,000	7,345,800
TOTAL	\$71,700,000	\$44,065,800	\$52,252,000	\$44,065,800

^a Reduced from \$40.8 million in the bail out bill.

^b Reduced from \$8,162,000 provided through Chapter 323 and AB 65.

The Governor's Budget proposes to maintain Chapter 323 general aid and urban impact aid at their 1978-79 levels of \$7.3 million and \$36.7 million respectively.

A cost based distribution mechanism was not available at the time Chapter 323 and AB 65 were enacted. Consequently, the program utilizes the Educationally Disadvantaged Youth (EDY) formula which calculates a factor for each district based on the relative percentage of (a) poor children, (b) student mobility and (c) the percentage of Spanish-surname, Indian, and Oriental-surname children. The district's factor is then multiplied by the number of poor children in the district. This aid is outside the district revenue limit. However, unlike categorical aid, these funds are not targeted for any specific program and may be spent for any purpose.

Urban Impact and Chapter 323 general aid funds to urban districts are given in Table 14. An average of \$30 in urban impact and \$4 in general aid funds flow to the 19 urban impact aid districts.

Table 14
Urban Impact and Chapter 323 General Aid funds

	<i>Urban Impact</i>	<i>General</i>	<i>Total</i>
Berkeley	\$139,876	—	\$139,876
Oakland	2,467,779	\$456,379	2,924,158
Richmond	632,611	—	632,611
Fresno	1,286,038	193,336	1,479,374
Baldwin Park	304,460	50,852	355,312
Inglewood	407,745	23,817	431,562
Long Beach	1,021,104	2,210,849	1,021,104
Los Angeles	18,720,124	415,800	21,346,773
Montebello	929,142	133,695	1,062,837
Pasadena	591,415	86,574	677,989
Pomona	580,057	84,239	664,296
Compton	1,926,600	346,057	2,272,657
Santa Ana	460,291	68,432	528,723
Sacramento	1,022,662	148,962	1,171,624
San Bernardino	891,082	131,631	1,022,713
San Diego	1,263,427	—	1,263,427
San Francisco	2,656,250	577,865	3,234,115
Stockton	1,063,046	173,269	1,236,315
San Jose	356,291	—	356,291
Subtotal	\$36,720,000	\$5,101,757	\$41,821,757
Average per ADA	\$30	\$4	—
Other districts	—	\$2,244,043	\$2,244,043
Totals	\$36,720,000	\$7,345,800	\$44,065,800

DEPARTMENT OF EDUCATION—Continued**B. ISSUES**

We believe that additional general aid monies should be based on the difference between (a) the cost of buying services in each district and (b) the amount of money the district already has to purchase those services. Our office has been concerned, however, that urban impact aid and Chapter 323 general aid may not be reaching the right districts—that is, those which (a) must spend more money to buy educational services and (b) receive less money through the regular funding mechanism than is needed to provide these services. In the past, no assessment had been made of which districts had unmet needs or whether districts which received urban impact and Chapter 323 general aid funds were included in this group. Thus, we had no way of knowing whether these funds assist in meeting real needs.

Last year we noted that the Department of Education's federally-funded School Finance Reform Project included a contract for a study of variable costs. Subsequently, the Legislature asked the Department of Education to report to the fiscal committees on "the results of the variable cost study and other information which might establish the justification for continuing the Urban Impact Aid program."

C. VARIABLE COST STUDY

The variable cost study presents data regarding the cost of providing educational services in districts. When this data is combined with existing information regarding general fund monies available to schools, an estimate of the unmet need for each district in the state can be developed. Before describing the results of the study, we will present information regarding the scope of the study itself.

The study was conducted using data collected from numerous sources, such as responses to questionnaires from several thousand teachers and school administrators, U.S. census data, climatic data, and state Department of Education data. The study measures variable cost in each school district based on (a) teacher salaries, (b) administrator salaries, (c) costs for support personnel, (d) utility costs, (e) ADA, (f) the cost of agricultural land, (g) the value of new homes, (h) percentage of urban homes, (i) county population, (j) county population density, (k) area population density, and (l) hours from a central city.

Costs which are within the control of local decisionmakers are separated from those which are outside local control. The study does not attempt to assess the costs of providing educational services associated with differences in the student populations (such as handicapped children) or services (such as driver training). The study's approach is suited to California's school finance system which provides for a basic level of services through the foundation program and deals with additional costs, such as teaching children with special needs, through a diversified system of categorical aids.

The study reports that there are systematic variations in district costs which are beyond the control of school districts. Significant variations are identified in the areas of (a) teacher costs (these are in addition to teacher

costs imposed by having many teachers near the top of district salary structures); (b) principal and administrator costs; (c) secretarial, custodial and instructional aide costs; (d) energy costs; and (e) transportation costs.

The findings are generally consistent for elementary, secondary and high school districts. Identified cost differentials were found to range from about 85 percent to 113 percent of the average per-pupil cost of education. Because 1978-79 total revenue limits for unified districts average about \$1,507 per ADA, this implies that some districts require only \$1,281 per child to provide the same services which other districts must pay as much as \$1,703 to obtain. In addition, all of the 19 urban impact aid districts have costs which are above the statewide average.

Department Response

Despite this consistent finding that urban districts have substantially higher costs, the Department of Education concluded in its review of the report that:

"The variable cost study does not really support or refute the validity of Urban Impact Aid since different types of variables are addressed."

The department's position is based on the premise that since the variable cost study examined factors not included in the allocation of Urban Impact Aid such as students transiency, the study is not relevant.

We disagree with this position. It is precisely by examining the real *sources* of variation in educational costs (such as fuel, transportation, and salaries) that one may identify whether in fact the *proxies* for these costs have been accurately established.

Formula Equity

The current Urban Impact Aid formula does not consider revenue limits or SB 154 block grants in making allocations. Some districts receive Urban Impact Aid funds even though their 1978-79 total revenue limits are above what would be demanded by equity in funding formulas.

San Francisco, Berkeley, and Sacramento all have above-average cost indices. However, their SB 154 block grant funding levels are adequate to encompass the cost differences. In other cases, such as Baldwin Park, San Diego, and Los Angeles current revenue limits do not reach need levels. Based on the variable cost framework, the current funding of these districts detracts from equity in funding formulas. See Table 15.

Table 15
Selected Districts, Their 1978-79 Revenue Limits, Cost of Education Indices, and Urban Impact Aid Entitlements Per Child

District	Block Grant (Average=\$1,507)	Cost of Edu- cation Index (Average=1.000)	Projected Number of Dollars Needed to Reach Average Ability to Pay	Per Child Urban Impact Aid Allocation	Net Disparity ^a
Baldwin Park.....	\$1,415	1.081	\$214 needed	\$30	\$184 needed
San Diego.....	1,397	1.082	234 needed	11	223 needed
Los Angeles.....	1,651	1.100	7 needed	36	29 excess
San Francisco.....	1,878	1.127	180 excess	44	224 excess
Berkeley.....	2,123	1.075	503 excess	14	517 excess
Beverly Hills.....	2,578	1.073	961 excess	0	961 excess
Emery.....	3,009	1.049	1,428 excess	0	1,428 excess
Sacramento.....	1,630	1.030	78 excess	25	103 excess

^a Does not take into account federal general aid revenues.

DEPARTMENT OF EDUCATION—Continued

The study also indicates that not all districts in the state with higher costs are served by Urban Impact Aid and Chapter 323 general aid. A few examples of districts that do not receive aid are given in Table 16.

Table 16
Selected Districts, Their 1978-79 Revenue
Limits, and Cost of Education Indices

	1978-79 SB 154 Block Grants (average=\$1,507)	Cost of Education Index (average=1.009)	Estimated Number of Dollars Needed to Reach Average Ability to Pay	Urban Impact and General Aid Funds
Orange	\$1,443	1.102	\$218/ADA	—
ABC	1,537	1.084	97/ADA	—
San Juan	1,382	1.026	164/ADA	—

While variable cost is based on an equitable formula, it also has the fiscal merit that it is based upon *averages*. As such, the added costs for districts with high costs could be balanced by savings derived from not funding districts with lower than average costs. For this reason, resolution of the variable cost/urban impact aid issue may best be handled ultimately within the concept of general school revenue limit funding rather than as a separate categorical program.

D. FURTHER STUDY NEEDED

We recommend that the Legislature allocate \$75,000 from urban impact aid funds to the Department of Education for further independent assessment of the feasibility of using the variable cost index. This study should identify variable costs associated with providing equal educational services, including but not limited to those involving urban areas. It should include information regarding (a) the formula under which the funds should be allocated; (b) the reliability of the cost indices; (c) provisions for review and updating the variable cost mechanism; (d) the problems associated with declining enrollment as it impacts on the teacher salary structure; (e) examination of the impact, if any, of historical factors such as collective bargaining or high levels of district property wealth which may impact on teacher salary levels reported for some districts; and (f) an assessment of the impact likely to result from introducing the concept of variable cost into the block grant mechanism. The format for this study should be approved by the Legislative Analyst's Office and the Department of Finance. This report should be submitted by December 1, 1979.

This recommendation is based (a) on our finding that there appear to be important variations in costs of providing equal services among districts and (b) our belief that additional work needs to be conducted on the concept of the variable cost before it can be adopted.

Problem areas associated with the framework include (a) the cost of education indices need to be weighted by district size; (b) cost of educa-

tion indices need to be adjusted so the weighted average is 1.000; (c) no data from other states where studies have been conducted is reported (as was required by the supplemental language) so that the California cost indices can be judged against those identified in other states; and (d) there is not sufficient information about the reliability of the data.

It is possible that part of the variation in salary costs is related to the district's property wealth or to the fact that certain large districts have been paying higher salaries because of employee bargaining arrangements. We have no way of knowing the impact of these factors at this time.

We are also concerned that the system of costs established in the variable cost study ignores substantial variation in district costs which are associated with having many teachers near the top of the salary schedule. This problem is particularly acute in districts having declining enrollments. It was excluded from consideration in the study because salary costs are thought to be controllable "over the long run". While this concept may have some applicability, we believe that "short-run" disparities are substantial and therefore should also be considered in computing variable costs, since teacher salaries and benefits account for over 50 percent of school districts' general fund expenditures.

An additional problem which has not been considered is historical spending differences between high and low-wealth districts. Because of this, some districts currently receive urban impact aid funds which have an anti-equalizing effect (in Serrano terms). This situation needs to be addressed in the study.

Finally, we are concerned that the many nonurban districts which have cost indices over 1.0 are not served under either the Urban Impact or General Aid programs. The framework established by the study should incorporate these districts' needs too.

Establishing a variable cost framework to fund educational services may be highly desirable if technically feasible. Many of the variables identified by the study are appropriate for inclusion in this type of framework since they are outside the control of the district. Moreover, it appears that the present funding mechanism, based on the EDY formula, is the wrong vehicle to use because (a) funds do not flow to districts based on their higher than average costs, (b) the formula does not consider all available sources of general aid funds and (c) no consideration is made of existing block grant levels. Since the data developed in the variable cost study seem to be easily incorporated into a state aid mechanism or other supplementary aid formula, we recommend that additional work be conducted.

B. CATEGORICAL EDUCATION PROGRAMS

Table 17 displays state and federal funding for categorical education programs.

The largest proposed increases in the budget would go to special education programs. The state supported Master Plan for Special Education is proposed for an increase of \$47.9 million (47.3 percent). The federal handicapped act shows a \$25.4 million (48.5 percent) increase.

Funding for several categorical programs that would have expanded in 1979-80 under current law is kept at the 1978-79 level in the proposed

DEPARTMENT OF EDUCATION—Continued

budget. Most notable are 1) Economic Impact Aid which would have increased by \$65.5 million; 2) the School Improvement Program which would have increased by \$38.5 million; and 3) School Personnel Staff Development and Resource Centers which would have been \$655,500 higher.

There is no adequate information on the local cost of operating most categorical programs. However, contracted evaluations of Special Education, School Improvement Programs and Bilingual Programs now underway will yield some information on the local cost of those categoricals.

The programs and issues relating to them are discussed in the order displayed in Table 17. Before doing so, however, we will offer comments on the overall management of these programs.

Table 17
Local Assistance
Categorical Education Programs
(in thousands)

Program	Actual 1977-78	Estimated 1978-79	Proposed 1979-80	Change	
				Amount	Percent
Educationally Disadvantaged					
Economic Impact Aid Program ^G	\$130,064	\$124,052	\$124,052	—	—
Educationally Disadvantaged Youth	(118,540)	(112,958)	—	—	—
Bilingual-Bicultural	(11,524)	(11,094)	—	—	—
Title VII Bilingual ^F	23,800	25,900	25,900	—	—
Educationally Deprived Children ^F	164,786	200,039	215,123	\$15,084	7.5%
Follow Through ^F	6,100	6,100	6,100	—	—
Bilingual Teacher Corps Program ^G	1,245	1,401	1,496	95	6.8
Migrant Education ^F	31,373	36,645	39,277	2,632	7.2
American Indian Education Centers ^G	636	607	607	—	—
American Indian Education Programs ^G	270	258	258	—	—
Demonstration Programs in Reading and Mathematics ^G	3,228	3,080	3,080	—	—
Subtotal, Educationally Disadvantaged	\$361,502	\$398,082	\$415,893	\$17,811	4.5%
Mentally Gifted Minors Program ^G	\$14,981	\$13,374	\$13,374	—	—
Special Education					
Non-Master Plan Special Education ^G	\$231,239	\$244,315	\$266,727	\$22,412	9.2%
Master Plan Special Education ^G	57,395	101,424	149,404	47,980	47.3
Educational Improvement for the Handicapped ^F	19,097	52,479	77,927	25,448	48.5
Special Schools ^G	(16,984)	(19,269)	(20,429)	(1,160)	(6.0)
Sheltered Workshops ^G	180	180	191	11	6.0
Development Centers for the Handicapped ^G	14,523	14,523	10,956	-3,567	-24.6
Development Centers for the Handicapped ^F	—	1,073	1,073	—	—
Subtotal, Special Education	\$322,434	\$413,994	\$506,278	\$92,284	22.3%
School Improvement Program ^G					
K-6	(115,325)	(118,762)	(110,967)	(-7,795)	(-6.6)
7-12	(1,455)	(4,524)	(4,240)	(-284)	(-6.3)
Subtotal, School Improvement	\$116,780	\$123,286	\$115,207	-\$8,079	-6.6%
Miller-Unruh Reading Program ^G	\$14,681	\$14,005	\$14,005	—	—
Instructional Television ^G	774	821	821	—	—
Driver Training ^G	21,116	19,800	19,800	—	—
Adult Education Apportionments ^G	92,990	39,753	42,139	\$2,385	6.0
Adult Basic Education ^F	5,955	6,914	6,138	-776	-11.2

Vocational Education ^F	43,967	51,213	55,356	4,143	8.1
Vocational Education Reimbursements ^F	11,423	12,900	13,325	424	3.3
Supplementary Centers and Services (innovative K-12 programs) ^F	59	13,702	14,524	822	6.0
School Personnel Staff Development and Resource Centers ^G	—	945	945	—	—
Career Guidance Centers ^G	250	250	250	—	—
Professional Development Centers ^G	535	657	657	—	—
Conservation Education ^G	311	331	331	—	—
All Other Programs ^{G, F}	13,041	2,282	2,366	84	3.7
Adjustments	-34,622	—	—	—	—
Totals, Categoricals	\$986,178	\$1,112,309	\$1,221,408	\$109,098	9.8%
State Supported Categoricals	(\$666,576)	(\$703,062)	(\$764,300)	(\$61,238)	(8.7%)
Federally Supported Categoricals	(\$319,602)	(\$409,247)	(\$457,108)	(\$47,860)	(11.7%)

^G indicates state supported.

^F indicates federally supported.

Management of Categorical Programs

In 1973 the Department of Education initiated a "consolidated approach" to a number of state and federal categorical programs in order to reduce the administrative burden on school district staff. The consolidated approach requires school districts to coordinate the use of categorical funds from the following programs:

- School Improvement Program
- Economic Impact Aid (State Bilingual and Educationally disadvantaged youth)
- State Preschool
- Miller-Unruh Program
- Native American Indian Education Program
- Federal Educationally Deprived (Title I) and Title IV-B and Title IV-C.
- Staff development

The "consolidated approach" coordinates the paperwork involved in these programs. In mid-January the department submitted a report to the State Board of Education concerning current educational support issues. Several pages are devoted to issues in the consolidated application programs. Among these are the number and variety of school and district advisory groups, staff development requirements and reporting requirements. We are currently reviewing this report.

1. EDUCATIONALLY DISADVANTAGED STUDENTS (Items 318 and 320)

A. STUDY OF ESEA TITLE I/EDY/BILINGUAL/EIA FUNDING

The Legislature included the following supplementary language in Item 295 of the 1978 Budget Act:

The Legislative Analyst, with computer assistance provided by the Department of Education, shall examine the level of EDY, Title I, and state bilingual funding by districts. This study should measure the level of program funding per low performing child for: (a) urban and rural districts; (b) districts with high and low concentrations of poor children, (c) districts with high and low concentrations of limited- and non-English speaking students, and (d) districts with high and low concentrations of

DEPARTMENT OF EDUCATION—Continued

educationally disadvantaged students.

This evaluation shall also assess the new economic impact aid formula.

The Legislative Analyst shall report this information in the 1979-80 Analysis of the Budget Bill.

Not included in the scope of the study called for by the Legislature are several other sources of funding for disadvantaged and bilingual children, including ESEA Title VII, Bilingual; ESEA Title I, migrant; and the state demonstration programs. However, where relevant, we will also refer to these programs.

Our study is presented in three parts. First we present data regarding the overall levels of funding available in 1979-80 for compensatory education and bilingual programs. Secondly, we estimate the size of the target population. Finally, we evaluate the adequacy of the formulas in reaching the target population.

1. Funds Available for Compensatory Education and Bilingual Programs in 1979-80.

Table 18 gives the funding levels for the ESEA Title I and EIA programs as shown in the Governor's Budget. Proposed funding in 1979-80 totals \$339.2 million. When the proposed state demonstration programs, federal migrant education and federal bilingual funds are added \$407.4 million is available.

Table 18
Compensatory Education Funds As
Proposed in the Governor's Budget,
Local Assistance Funding

Program	Actual 1977-78	Estimated 1978-79	Proposed 1979-80	Change	
				Amount	Percent
ESEA Title I	\$164,785,689	\$200,039,103	\$215,122,833	\$15,083,730	7.5%
Economic Impact Aid.....	130,063,954	124,051,882	124,051,882 ^a	—	—
a. EIA (EDY)	(118,540,051)	(112,958,000)	—	—	—
b. EIA (Bilingual)	(11,523,903)	(11,093,882)	—	—	—
Subtotal.....	\$294,849,643	\$324,090,985	\$339,174,715	\$15,083,730	4.7%
Title I, Migrant.....	31,373,181	36,645,181	39,276,894	2,631,713	7.2
Title VII, Bilingual.....	23,800,000	25,900,000	25,900,000	—	—
Demonstration Programs.....	3,228,000	3,079,512	3,079,512	—	—
Subtotal.....	\$353,250,824	\$389,715,678	\$407,431,121	\$17,715,443	4.5%
SB 65 Funds.....	—	—	65,527,118	65,527,118	100.0
Total	\$353,250,824	\$389,715,678	\$472,958,239	\$83,242,561	21.4%

^a Authorized in Chapter 894, Statutes of 1977, (AB 65) but removed by the Governor's Budget.

2. The Target Population

There are two primary methods of defining the target population: the "Q₂" method and the "Q₁" method. Both methods utilize a two-step process. The first step identifies schools and the second identifies the target students within these schools. The school identification step is the same in each method. However, the student identification process varies.

(1) School Identification. Both Q₂ and Q₁ methods identify target schools by combining (a) all schools with poverty counts above the district

average with (b) every school with below average student performance levels. In many cases, the schools in each category are the same.

(2) Student Identification. The Q_2 method, which is used by the Department of Education, targets assistance on (a) all children falling below the 50th percentile on statewide achievement tests plus (b) all limited- and non-English speaking children. Thus " Q_2 " derives its name by targeting primarily on students in the bottom two performance quartiles—all those below average.

The Q_1 method targets assistance on (a) those children who perform in the bottom quartile plus (b) all limited- and non-English speaking children (who may be in any one of the upper three quartiles).

As shown in Table 19 the Q_2 and Q_1 methods identify 1.6 million and 902,000 children respectively.

Table 19
Estimated Number of Educationally Disadvantaged Children
in California According to Two Definitions^a and Funds Available to Serve Them

<i>Definition</i>	<i>Number of Children</i>	<i>ESEA Title I and EIA Dollars Available Per Child</i>
A. Q_2 (scoring below average)		
FES ^c children in target schools	1,334,387	
LES ^d children in target schools	222,576 ^b	
Total	1,556,963	\$218
B. Q_1 (scoring in bottom 25%)		
FES ^c children in target schools	679,172	
LES ^d children in target schools	222,955 ^b	
Total	902,127	\$376

^a Target schools defined as those with below-average levels of student performance or above-average levels of poverty.

^b Schools were selected for the Q_2 and Q_1 groups based on the percentage of students they enroll whose performance falls in Q_2 (below average) and Q_1 (bottom 25 percent), respectively. For this reason, the selection of target schools is slightly different for the two groups. This is the reason the number of LES children not in target schools differs slightly in the two estimates.

^c Fully English speaking children (i.e., all children who do not have limited English).

^d Limited or non-English speaking children.

Using these definitions, \$218 in program funds for each target child would be available in 1979-80 if the Q_2 method is used. That amount would increase to \$376 under the Q_1 method. It must be emphasized that these amounts include only part of the funds available for disadvantaged children. If ESEA Title I migrant, state demonstration program, and ESEA Title VII bilingual funds are added in, the total funding levels would be \$262 and \$452 respectively.

3. Adequacy of Funding Formulas in Reaching the Target Population

Funds should be distributed across the population of needy children as evenly as possible so that (a) all needy children can be served and (b) available resources can be utilized efficiently. Accomplishing this is not a simple task, because currently ESEA Title I, EIA and EDY funds are distributed according to *poverty formulas* while participating children are selected primarily according to *test scores*. This part of our study examines

DEPARTMENT OF EDUCATION—Continued

the adequacy of the ESEA Title I, EDY, state bilingual and EIA formulas in reaching the target population of needy children.

At the time the computer runs used in this study were conducted, the Governor's Budget requests were not known. As a result, we had to assume a funding level for 1979-80. We decided to use \$256 million as the amount for ESEA, Title I because the Department of Education felt the final funding level would be in this range. The amount used in our study for ESEA Title I is higher than the \$215 million included for the program for the Governor's Budget. EDY and bilingual funds are the same. The ESEA Title I distribution pattern is not affected by the larger amounts, although the dollar level per child is correspondingly higher. For EIA impact we used the \$65.5 million authorized by AB 65 but not budgeted for use in 1979-80.

For this analysis, we compared the number of dollars available per needy child from (a) ESEA Title I, (b) state bilingual and EDY and (c) EIA funds to assess the effectiveness of the formulas. In this instance, our definition of "needy" is given by the Q_2 approach—the one used by the Department of Education. The results are similar to those which would be obtained using the Q_1 definition except, of course, that more dollars per child would be available under the Q_1 definition because there would be fewer children served.

Urban/Rural Analysis. For this analysis, we selected a sample of urban, suburban and rural districts. Funds from each of the programs are compared with the number of children needing services in each district to see how many dollars would be available per needy child. The data are presented in Table 20 and in Figure 1.

We found that a total of \$326 would be available in 1979-80 per needy child in urban districts, compared to \$239 per child in rural and \$166 in the suburban districts. It should be noted that if the economic impact aid program is expanded as proposed in AB 65, the funding imbalance between urban, rural and suburban districts would be aggravated. Urban districts would receive an estimated \$361 per needy child, in contrast to \$263 per child in rural and \$181 in suburban districts.

These data indicate that more dollars per needy child flow to the urban districts than to either the rural or suburban districts. Funds from the state EDY and bilingual programs are the most unbalanced: needy students in urban districts receive nearly 70 percent more than those in rural districts. Federal ESEA Title I funds also flow more heavily to urban districts, but the imbalance is less pronounced; these districts receive only about 23 percent more than the rural average.

Table 20
Projected ESEA Title I, EDY, State Bilingual and EIA Funds Available Per
Needy Child in a Group of Urban, Rural and
Suburban Districts—1979-80
Q₂ Method

<i>Group</i>	<i>ESEA Title I</i>	<i>EDY, Bilingual</i>	<i>Total</i>	<i>AB 65 EIA</i>	<i>Total</i>
19 Urban Districts ^a	\$207	\$119	\$326	\$35	\$361
238 Rural Districts ^b	168	71	239	24	263
90 Suburban Districts ^c	135	31	166	15	181
All Other Districts (698)	131	56	187	20	207
State Average	165	80	245	26	271

^a Urban districts include Berkeley, Oakland, Richmond, Fresno, Baldwin Park, Inglewood, Long Beach, Los Angeles, Montebello, Pasadena, Pomona, Compton, Santa Ana, Sacramento, San Bernardino, San Diego, San Francisco, Stockton, and San Jose. Total enrollment in these districts is 1,264,000 children.

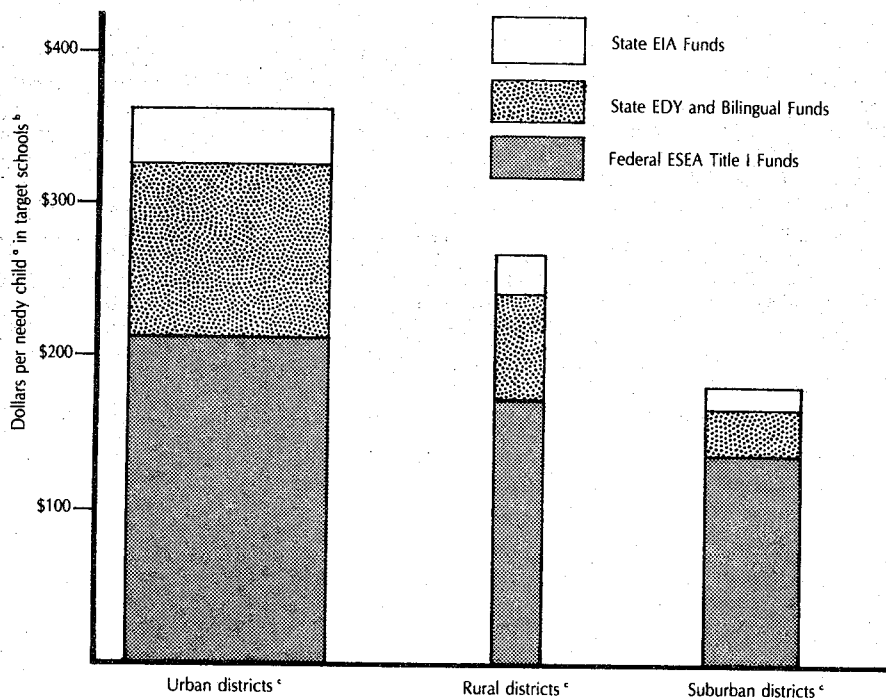
^b Rural districts were selected by county. Counties included are Butte, Kern, Imperial, Siskiyou, Tulare, Sutter, El Dorado, Stanislaus, Merced and Mono. Total enrollment is 297,000 children.

^c As with rural districts, suburban districts were selected by county. This analysis included Marin, Orange, Contra Costa, and San Mateo counties. Total enrollment is 638,000 children.

DEPARTMENT OF EDUCATION—Continued

Figure 1
Projected 1979-80 ESEA Title I, EDY and Bilingual, and EIA Entitlements
Showing Funds Available Per Needy Child

Urban, Rural and Suburban Districts



^a Needy children defined as those who score below average or who are limited- or non-English speaking.

^b Target schools are defined as those with above-average concentrations of poverty or below-average student performance levels in reading.

^c Width of bars corresponds to enrollment in the group of districts—1,264,000 urban, 297,000 rural, and 638,000 suburban.

High/Low Poverty Analysis. Our analysis of the number of dollars available per needy child (again using the Q_2 method) in high- and low-poverty schools shows that there is a pervasive bias in the EDY formula in favor of high-poverty districts. The 50 highest-poverty school districts average \$158 in EDY and bilingual funds per needy child. By contrast, the 45 lowest-poverty districts average less than \$24 per needy child (see Figure 2 and Table 21).

To a much lesser extent, this bias also results from the ESEA Title I formula. While direct comparisons are somewhat suspect because of the different numbers of total dollars available (\$112 million for EDY versus \$256 million for ESEA Title I), high-poverty districts receive \$232 per needy child while the 45 low-poverty districts average \$94 per needy child.

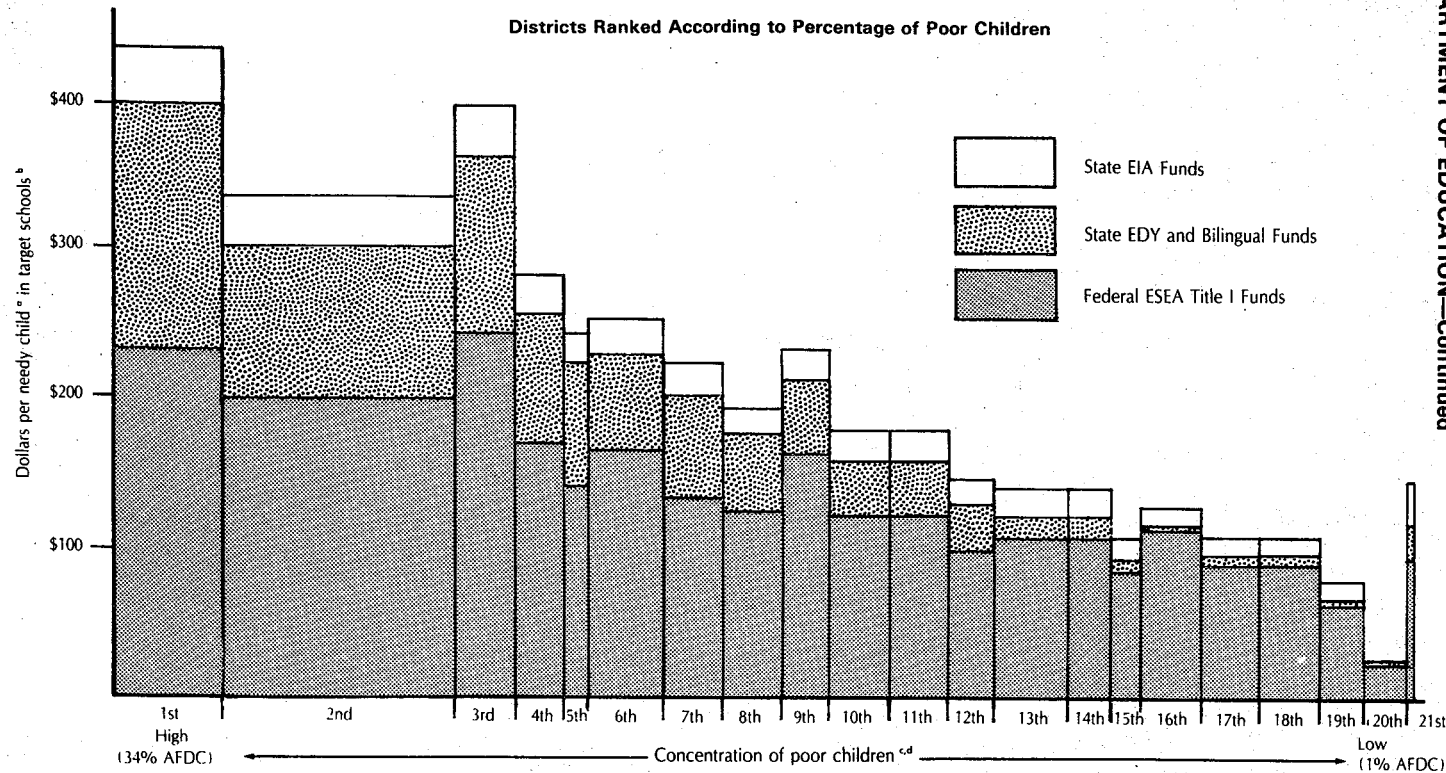
When the proposed new EIA funds are considered, the imbalance in funding between high and low poverty districts is widened, but only slightly. The 50 highest poverty districts would get an added \$41 per needy child while the 45 lowest poverty districts would receive only \$29. Thus, the EIA formula would widen the funding disparity.

Table 21

Projected 1979-80 ESEA Title I, EDY, State Bilingual and EIA Funds Available Per Needy Child When Districts Are Ranked According to the Percentage of Poor Children Q_2 Method

<i>Group of Districts</i>	<i>Title I</i>	<i>EDY, Bilingual</i>	<i>Total</i>	<i>AB 65 EIA</i>	<i>Total</i>
50 districts with highest percentage of poor children (enrollment 362,031)	\$232	\$158	\$390	\$41	\$431
50 districts with second highest percentage of poor children (enrollment 803,008)	190	111	301	33	334
50 districts with second lowest percentage of poor children (enrollment 127,147)	22	1	23	2	25
45 districts with lowest percentage of poor children (enrollment 3,920)	94	24	118	29	147
State Average	165	80	245	26	271

Figure 2
Projected 1979-80 ESEA Title I, EDY and Bilingual, and EIA Entitlements
Showing Funds Available Per Needy Child



^a Needy children defined as those who score below average or who are limited- or non-English speaking.

^b Target schools are defined as those with above-average concentrations of poverty or below-average student performance levels in reading.

^c Each bar represents 50 districts, except the last which represents 45 districts.

^d Width of bars corresponds to enrollment in the group of 50 districts. For example, group 1 contains fewer students than group 2.

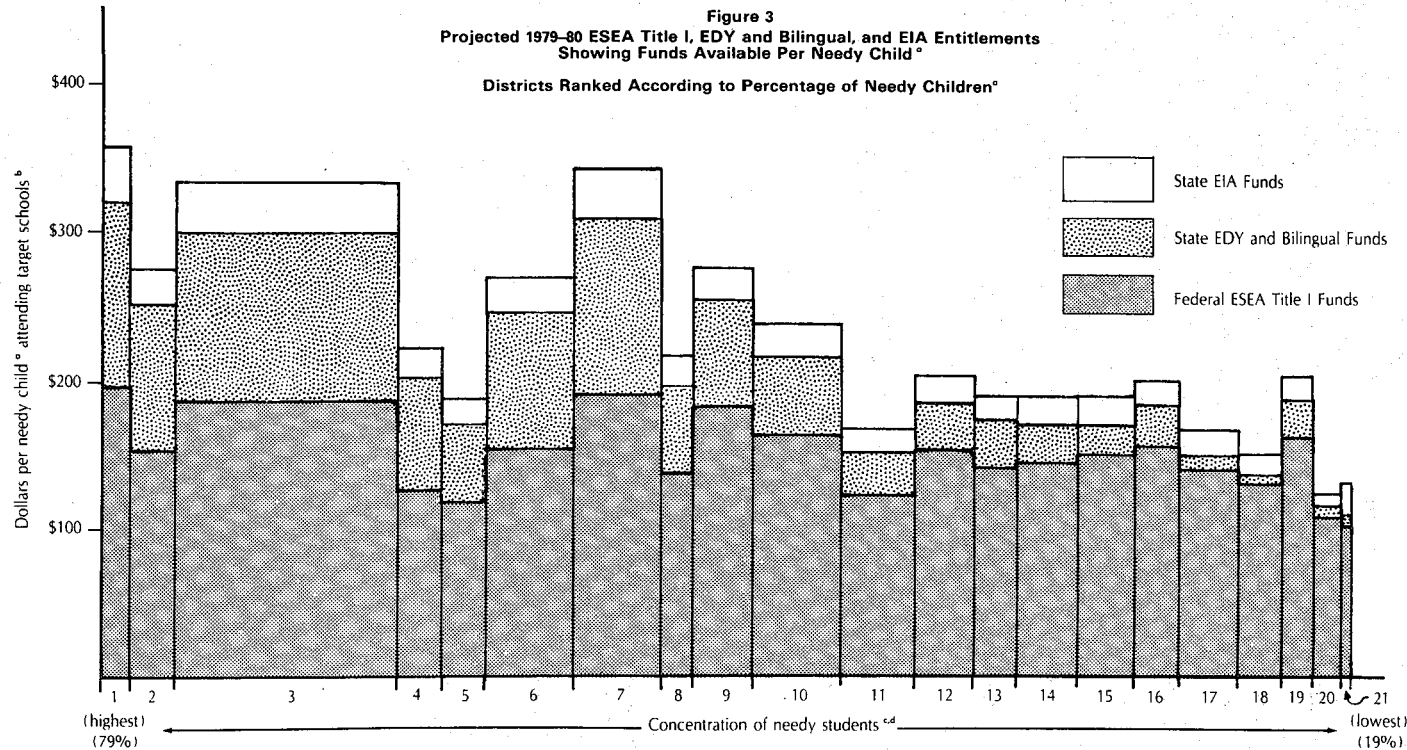
High/Low Levels of Disadvantaged Children Analysis. When districts are ranked according to the percentage of low-performing children they enroll, the number of federal dollars per needy child is higher in high-concentration districts than in low-concentration districts. The 50 districts with the highest concentrations of needy children, which receive \$190 per needy child in Title I funds, are allocated an additional \$140 in EDY and bilingual funds. At the other end of the scale, the 45 districts with the lowest concentration of needy children received \$101 in ESEA Title I funds but only \$18 in EDY and bilingual funds. As a result, \$330 per needy child is available in high concentration districts but only \$119 in low-concentration districts (see Figure 3 and Table 22).

The addition of AB 65 EIA funds increases the imbalance. The 50 districts with the highest concentration of educationally disadvantaged children, which already receive \$330 per needy child, would gain an additional \$37 per child. By contrast, the lowest-ranking 45 districts, which receive only \$119 per needy child, would be entitled to only \$11 per child in EIA funds.

Table 22
Projected 1979-80 ESEA Title I, EDY, State Bilingual and EIA Funds Available
Per Needy Child When Districts Are Ranked
According to the Percentage of Educationally Disadvantaged
Children
Q₂ Method

<i>Group of Districts</i>	<i>Title I</i>	<i>EDY, Bilingual</i>	<i>Total</i>	<i>AB 65 EIA</i>	<i>Total</i>
50 districts with highest percentage of educationally disadvantaged children (enrollment—80,909)	\$190	\$140	\$330	\$37	\$367
50 districts with second highest percentage of educationally disadvantaged children (enrollment—163,462)	152	98	250	26	276
50 districts with second lowest percentage of educationally disadvantaged children (enrollment—78,635)	108	3	111	13	124
45 districts with lowest percentage of educationally disadvantaged children (enrollment—15,478)	101	18	119	11	130
State Average	165	80	245	26	271

Figure 3
Projected 1979-80 ESEA Title I, EDY and Bilingual, and EIA Entitlements
Showing Funds Available Per Needy Child^a
Districts Ranked According to Percentage of Needy Children^b



^a Needy children defined as those who score below average or who are limited-, or non-English speaking. Rankings based on percentage of children who score below Q1 (lowest 25%).

^b Target schools are defined as those with above-average concentration of poverty or below-average student performance levels in reading.

^c Each bar represents 50 districts, except the last one which represents 45 districts.

^d Width of bars corresponds to enrollment in the group of 50 districts. For example, group 1 contains fewer students than group 2.

High/Low Levels of Limited- and non-English-Speaking Children Analysis. When districts are ranked according to the percentage of limited- and non-English-speaking children they enroll, the number of EDY and bilingual dollars per needy child is higher in high-ranked districts than in low-ranked districts.

The EDY formula and bilingual funding mechanisms provide over \$100 per needy child in districts with higher percentages of limited- and non-English-speaking children (see Table 23 and Figure 4). In contrast, only \$37 per needy child are provided in the 245 districts which have no limited-English-speaking children.

By contrast, ESEA Title I funds cover the population of needy children much more evenly. Districts with high concentrations of LES/NES children receive approximately the same number of dollars per target child as those with few or no LES/NES children (this is best seen in Figure 4).

Proposed new AB 65 EIA funds appear to reach districts more evenly. While \$23 per needy child are available to districts with high concentrations of limited- and non-English-speaking children, \$24 per needy child are available to districts with few such children.

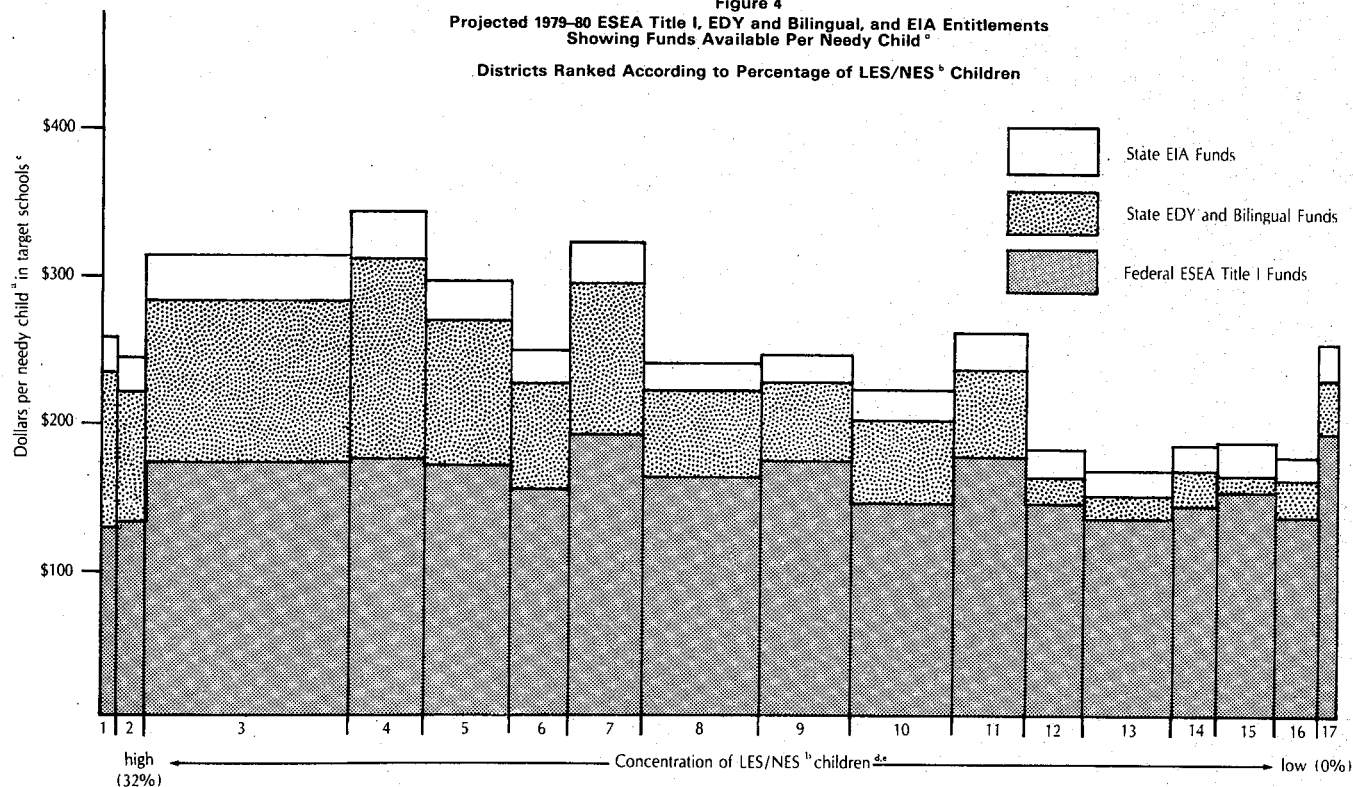
Table 23

**Projected 1979-80 ESEA Title I, EDY, State Bilingual and EIA Funds Available Per Needy Child When Districts Are Ranked According to the Percentage of Educationally Disadvantaged Children
Q₂ Method**

<i>Group of Districts</i>	<i>EDY,</i>		<i>Total</i>	<i>AB 65</i>	
	<i>Title I</i>	<i>Bilingual</i>		<i>EIA</i>	<i>Total</i>
50 districts with highest percentage limited- and non-English-speaking children (enrollment—51,141)	\$129	\$107	\$236	\$23	\$259
50 districts with second highest percentage of limited and non-English-speaking children (enrollment—108,516)	134	87	221	23	244
50 districts with third highest percentage of limited and non-English-speaking children (enrollment—713,943)	175	108	283	32	315
245 districts with lowest percentage of limited and non-English-speaking children (enrollment—74,944)	194	37	231	24	255
State Average	165	80	245	26	271

Figure 4
Projected 1979-80 ESEA Title I, EDY and Bilingual, and EIA Entitlements
Showing Funds Available Per Needy Child^a

Districts Ranked According to Percentage of LES/NES^b Children



^a Needy children defined as those who score below average or who are limited- or non-English speaking.

^b Limited- or non-English speaking children.

^c Target schools are defined as those with above-average concentrations of poverty or below-average student performance levels in reading.

^d Each bar represents 50 districts, except the last (#17) which represents 245 very small districts.

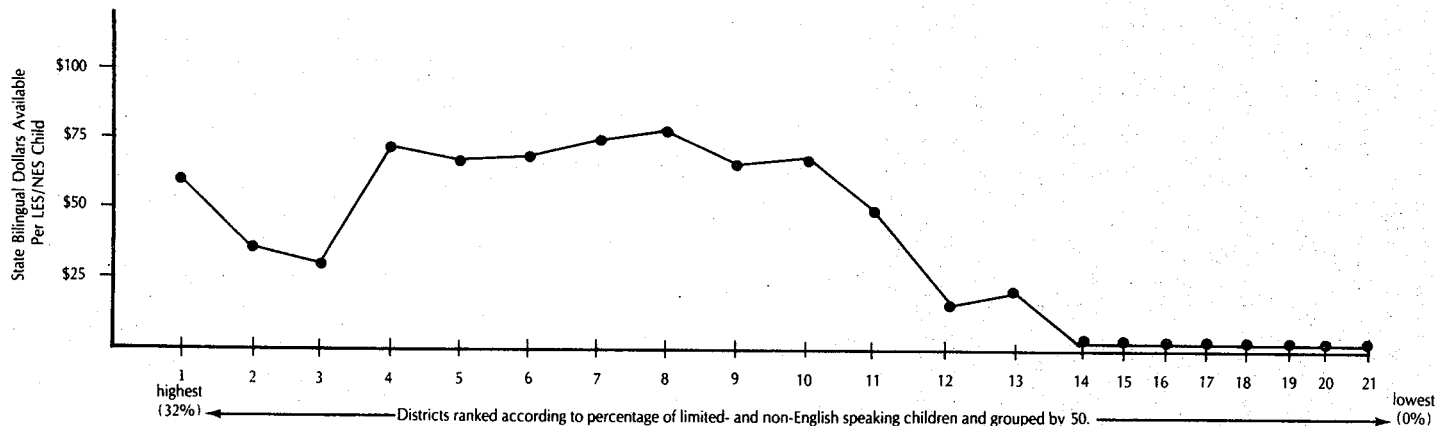
^e Width of bars corresponds to enrollment in the group of 50 districts. For example, group 1 contains fewer students than group 2.

Targeting of State Bilingual Funds to LES/NES Children. We also examined the level of bilingual program funding per needy child allocated to districts. The results are given in Figure 5. Our data indicate that funds flow to those districts with the highest concentrations of bilingual children. In contrast, few or no bilingual dollars flow to the 400 districts with the lowest percentages of LES/NES children.

A second question concerns whether LES/NES children attend target schools which would receive compensatory education or bilingual funds. We estimate that a minimum of about 10,000 LES/NES children do not attend target schools. Providing these children with an individualized educational program and special services (as is required by EC 52163(f) and 52165) is more troublesome for school districts because these schools do not typically receive compensatory education or bilingual funds. It is also much more difficult for the Department of Education because the usual department monitoring plan covers only schools with consolidated application programs.

Our finding that over 10,000 LES/NES children do not attend target schools supports the concept that flexible school site selection criteria such as are contained in the Economic Impact Aid statutes (EC 54004.5 and 54004.7) as established in AB 65 should be continued.

Figure 5
AB 1329 and AB 2284* Funding Levels in Districts Based on Percentage of
Limited- and Non-English Speaking Children



* Beginning in 1979-80, state bilingual funds which were formerly provided under AB 2284 and AB 1329 (state bilingual programs) will be distributed under the new Economic Impact Aid program. As such, they are no longer "bilingual" programs in the true sense. However, it is important to recognize, as

we do here, that the dollars are indeed flowing to districts with high concentrations of LES/NES children, as was intended in the legislation.

Findings

The foregoing assessment of the ESEA Title I, EDY, state bilingual and Economic Impact Aid formulas lead to the following conclusions:

a. Compensatory education funds totalling \$339.2 million have been proposed in the Governor's Budget or are otherwise provided by federal legislation for ESEA Title I, and state EIA programs in 1979-80. When ESEA Title I migrant, ESEA Title VII bilingual, and state demonstration programs are included, the projected funding totals \$407.4 million. If the \$65.5 million augmentation for EIA programs proposed in AB 65 are added, the total is \$473 million. This excludes potential additional federal funds not yet appropriated by the U. S. Congress.

b. If the target population is defined as those children (a) who attend schools with above-average levels of poverty and/or below average levels of student performance and (b) who score below average (Q_2) or who are limited- or non-English speaking, the number of children to be served by programs for the educationally disadvantaged is 1.56 million.

c. If, instead, the target population is defined as those children (a) who attend schools with above-average levels of poverty and/or below average levels of student performance and (b) who are limited- or non-English speaking, or whose academic performance places them in the bottom 25 percent (Q_1), the number of target children who should be served by programs for the educationally disadvantaged is approximately 902,000.

d. When program funding is measured against the number of children to be served, all formulas fund urban areas more heavily than rural areas. However, the federal formula is less urban-biased than the state formulas.

e. Similarly, when program funding is measured against the number of children needing service, districts with high levels of poverty are funded more heavily than are districts with low levels of poverty. The federal formula is more successful than the EDY and EIA formulas in funding needy children evenly, regardless of the poverty concentration in their districts.

f. Using the same yardstick, federal ESEA Title I funds flow to target children in districts with high concentrations of low-performing children at about the same level as to target children in districts with low concentrations of low-performing children. By contrast, the EDY formula provides substantial funds to high concentration districts, while virtually no funding is available for low-performing children in districts with low concentrations of such children.

g. The ESEA Title I formula funds districts with high concentrations of limited- and non-English speaking (LES/NES) children at about the same level per needy child as districts with low percentages of LES/NES children. In contrast, the EDY formula funds districts with high percentages of LES/NES children more heavily per needy child than districts with low percentages.

h. The state bilingual programs serve districts with high concentrations of LES/NES children, as is intended by law.

i. At least 10,000 LES/NES children are not enrolled in target schools.

DEPARTMENT OF EDUCATION—Continued

Conclusions

Based on these findings, we conclude that the state EDY and EIA formulas provide substantially more funds per needy student to (a) urban districts; (b) high-poverty districts; (c) districts with high percentages of disadvantaged children, and (d) districts with higher levels of limited- and non-English speaking children. Rural and suburban districts receive less funding per needy child, as do districts with (a) smaller percentages of poor children; (b) fewer LES/NES children; and (c) lower overall percentages of needy children. The overall result is a pervasive inequity in funding for educationally disadvantaged children in California's school districts.

In our next section we will present recommendations for (a) dealing with the EIA and EDY formulas and (b) assessment of the adequacy of proposed funding levels.

B. ECONOMIC IMPACT AID/PROGRAM

The Legislature consolidated the state bilingual and educationally disadvantaged youth programs (EDY) into the new Economic Impact Aid (EIA) program in Chapter 894, Statutes of 1977 (AB 65). This program is funded by (a) calculating a gross dollar need for each district, (b) subtracting ESEA Title I, state bilingual and EDY funds, and (c) distributing new funds according to the unmet need in each district. AB 65 provides \$189.6 million in local assistance funds for the EIA program in 1979-80—an increase of \$65.5 million over the 1978-79 level. However, the Governor's Budget (Table 24) reappropriates only \$124.1 million (the level of last year's EDY and state bilingual funding) in lieu of the AB 65 amount.

Table 24
State Operations and Local Assistance Funding
for EDY, Bilingual and EIA Programs

	<i>Actual</i> 1977-78	<i>Estimated</i> 1978-79	<i>Proposed</i> 1979-80	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
State Operations:					
EDY	\$945,086	\$1,021,802	—		
Bilingual	533,908	765,701	—		
EIA	—	—	\$1,291,105		
	1,478,994	1,787,503	1,291,105	-496,398	-27.8%
Local Assistance:					
EDY	118,540,051	112,958,000	—		
Bilingual	11,523,903	11,093,882	—		
EIA	—	—	124,051,882		
TOTAL	\$131,542,948	\$125,839,385	\$125,342,987	-\$496,398	(-0.4%)

It should be noted that under current statutes, new EIA money is allocated on top of, rather than in place of, existing EDY and bilingual monies. Thus, if there is no expansion, the legislature essentially would be continuing the present EDY and bilingual funding patterns. If there were expansion funds, the effect would be to hold-harmless current funding levels.

Governor's Fiscal Relief Proposal

The Governor's fiscal relief plan proposes to redesign the Economic Impact Aid program by (a) removing ESEA Title I funds from the formula and (b) combining Urban Impact Aid and Chapter 323 General Aid fund into the formula. As described in the Governor's Budget, a new formula would be developed which is designed "to meet the special needs of urban, rural, and other school districts with high concentrations of limited English-speaking students, educationally disadvantaged youth (EDY), and economic impacts beyond the district's control."

As the following pages indicate, we agree with the Governor that a new EIA formula should be developed. However, we believe it will be necessary to continue to use a separate formula to implement the Urban Impact Aid Program.

Program Characteristics

In 1977-78, the latest year for which data are available, the EDY program served 458,000 children in 536 districts. Of these 51 percent were enrolled in grades K-3. Only 16 percent were enrolled in grades 7-12. In the same year, 71,000 children participated in bilingual education programs, 70 percent of whom were limited-English speaking. The ESEA Title I program served 568,000 students from preschool through grade 12, 54 percent of whom were enrolled in grades K-3. (Many of these children were served by more than one program.)

Performance

Our recent study of student achievement in California reported that, according to data contained in the department's 1976-77 evaluation, ESEA Title I program students generally were performing at below-average levels in both reading and mathematics. Moreover, the older the students, the farther behind they were, compared with their peers. By high school (grades 10, 11 and 12), students were performing nearly one standard deviation behind the "norm". These scores would place the average eleventh grade compensatory education student about four years below grade level, or lower than 80 percent of eleventh grade children. (Such estimates must be approached cautiously because of their imprecision; nevertheless, they clearly demonstrate that our compensatory education programs have not brought students up to grade level.) No information is available regarding the performance of comparable groups of nonparticipating disadvantaged students.

The department's 1976-77 evaluation of the EDY program indicates that in all grades, students performed far below their peers. As with Title I, the "lag" appears to increase as the level of schooling rises. In high school, the lag in EDY student performance, as reported in the evaluation, was even greater than in the Title I programs. Instead of being about one standard deviation, the average performance level was about one and one-half standard deviations behind the norm. Put another way, the eleventh grade performance was estimated to be at the same level as the average student in the first part of the sixth grade. Over 90 percent of eleventh grade students perform better than these students.

DEPARTMENT OF EDUCATION—Continued

Funding Reduction

We recommend that EIA funding be reduced from \$124.1 million to \$100.6 million for a General Fund savings of \$23.5 million.

We recommend that the remaining EIA funds be allocated using a formula which enables districts to fund needy children throughout the state.

There is no agreed-upon definition of who is educationally disadvantaged. Unfortunately, experts do not know exactly what level of deficit in reading or mathematics performance is severe enough to warrant intervention. Many definitions can be adopted and defended, and the funding implications of the definitions can vary widely. Once the amount of money available for assisting disadvantaged children is determined, the choice often comes down to providing some assistance to many or concentrating assistance on those most in need.

We believe that the estimated state gross dollar need for assisting disadvantaged children should be based on the number of children who score in the bottom 25 percent (that is, Q_1) or who have a language barrier and who attend schools with above-average levels of poverty or below-average levels of student achievement. Approximately 21 percent of the children in the state fall into this category.

According to this yardstick, state and federal funds from the ESEA, Title I and EIA programs would be providing \$350 per child for 902,000 children (21 percent of the K-12 enrollment), for a total of \$315.7 million.

Rationale. It is difficult to select a definition of disadvantaged which enables the Legislature to serve all needy children but which does not commit unnecessary funds. Our definition of the target population is recommended because:

- (1) It encompasses a substantial fraction of the state's enrollment.
- (2) In contrast to children scoring slightly below average, children scoring in the first quarter (that is, in the bottom 25 percent) are distinctly behind their peers. In third grade, a child scoring at the 24th percentile is about 12 months behind in reading; by sixth grade, this increases to about 2 years; and by ninth grade the discrepancy is about three years. By contrast, children scoring at the 49th percentile are scarcely behind their peers at all.

- (3) It is more appropriate to target the programs at children whose performance levels are (a) markedly below average and (b) not likely to be able to remediate their academic problems without supplementary assistance.

Similarly, there is no consensus on how much should be spent per disadvantaged child under these programs. We believe that the state should seek to provide assistance equal to \$350 per child. This recommendation is based on several factors.

- (1) Although the minimum funding level provided in state board regulations has historically been \$350, the department has never prepared an estimate of what it costs to provide an adequate program.

- (2) At the same time, the department has not presented adequate data

regarding whether the program has succeeded in raising the performance of participating children. (This problem was discussed in a report on student achievement in California, issued by our office in October 1978. We have also recently asked the department to provide evaluative data on this program. However, no comparative data are available for these programs and we were not able to obtain objective data for inclusion in this analysis.)

(3) A number of studies have demonstrated that the dollar level per child is not related to program success. This finding is supported by the Legislature's recent critical mass study.

The level of funding we propose under EIA, together with the \$70 million in ESEA Title VII bilingual, ESEA Title I migrant, and state demonstration programs funds, would provide a total of \$426 per needy child.

Further, it is very possible that additional ESEA Title I funds—up to \$85 million—may be made available by Congress. If this occurs, the total available funds would reach \$520 per needy child.

Our recommendation that the Legislature establish gross need at \$350 for 21 percent of the state's students does not mean that school districts would have to select all students for special assistance according to the Q_1 criterion. They could choose to assist either more or less than the total number of children in Q_1 . These decisions are best made locally. Our recommendation relates only to the establishment of gross need so that all districts will be treated equally.

Revision of EIA Funding Formulas

The following technical amendments need to be incorporated in the Budget Bill in order to enable all school districts to fund programs adequately. They stem from our study of ESEA Title I, EDY and EIA formulas covered earlier.

Establish Gross Need

The Legislature should amend Section 54022 to establish the state index of gross need using a dollar figure representing \$350 times 21 percent of the regular K-12 enrollment and which takes into consideration all available sources of funds.

As written, the EIA formula establishes gross need in the following way:

"The state index of need shall be: (1) the average of the estimated number of children aged 5-17 in poverty as measured by criteria used to define eligibility for Aid to Families with Dependent Children as applied to state or federal income tax data; (2) the estimated number of children age 5 to 17 in poverty as measured by criteria used to identify families in poverty for purposes of the United States census as applied to state or federal income tax data.

The average excess cost of education for impact aid shall be four hundred forty dollars (\$440) in the 1979-80 fiscal year and shall be adjusted for 6 percent inflation each year thereafter."

It also says that the calculation of state gross need "shall be reviewed every two years by the Superintendent of Public Instruction, the Director of Finance and the Legislative Analyst."

The current calculation of gross need is flawed in several respects:

DEPARTMENT OF EDUCATION—Continued

(1) The application of AFDC data to state or federal income tax data requires the Department of Education to make a number of assumptions. Because the assumptions have an impact upon the funding levels going to districts, this matter should not be left to the Department of Education's discretion.

(2) Children are selected to be served by the program based on academic performance, not on poverty. Thus, the best yardstick of need is academic performance. In the past the Legislature had no adequate estimate of the number of children needing service. Since we now have these data, we should use them.

(3) The figure \$440 in current statute was chosen arbitrarily so that the overall level of gross need would be about \$450 million. It was not based directly on the needs of a target population. Because we now have adequate estimates of the target population, the Legislature can establish the funding level to correspond to identified needs.

The estimated percentage of children who score in the bottom 25 percent or who are limited-English speaking, and who attend schools with above-average levels of poverty or below-average levels of student performance, is based on data from all public school children in four grades (2, 3, 6 and 12). This percentage compares closely to an estimate of the same population which was conducted using 1973-74 grade 6 test score data. Thus, the figure has established its reliability.

Basing the state gross need on these factors will enable the Legislature to distribute funds for disadvantaged children considerably more efficiently. As demonstrated in our study above, basing funding on poverty factors improves equity in the distribution of funds. However, because of the way the formula is written, it is also necessary to establish gross need at the correct level. This recommendation would accomplish this task.

Remove ESEA Title I Funds From EIA Formula

The Legislature should amend Education Code Section 54024 which requires the Superintendent of Public Instruction to subtract federal ESEA Title I monies before allocating EIA funds.

In establishing the EIA program, the Legislature tried to conserve state monies. It did so by (a) establishing a level of gross need, (b) subtracting state and local funds available to districts, and (c) only then allocating new state EIA funds where unmet need remains. In so doing, it took a calculated risk: that the federal government would not consider the results to be supplanting state with federal money (and then reducing the impact of federal funds). This was discussed in our 1978-79 budget analysis.

Unfortunately, efforts by the State Department of Education to obtain federal permission for the use of the formula were unsuccessful. Therefore if the EIA formula were funded as written, the U.S. Office of Education would withhold all ESEA Title I funds from California. As noted above, this amount is estimated to be at least \$215 million in 1979-80.

We therefore believe that the Legislature should amend Education Code 54024 so that federal ESEA Title I funds are not taken into consideration in funding the EIA formula.

Correct District EIA Factors

The Legislature should amend Education Code Section 54023 to establish EIA factors for all school districts uniformly so that the district allocation is based solely on poverty criteria, and remove existing hold-harmless provisions.

Our analysis of the adequacy of ESEA Title I, EDY, state bilingual, and EIA funding mechanisms in reaching needy children shows that the federal ESEA Title I formula, which is based solely on poverty indices, distributes funds more evenly than either the EDY or EIA formulas. Our recommendation is aimed at correcting the imbalances caused by the state formulas.

This is a most important change. Under the current funding scheme each district's poverty count is weighted by an EIA factor before funding is determined. Some districts have factors several times as great as other districts and thus get several times as many dollars per poor child as other districts. Some districts do not even qualify for aid. With the current formula, the Legislature will never be able to reach all needy children equitably.

To illustrate, San Francisco receives an estimated \$351 per needy child (defined by Q₁) from the EDY programs, while Santa Ana receives only \$83 per needy child. Yet the EIA formula would add another \$100 to San Francisco (for a total of \$899 from all sources), while providing only \$31 to Santa Ana (for a total of \$327 per child from all sources). Many similar examples exist. Furthermore, 500 districts currently receive no EDY funds. Approximately 300 of these would receive no added funds under the AB 65 proposed EIA formula. This problem can best be addressed by equalizing all district EIA factors and removing current hold-harmless provisions.

Administrative Staff Reduction

We recommend that EIA funding for state operations be reduced by \$250,000 to correspond to the reduction of \$23.5 million we recommend for the EIA program.

The Legislature has historically provided the department with funds to manage the EDY and bilingual programs. Table 24 shows that state funds amounting to \$1,478,994 were provided in 1977-78 for state management activities associated with these programs. In the current year (1978-79) state operations funding was increased to \$1,787,503 to correspond to the increases in EDY and bilingual funds which had been provided in AB 65. The amount of state operation funds for 1978-79, however, was not reduced when local assistance funds were reduced by 10 percent in the bailout bills. To rectify this, the Governor's Budget proposes cutting back the level of state operations by \$496,398 for the EIA program (which incorporates the EDY and state bilingual programs) to a level commensurate with 1978-79 local assistance funding (\$124.1 million).

Our recommendation that state operations funds be cut by an additional \$250,000 is consistent with our recommendation that local assistance funding for EIA programs be cut by \$23.5 million. It will take fewer people to manage fewer state dollars.

DEPARTMENT OF EDUCATION—Continued

C. ESEA TITLE I—EDUCATIONALLY DEPRIVED CHILDREN

The ESEA Title I program for educationally disadvantaged children was originally established in 1965 and has been amended several times. The most recent amendments, in 1978, changed the terminology from “disadvantaged” to “deprived”. ESEA Title I provides funds to local school districts to use for compensatory education programs in poverty-area schools. As shown in Table 25, local assistance funding for 1979-80 is proposed at \$215.1 million, an increase of 7.5 percent over 1978-79 and 30.5 percent over 1977-78. The \$215.1 million does not include potential additional funds for 1979-80 that could increase the total level to \$300 million.

Table 25
ESEA Title I—Educationally Deprived Children

	Actual 1977-78	Estimated 1978-79	Proposed 1979-80	Change	
				Amount	Percent
State Operations	\$2,466,373	\$2,115,347	\$2,777,356	\$662,009	31.3%
Local Assistance	164,785,689	200,039,103	215,122,833	15,083,730	7.5
Total	\$167,252,062	\$202,154,450	\$217,900,189	\$15,745,739	7.8%

In the past, funds were distributed to poverty-area schools on the basis of \$350-\$550 per child. Children are typically selected for the program because they (a) are limited-English speaking or (b) score below average on standardized tests. Programs generally are structured like state programs for educationally disadvantaged children and include instruction in reading, language and mathematics; parent involvement; staff development; multicultural education; parent education; and health and auxiliary services.

U.S. Office of Education's Audit of Title I Program

We recommend that the Department of Education report to the Legislature during budget hearings regarding (a) the status of the contingent \$967,000 liability for fiscal year 1974-75 and (b) whether a potential liability exists for the years 1975-76, 1976-77, 1977-78 and 1978-79.

Each year, the California State Department of Education is required to submit an application for federal ESEA Title I funds. As part of the application, the department certifies to the U.S. Office of Education (USOE) that it has complied with all applicable federal regulations.

One of the applicable regulations stipulates that ESEA Title I funds must be spent solely for Title I activities. Federal regulations require that funds used for Title I state operations either (a) support personnel paid by Title I funds who work only on ESEA Title I activities or (b) in cases where personnel are assigned responsibilities for two or more programs, records of the time spent on each program be maintained or a cost allocation plan be submitted. The Department of Education deploys staff in such a way that persons are responsible for several programs. However, it appears that no time distribution records were kept nor was any cost allocation plan submitted to the federal government.

This personnel assignment problem came to light in October, 1973 and

April-May 1974 during a U.S. Department of Health, Education and Welfare audit of California's Title I programs. Specifically, the federal auditors reported that "staff funded entirely by ESEA Title I were providing services to state funded programs such as the Early Childhood Education (ECE) program and the Educationally Disadvantaged Youth (EDY) program." These findings were transmitted to the State Department of Education in September 1975.

In its response issued December 29, 1975 (termed a "preliminary response") the department did not counter the allegations that Title I staff were used to monitor state programs. Neither did it submit (a) evidence that the salaries of the personnel who had worked on more than one program were supported by time distribution records or (b) a cost allocation plan.

In September 1978 the U.S. Office of Education finally informed the Department of Education that it had reviewed the audit report and the department's preliminary response and that if USOE's determinations become final the department would be required to refund \$967,128 to it. The department conducted negotiations with USOE in January 1979. However, the final outcome of these talks is not known at this time.

The situation is particularly serious because there may be a similar potential liability for each of the years after 1974-75.

We have asked the department whether potential liability may be present for the years since 1974-75, and if so, what the magnitude of the liability might be. To date we have not received the information.

D. DEMONSTRATION PROGRAMS IN READING AND MATH (Item 320)

Chapter 1596, Statutes of 1969, authorized the establishment of exemplary programs to provide cost-effective intensive instruction in reading and mathematics for low-achieving students in grades 7, 8 and 9. This act was amended by Chapter 507, Statutes of 1977 (AB 1594), to continue the programs until September 1, 1981.

In 1977-78, 6,800 students participated in 22 continuing demonstration programs, and 3,217 participated in nine partial replication programs for a total of 10,097 students. Support of state operations and local assistance for 30 programs is proposed in the amount of \$3,173,453 in 1979-80.

Table 26
Demonstration Programs in Reading and Math

Element	Actual	Estimated	Proposed	Change	
	1977-78	1978-79	1979-80	Amount	Percent
State Operations.....	\$64,256	\$90,422	\$93,941	\$3,519	3.8%
Local Assistance	3,074,304	3,079,512	3,079,512	—	—
TOTAL.....	\$3,138,560	\$3,169,934	\$3,173,453	\$3,519	.1%

Our analysis has identified a number of problems with the Demonstration Programs. First, replication of these programs is minimal. Last year during the legislative hearing on the Budget Bill we recommended that information on demonstration program replication be compiled. In response, the department surveyed over 1,000 persons who have visited these programs over recent years. Although 218 respondents stated they

DEPARTMENT OF EDUCATION—Continued

use some aspect of the program, very few programs have actually been replicated. Survey respondents attribute this to a lack of available local funds. (This, however, raises questions about the utility of these programs.)

Second, there has been a tendency for individual demonstration programs to maintain a dependency on program funding for prolonged periods, thereby foreclosing other programs from qualifying for funding. In 1978-79 10 of the programs received funding have been funded for over six years, while no new programs are being initiated.

Third, the Demonstration Programs and federal ESEA Title IV-C Innovative Programs may constitute a duplication of effort. The federal program is also designed to stimulate the development of and dissemination of innovative educational programs. Title IV-C program funding is projected to total \$15.5 million for 1979-80.

These problems may not be significant enough to warrant changes this year. However, we will make an extended review of the Demonstration Programs in our 1980-81 Analysis of the Budget so that an evaluation will be available prior to expiration of the programs' authorization.

2. BILINGUAL EDUCATION (Items 318 and 332)**A. OVERVIEW OF PROGRAMS****Federal Mandates Regarding Limited- and Non-English-Speaking (LES/NES) Children**

Title VI of the U.S. Civil Rights Act of 1964 bans discrimination based "on the ground of race, color, or national origin," in "any program or activity receiving federal financial assistance." In 1970, the Department of Health, Education and Welfare promulgated a regulation implementing Title VI which relates to limited-English-speaking students. For school systems receiving federal funds, the regulation states:

"Where inability to speak and understand the English language excludes national origin-minority group children from effective participation in the educational program offered by a school district, the district must take affirmative steps to rectify the language deficiency in order to open its instructional program to these students."

This regulation was upheld in 1974 by the U.S. Supreme Court in *Lau v. Nichols*. The court ruled that school districts were required to address the linguistic deficiencies of language-minority children. The court did not prescribe any particular educational approach. It merely said, "Teaching English to the students of Chinese ancestry who do not speak the language is one choice. Giving instructions to this group in Chinese is another. There may be others."

It is important to note that neither federal regulations nor *Lau v. Nichols* requires school districts to adopt bilingual education programs. Rather, they indicate that school districts must comply with federal regulations which requires that districts "take affirmative steps" to rectify language deficiencies.

State Laws Regarding LES/NES

The state has enacted programs for LES/NES students that go beyond what federal regulations require, through several pieces of legislation. The California Legislature first mandated that school districts address the needs of LES/NES children in Chapter 1258, Statutes of 1972 (AB 2284). This statute required that "each non-English-speaking child shall receive special assistance from the school district where he attends. This instructional assistance shall be provided in any manner approved by the local board of education." AB 2284 provided \$8.1 million in 1976-77 for these programs.

Chapter 978, Statutes of 1976 (AB 1329), increased 1977-78 funding for bilingual education programs by an additional \$3 million. In addition, it included programmatic requirements mandating instruction in the pupil's primary language when funds were available. AB 1329 requires (a) maintenance of language skills in the primary language of LES/NES children participating in the program, and (b) that some children who are fully English speaking (FES) must be enrolled in the program to prevent the segregation of linguistic-minority children. These program requirements were limited to just those schools which received bilingual funds.

Most recently, Chapter 894, Statutes of 1977 (AB 65), expanded the requirements for establishing bilingual education programs as defined by AB 1329. Under AB 65, districts are required to establish bilingual programs not only in schools having certain categorical program funds, but beginning July 1, 1979 also in schools that have ten or more LES/NES children at the same grade level. If the local school wishes to establish a high-intensity "immersion" program or an English-as-a-Second-Language (ESL) program, it would have to do this in addition to its bilingual education classes.

Funding

The history of funding for bilingual education is shown in Table 27.

Table 27
State General Fund Local Assistance Funding for Bilingual Education

	<i>Actual 1976-77</i>	<i>Actual 1977-78</i>	<i>Estimated 1978-79</i>	<i>Proposed 1979-1980</i>
AB 2284	\$8,139,808	\$8,628,808	—	—
AB 1329	—	3,000,000	—	—
AB 65	—	—	\$11,093,882 ^a	\$11,093,882 ^b
Total	\$8,139,808	\$11,628,808	\$11,093,882	\$11,093,882

^a These programs were reduced from the \$12,326,536 provided by AB 65 to this level by Chapter 292, Statutes of 1978 (SB 154).

^b A total of \$124 million is proposed for EIA in the Governor's Budget, to continue current EDY and bilingual programs. This amount represents a continuation of bilingual programs.

LES/NES Children in Need of Service

The Department of Education is required to conduct an annual survey of the number of LES/NES children. As indicated in Table 28 the number of LES/NES children in California during the fall of 1977 was approximately 233,100.

As shown, the department estimates that the total will reach 500,000 by 1990 due to the increasing number of persons immigrating from Mexico.

DEPARTMENT OF EDUCATION—Continued

Table 28
Actual and Projected Number of
Limited- and Non-English-Speaking Children
1973-1990

<i>Date</i>	<i>Number of Children</i>
Spring 1973	188,200
Spring 1974	203,100
Fall 1975	233,500
Fall 1977	233,100
Fall 1982 (projected)	400,000
Fall 1990 (projected)	500,000

Total Funding for LES/NES Children

In addition to state bilingual funds, additional funding is available through a number of other categorical programs. Based on the proportion of these funds allocated on the basis of LES/NES children, the sum of categorical aid dollars available for bilingual education is substantial. Estimated funding levels for 1977-78 (the latest year for which participant data are available) are given in Table 29. In that year \$115.3 million in state and federal categorical funds were spent, enough to serve all of California's LES/NES children at nearly \$500 per child.

Table 29
Estimated State and Federal Categorical
Funding for LES/NES Children 1977-78

<i>Program</i>	<i>Dollars for LES/NES Children</i>
State Bilingual	\$8,092,044
EDY	26,054,383
SIP	12,822,022
ESEA, Title I	28,327,406
Migrant Child Development	
State	1,378,528
Federal	274,200
ESEA Title I, Migrant	17,167,607
Indochinese Refugee Act	5,993,550
ESEA, Title VII (Basic Only)	13,717,734
ESAA (Bilingual Only)	1,443,875
Total	\$115,271,349

B. EXPAND BILINGUAL PROGRAM OPTIONS

We recommend that present mandates regarding services for LES/NES children be amended either through legislation or Budget Bill language, to permit school districts more options in meeting the goals of the bilingual program.

As mentioned above, current legislation requires schools with School Improvement, ESEA Title I (including migrant), ESEA Title VII, ESAA bilingual and EIA funds to establish (a) "partial-bilingual", (b) "full-bilingual", or (c) "bilingual/bicultural programs" in grades K-6 if they have ten or more LES children with the same primary language in the same

grade or instructional group.

—Partial bilingual instruction requires that listening, speaking, reading and writing skills be developed *in both languages*.

—Full bilingual and bilingual/bicultural classes require that basic language skills be developed *in both languages* and, in addition, that instruction in required subject matter classes be provided in both languages.

—Furthermore, where there are ten or more NES pupils or 15 or more LES pupils at the same grade level or within the same instructional group, these skills must be *maintained* as well.

By contrast, federal regulations merely require the district to “take affirmative action” to remedy children’s “linguistic deficiency.” While the Office of Civil Rights has issued programmatic guidelines they are advisory only, not mandatory.

Although bilingual programs are relatively new, several evaluations of these programs have been conducted. Some of these evaluations show increased learning in certain districts when children are taught in a bilingual environment. However, a major national study of ESAA, Title VII bilingual programs found no improvement for participating children. The study reported, “The fall-to-fall achievement gains in English, Reading and in Mathematics Computation in Title VII projects were neither significantly nor substantially different from what would have been expected without participation in a Title VII project.”

Admittedly, this (like every) evaluation has been controversial. Nevertheless, the fact remains that proponents of comprehensive bilingual approach are not able to point to any hard evidence showing that this approach is superior.

The lack of demonstrated effectiveness of the state’s more comprehensive and prescriptive requirements, coupled with the high cost of these requirements, persuade us that state laws should not prescribe a bilingual approach. Instead, districts should be given fairly broad discretion to develop approaches that: (1) comply with federal regulations, (2) achieve the goal of assuring effective participation by LES/NES children in the instructional program, and (3) impose the least cost and administrative burden on the schools themselves. We believe that the state’s existing requirements should be relieved either through legislation or Budget Bill language.

C. INDEPENDENT EVALUATION OF BILINGUAL EDUCATION

Chapter 894, Statutes of 1977 (AB 65), required our office to contract for an independent evaluation of bilingual educational programs. The statute provides that:

“The Legislative Analyst shall during the 1977-78 fiscal year contract for a three-year independent evaluation of programs operated pursuant to the Chacon-Moscone Bilingual-Bicultural Education Act of 1976. The independent evaluator shall have expertise in bilingual evaluation, have bilingual personnel, and shall be selected through a competitive bidding process. The design and scope of the evaluation and the evaluator shall be approved by the Department of Education and the Department of Finance.

DEPARTMENT OF EDUCATION—Continued

The evaluation shall examine, but need not be limited to:

(a) The nature and extent of bilingual instructional services provided to limited- and non-English-speaking children, including an estimate of the financial resources from state, federal, and local sources to support bilingual instruction.

(b) The nature, extent and quality of census procedures at the state and local level in identifying limited- and non-English-speaking children as provided in Sections 52164 and 52103 of the Education Code.

(c) The extent and quality of in-service training programs for teachers and aides employed in the bilingual program.

(d) District efforts to recruit, hire, and retain bilingual certificated personnel.

(e) The effectiveness of alternative bilingual education approaches including alternatives in staffing patterns, including the use of para-professionals.

Effectiveness shall be measured by:

(1) Student outcome, including reading comprehension, speaking, and computation skills in English and in the dominant language of the pupil to the extent assessment instruments are available.

(2) The satisfaction of students, parents, teachers, aides, and administrators with bilingual instructional services.

The independent evaluator shall submit an annual report to the Legislature, the Governor, the State Board of Education, and the Superintendent of Public Instruction.

During the 1977-78 and 1978-79 fiscal years, the evaluator shall submit a progress report on items (a) to (d), inclusive. During the 1979-80 fiscal year, the evaluator shall submit a final report, including reports on items (a) to (e), inclusive."

This evaluation will not judge the effectiveness of bilingual versus no bilingual education. Rather, the evaluation is aimed at assessing different bilingual educational approaches.

AB 65 provided \$300,000 to the Joint Legislative Budget Committee to contract for this evaluation. During fall 1977 we prepared a Request for Proposal (RFP) to be sent to potential bidders. This RFP was reviewed by staff of the Assembly Education and Ways and Means Committees, Senate Education and Finance Committees, Senate Office of Research, as well as the Departments of Education and Finance. The RFP was sent to potential contractors on November 1, 1978; in December, 12 proposals were received from eight contractors.

Representatives of the Senate Office of Research, the Departments of Finance and Education and our office rated all the proposals. Based on these ratings Development Associates (located in San Francisco) was awarded the contract. To date Development Associates has submitted two reports. Both of these have dealt with refinement of their study design. (The first was submitted in April; the second, in November 1978). These reports were reviewed by representatives of Assembly Education and Ways and Means Committees, Senate Education Committee, Assembly and Senate Offices of Research, as well as the Departments of Education

and Finance and our office.

In October 1978 the Departments of Education and Finance and our office signed a Memorandum of Understanding which states that any change to the design and scope of these evaluations must be approved by all three agencies.

Enactment of Chapter 848, Statutes of 1978 (AB 3470), has caused the first major change to the design and scope of the bilingual evaluation required by AB 65. Prior to AB 3470 the census of bilingual students was conducted using an instrument that measured a student's language "dominance". We had contracted with Development Associates to examine the quality of these "dominance" instruments. AB 3470 substitutes a language "proficiency" assessment in place of the language "dominance" measure. The day that AB 3470 was sent to the Governor we requested that Development Associates discontinue work on their language dominance sub-study. We are now in the process of determining what should be done to measure "proficiency" and hope to reach agreement through the Memorandum of Understanding process. There is a possibility that the negotiated agreement will necessitate approval by the Legislature. We will report on this matter during the budget hearings.

During calendar year 1979 Development Associates plans to report first in June on the final specifications of research questions, variables and probable analysis procedures which it has adopted, and then report on first year student effectiveness data and other findings by November 1979. We have asked Development Associates to be present during budget hearings to comment on or answer questions on its evaluation.

D. SURVEY NEEDED

We recommend the Department of Education conduct a survey to assess the extent to which school districts have complied with federal and state laws requiring that all LES/NES children are provided with services designed to remedy their language deficiencies.

Section 204 of the Education Amendments of 1974 (PL 93-380) states: "No state shall deny equal educational opportunity to an individual on account of his or her race, color, sex or national origin, by . . . (f) the failure by an educational agency to take appropriate action to overcome language barriers that impede equal participation by its students in its instructional programs."

In addition, Education Code Section 52165 requires that "each limited-English-speaking pupil enrolled in the California Public School system in kindergarten through grade 12 shall receive instruction in a language understandable to the pupil which recognizes the pupil's primary language and teaches the pupil English."

Many of California's LES children (166,300 out of the total of 233,100 in 1977-78) are enrolled in ESEA Title I, EDY, state bilingual, or SIP programs. These programs are monitored by the Department of Education. However, we do not have any information concerning the extent to which the remaining 66,800 students are served.

It is entirely possible that most of these students are served through ESAA, ESEA Title VII (bilingual), ESEA Title IV-C, or district-established

DEPARTMENT OF EDUCATION—Continued

programs. Many others may have individually developed programs. However, some evidence exists that not all children are served. For example:

1. Representatives of the Bloomsbury West Lau Center testified to the Assembly Education Committee in November 1978 that over 200 school districts reported to the Office of Civil Rights in January 1976 that they had no bilingual services for their limited- and non-English-speaking children.

2. 9.7 percent of schools receiving consolidated application funds did not provide LES/NES students who were not in bilingual programs with individual learning programs as required by current law.

3. 16.2 percent of the 49 districts receiving compliance reviews did not conduct the state language census according to state guidelines.

As we indicate earlier, there are ample federal and state funds to serve the LES/NES population within the State Board's \$350-\$550 per-child service levels. Thus, the problem is one of how adequately are funds distributed.

We believe it is important that a survey be conducted, on a one-time basis, to ascertain the degree to which services are provided to bilingual children. This survey could be conducted using a sampling approach.

E. SERVICES TO FES STUDENTS IN BILINGUAL PROGRAMS

We recommend the Department of Education revise its instructions to school districts requiring that fully English speaking children in bilingual programs be given instruction in a second language.

The Department of Education has issued instructions to schools implementing bilingual education programs which *require* that fully English speaking (FES) children in bilingual programs receive "assessment, student performance objective, and activities in the language other than English (e.g., Spanish, Portuguese)."

We do not deny the potential value of FES children being multilingual. Learning a second language is a desirable component of the educational curriculum. We believe, however, that this is something best left to the districts themselves, and that the state should not seek to mandate instruction to FES students in bilingual programs in a second language. In our judgment, it makes no sense to require that lessons be conducted in a second language when the district finds that many of the children have deficient basic skills. Moreover, this requirement may actually be counterproductive to the basic goals of the bilingual program where there is a shortage of bilingual teachers (as there is in most areas of the state). Such bilingual teaching resources as are available would be better used teaching LES/NES children who have inadequate English-level skills. An additional problem stemming from these rules is the administrative and paperwork burden it imposes on the schools. Districts must spend time developing objectives for FES children, writing them down and evaluating whether students have attained them.

For these reasons we believe the department's mandate should be removed, allowing districts, schools, teachers, and parents more flexibility to address the most important educational needs of students in the man-

ner they think best. This recommendation does not mean that districts ought not to teach a second language to these children. It simply reflects our belief that this is best decided at the local level.

F. ACHIEVEMENT DATA NEEDED

We recommend that the Department of Education present during the budget hearings information regarding the performance levels of children in bilingual classes using estimated percentiles and grade level equivalents.

Our recent study of student achievement noted that departmental evaluations of major categorical programs do not include data regarding student achievement in an easily-understood format. A more disturbing finding was that these evaluations do not conform to statutory requirements established in Chapter 791, Statutes of 1976 (SB 1698). Instead of reporting on the growth of students in the programs compared to the growth of "comparable groups of students who do not receive specialized educational services," and including "inferential judgments regarding the effectiveness of the programs", the department:

1. Presents data in "standard scores," which are not easy for laymen to understand;
2. Measures "progress" by presenting fall and spring scores, a procedure which, it has been found, exaggerates student growth; and
3. Presents no information (such as percentiles or grade equivalents) which would enable the reader to understand how children in bilingual programs perform compared to their peers.

A technical review and interpretation of data regarding the performance of LES/NES children nationally indicates that in the aggregate these children perform far below average. The recently released federal study of ESEA, Title VII bilingual programs reports that program children perform at about the 20th percentile in English reading. We believe the Legislature should have similar information about the performance of California's LES/NES children.

Bilingual Achievement Test

Development of the Bilingual Scholastic Achievement Test was mandated in the 1975-76 Budget Act, and \$300,000 was appropriated from the General Fund for the task. When the original completion date of September 1, 1977, was not met, supplementary language was included with the 1978-79 Budget Act. This language states, "The Department of Education is directed to complete all development of the Bilingual Scholastic Achievement Test necessary to permit use of test items in school districts no later than October 1, 1978."

As completed, the test measures student proficiency in listening, comprehension, speaking, reading and writing. According to information supplied by the department, the instrument has three levels of difficulty and is capable of measuring Spanish proficiency from beginning stages through adult fluency levels.

The availability of the test was announced to districts in September. In addition, the department held two workshops to acquaint bilingual coordinators and teachers with the instrument.

DEPARTMENT OF EDUCATION—Continued

We believe that the test is still not ready for use. It has not yet been field tested, and therefore no norms are available for districts to use in assessing student progress. The department acknowledges this deficiency, and indicates that districts should "plan on continuing to use more generally accepted assessment tools to meet state reporting requirements . . ." Thus, school districts are not permitted to use the exam for assessing student progress in categorical programs. In addition (a) the test measures only Spanish language proficiency and (b) it cannot be used to evaluate general academic progress.

G. ESEA TITLE I, MIGRANT (Item 322)

The ESEA Title I, Migrant Program was established in 1965 to provide supplementary services to the children of migrant parents. Under the 1974 "California Master Plan for Migrant Education" the state is the prime contractor to the federal government for the migrant education program operated with ESEA, Title I funds. The state has nine regional offices which are responsible for program administration.

As seen in Table 30, ESEA Title I local assistance expenditures for migrant education will total \$39.3 million in 1979-80. In 1977-78, the program provided services to 1,172 schools in 275 districts, enrolling 110,653 migrant children.

Table 30
Federal ESEA, Title I Migrant Funds

	<i>Actual 1977-78</i>	<i>Estimated 1978-79</i>	<i>Proposed 1979-80</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
State Operations	\$1,013,106	\$1,065,083	\$1,108,454	\$43,371	4.1%
Local Assistance.....	31,373,377	36,645,181	39,276,894	2,631,713	7.2
Total	\$32,386,483	\$37,710,264	\$40,385,348	\$2,675,084	7.1%

Unexplained Variation in Service Costs

Our 1978-79 Budget Analysis pointed out that different regions have widely varying per-student costs for different components of migrant programs. For example, in 1975-76, costs for staff training ranged from \$2 per student to \$60 per student; instructional services, from \$129 to \$354. In response to our recommendation, the Department of Education was asked through supplemental language to review the situation.

In its report, the department states that service levels per child varied from \$440 to \$1,165 as given in Table 31.

Table 31
Total Migrant Education Program Cost
Per Pupil for All Regions: 1976-77

<i>Region</i>	<i>County</i>	<i>Total expenditure¹</i>	<i>Number of children²</i>	<i>Cost per child³</i>
1	Santa Clara.....	\$4,599,701	10,443	\$440
2	Butte	2,737,634	4,674	586
3	Merced	2,211,980	3,887	569
4	Fresno	2,560,962	5,493	466
5	Kern.....	1,213,213	2,265	536
6	Imperial	1,369,770	3,145	436
7	Riverside.....	1,251,242	2,145	583
8	Tulare	2,112,521	3,776	559
9	San Diego ⁴	241,145	207	1,165

¹ Total expenditures were obtained from the BME-10 Final Financial Report filed at the Migrant Education Section, State Department of Education.

² According to the department, the number of children equals students whose parents or guardians have moved either across state lines or across school district boundaries within the last calendar year for purposes of employment in agriculture or fisheries.

³ Cost per child equals total expenditure divided by number of children.

⁴ The department reports that region 9 is a new region and, as such, has starting costs included which are higher than the average until the programs become established.

However, their report is inadequate for two reasons:

1. It does not give the cost by classification for each different region but presents anecdotal data only. For example, no data is available regarding administrative costs. In addition, the only data given are for Regions I, IV, and VII. No data is given for other regions.

2. The report does not give reasons for the variation in costs. The department reports that the reason for this is that uniform cost data have not been collected. Aside from the fact that the Legislature was interested in making comparisons between regions (which, of course, requires comparable data), we note that the department has been able to present such data in the past.

The department's report asserts that variation in per-pupil expenditures are, to some extent, "the result of costs within regions which cannot be controlled at the state level." The department asserts that different expenditures exist because the same services cost more or less in different regions rather than because more or fewer services are being provided. This would seem difficult to prove since the department has not been able to produce any comprehensive assessment of what these costs are. As an example of expenditure variation, the report compares instructional costs in Region IV (\$271) with those in Region VII (\$393). Yet no information is given which explains why salaries in these two regions might differ. Indeed, inasmuch as Region IV (Fresno) and Region VII (Riverside) are both central California towns, it seems unlikely that salaries would vary much. The department's explanation becomes even more suspect when we compare actual salaries. In 1976-77, Fresno city's average salary was \$1,400 *higher* than Riverside city's.

The department's response to our concerns did not provide additional information regarding the reasons behind the variation in service costs. To the contrary, it served only to reinforce our conclusion that greater control

DEPARTMENT OF EDUCATION—Continued

over fund distribution is needed for the migrant program.

Allocation Mechanism Needed

We recommend the State Board adopt regulations governing the distribution of ESEA Title I Migrant Funds.

There are no state board regulations which apply to the migrant program.

In response to our query about the mechanism used to distribute funds, the department informed us that funding for 1978-79 is based on the number of full-time equivalent migrant children. However, because there are no regulations, we cannot verify this statement. Indeed, the very high per-child costs for Region IX, San Diego, suggest that this procedure is not always followed.

We believe that regulations should be adopted governing the distribution of funds so that children in each region have equal opportunity to receive migrant services.

Evaluation of the ESEA Title I Migrant Program

We recommend the department submit its annual evaluation of the migrant education program by December 1 following the close of the fiscal year.

We have received the migrant evaluation for the 1975-76 year. However, the 1976-77 and 1977-78 evaluations are not available at this time, even though nearly 20 months have passed since the end of the former school year. Current law does not establish a due date for the annual evaluation.

For an evaluation to have maximum utility, it should be available for review soon after the period covered by the evaluation. Findings from the evaluation can then be utilized to improve the program direction and operation.

We believe that the establishment of a due date for the evaluation would facilitate getting it to the Legislature on a timely basis. Hence, we are recommending that a due date be set by the Legislature.

H. BILINGUAL TEACHER SUPPLY AND DEMAND

The Legislature has been concerned for several years about the insufficient numbers of bilingual teachers available. It has enacted a number of provisions designed to develop an adequate supply of appropriately trained teachers to staff the state's bilingual programs. However, the efforts of the Legislature have not been successful due partly to the complexity of the problem and partly to the fact that so many different agencies are involved. In an effort to resolve the problem, the Legislature added two pieces of supplementary language to the 1978-79 Budget Act. The first requires the Commission for Teacher Preparation and Licensing to prepare a study on the supply and demand of bilingual teachers. The second requires the Department of Education, in conjunction with other agencies, to coordinate the responsibilities of each agency that has a role in providing training so that an adequate supply of credentialed bilingual teachers can be developed as quickly as possible.

Current Demand

In response to the first directive, the Commission for Teacher Preparation and Licensing has estimated the number of teachers needed to fulfill current statutory mandates at approximately 11,100-15,000 in 1978-79. In 1979-80, 13,100-17,900 teachers will be needed. These are preliminary projections. The commission plans to provide more complete estimates in the future.

Current Supply

In response to the second directive, the multiagency task force made a number of suggestions which they believe would provide the state with an adequate supply of bilingual teachers.

The proposals include (1) establishing more on-campus programs; (2) encouraging more institutions of higher education to function as assessor agencies for the certificate of competence; (3) having the community colleges take a more "aggressive" stance in order to interest more individuals with bilingual backgrounds in attending community colleges; (4) providing increased funding for the Bilingual Teacher Corps; (5) expanding funding for the Bilingual-Crosscultural Teacher Development Grant Program (Chapter 1236, Statutes of 1977 (AB 579)); (6) establishing a new program to encourage already employed teachers who are fluent in a second language to become credentialed bilingual teachers; and (7) obtaining greater cooperation between school districts and institutions of higher education.

Unfortunately, however, the task force did not project the number of bilingual teachers who would become credentialed if current practices were continued.

The interagency task force estimates that if these proposals were implemented, an adequate supply of credentialed bilingual teachers would be available by Fall, 1981. The projections are summarized and presented in Table 32.

Table 32
Projected 1978-81 Bilingual Credential Issuance Schedule

Credentials already issued	4,071
Teachers will acquire certificates of competence	6,600
New bilingual teachers will graduate and be certificated.	3,528
Total	14,199

While this total is below the estimated demand, the interagency task force indicates that these numbers will be sufficient if 4,641 teachers currently on waiver status earn credentials.

We believe the task force's projections are a useful first step. Nevertheless, we doubt that the number of credentialed bilingual teachers available to teach in classrooms will reach 17,900 in the near future. Our reasons are as follows:

- (1) Only about 1,800 teachers had been credentialed by February 1978; we understand that by February 1979 the number will rise to only about 5,000;
- (2) Last February the commission reported that only 2,323 students

DEPARTMENT OF EDUCATION—Continued

were enrolled in a "program of a bilingual nature" in public institutions of higher education—and not all of these were enrolled in credential programs.

(3) The multiagency task force's timetable assumes that all (or most) of the teachers currently on waiver status will earn bilingual credentials. It seems unlikely that this will happen.

(4) Data included in the interagency task force report shows that only 18,010 undergraduate Spanish-surnamed students are currently enrolled in CSUC and UC. These figures exclude Spanish-surnamed students currently enrolled in community colleges. Nevertheless, the data illustrate the fact that the current population of hispanic students cannot be counted upon to provide their projected share of the Spanish-English bilingual teachers needed by 1979-80 unless the great majority of these students choose to become teachers and elect to teach in bilingual classrooms.

(5) Finally, the projections are developed assuming that every teacher who is credentialed will be placed in a bilingual teaching position. Little margin is provided for a surplus to replace those who earn bilingual credentials but who choose not to teach school, or who become resource teachers or administrators (which seems likely).

Finally, according to the Department of Education, the number of LES/NES students will increase to 400,000 by 1982. This will necessitate an increase in the number of bilingual teachers needed.

I. BILINGUAL TEACHER CORPS (ITEM 332)

Chapter 1496, Statutes of 1974, established the Bilingual Teacher Corps Program and appropriated \$4.8 million for its operation from 1974-75 through 1978-79. The main objective of this program is to increase the supply of bilingual teachers.

Table 33 summarizes program funding.

Table 33
Bilingual Teacher Corps
Program Funding and Participation

	<i>Actual</i> 1977-78	<i>Estimated</i> 1978-79	<i>Proposed</i> 1979-80	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
State Operations	\$99,763	\$103,672	\$106,185	\$2,513	2.4%
Local Assistance	1,245,249	1,401,317	1,496,000	94,683	6.8
TOTAL	\$1,345,012	\$1,504,989	\$1,602,185	\$97,196	6.5%

According to the Department of Education's 1976-77 evaluation, the program was conducted at 33 institutions of higher education. Corps members are recruited on the basis of bilingualism, financial need, educational background, and personality characteristics. According to the department's evaluation, the typical corps member "was a thirty-one year old female, bilingual in Spanish, serving as an aide in the primary grades and having three years of previous experience. She worked 22 hours per week and carried an academic course load of 11.9 semester units at an institution 15 miles distant from her work. She was a member of the sophomore class and was enrolled in the Ryan multiple subjects with bilingual emphasis

credential program."

The evaluation also indicates these problems with the program: (a) in a four year institution the stipend may not cover academic expenses; (b) the stipend is not available in the first few months of the year; (c) corps members often do not attend summer school, despite the fact that most of them are not employed at this time.

Awards are based on several criteria. To receive the maximum allowable stipend of \$1,500 per year, a corps member must carry a minimum of 12 units per semester and spend at least 20 hours per week providing direct instructional service in a public school classroom. Corps members carrying a lighter academic load receive a stipend that is proportionately reduced. The amount of reimbursable funds given to the student for necessary expenses is negotiable with the institution and covers such items as tuition, necessary travel between work and campus, and cost of books and materials.

Transfer of Funding

We recommend that funding for the Bilingual Teacher Corps be transferred to the Bilingual Teacher Development Grant Program.

As shown in Table 33, the Governor's Budget proposes extending the Bilingual Teacher Corps another year by appropriating \$1,602,185 from the General Fund.

We are recommending that funds for the Bilingual Teacher Corps be transferred to the Bilingual Teacher Development Grant program (BTDBG) which is managed by the Student Aid Commission. The Bilingual Teacher Development Grant Program provides for stipends of up to \$3,000 per student, and, like the bilingual teacher corps, is oriented toward increasing the number of credentialed bilingual teachers. Priorities are established based generally on the amount of additional education required before the individual can be credentialed. Students who are training to be elementary bilingual teachers are preferred over those in secondary teaching programs.

The Department of Finance has prepared a comparison of the number of teachers credentialed by the two state programs. According to their data, 94 teachers were credentialed through the Bilingual Teacher Corps from 1975-76 through 1977-78 at an average total cost of \$35,000 while 76 teachers were credentialed via the Bilingual Teacher Development Grant program in 1977-78 at an average total cost of \$4,100 each. Based on these data it appears that teachers can be trained at a lower cost through the BTDBG.

Part of this reason is that the Bilingual Teacher Corps currently awards some funds to institutions of higher education to assist in managing the program. Under our proposed redirection these funds would be made available for student assistance thereby increasing the amount of money available to students.

The major reason for the lower per student cost of the BTDBG of course is the concentration on upper division and graduate students.

Our proposal would establish a system of preferences for individuals previously enrolled in the Bilingual Teacher Corps. Thus transfer of re-

DEPARTMENT OF EDUCATION—Continued

sponsibilities should entail a minimum of disruption.

J. INDIAN EDUCATION CENTERS (ITEM 330)

Chapter 1425, Statutes of 1974, authorized the establishment of up to 10 Indian Education Centers to provide comprehensive programs to K-12 pupils as well as adults. Services include tutorial programs in reading and mathematics, academic counseling, and cultural activities directed toward reducing the dropout rate of American Indian students and increasing their academic achievement and self-image. These centers are directly administered by Boards of Directors rather than school districts.

Table 34 summarizes state operations and local assistance expenditures for this program. In 1979-80 local assistance funding is continued at the 1978-79 level of \$606,753, while state operations increases by \$7,716 to \$154,208.

Table 34
Expenditures for Indian Education Centers

	<i>Actual</i> 1977-78	<i>Estimated</i> 1978-79	<i>Proposed</i> 1979-80	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
State Operations:					
Special Programs.....	\$66,357	\$122,109	\$128,041	\$5,932	4.9%
Department Management	15,723	24,383	26,167	1,784	7.3
Total, State operations.....	\$82,080	\$146,492	\$154,208	\$7,716	5.3%
Local Assistance	\$636,000	\$606,753	\$606,753	—	—
Total	\$718,080	\$753,245	\$760,961	\$7,716	1.0%

Inflation Adjustment

We recommend an augmentation of \$36,405 for Indian Education Centers (Item 330) to provide a program inflation adjustment.

Our general policy of not recommending separate categorical program inflation adjustments in light of the total revenue available to schools cannot apply to this item. These programs are not funded as part of regular school operations. Consequently, any inflation adjustment for the program must be provided through this item. Because a six percent inflation adjustment is the general budget policy, we recommend it be applied to this activity for an augmentation of \$36,405.

Improvement of Services to Indian Education Centers

Supplementary language to Item 295 of the 1978-79 Budget Act directs the Department of Education to "improve the level of assistance to Indian education centers with respect to: (a) management and budget techniques, (b) dissemination of effective programs and practices, and (c) coordinating programs with school district personnel." It also instructs our office to report on the Department of Education's efforts to comply with this supplemental language.

We believe the department has complied with this language. Prior to the beginning of the year a fiscal workshop was held. In January the Department of Education planned to hold an additional workshop on fiscal matters and on promising program practices. In March the depart-

ment plans to hold another workshop on grants procurement and on problem-solving. Finally, in May a workshop on evaluation will be held.

To ensure that center programs are being coordinated with school district efforts to provide services to Indian children, department staff have informed us that they (a) sent letters to area superintendents regarding Indian education center services; (b) surveyed each Indian education center to find out which centers needed additional coordination with area public schools, and (c) are working to increase the level of cooperation in areas where it is needed.

K. NATIVE AMERICAN INDIAN EDUCATION PROGRAM (ITEM 331)

Chapter 903, Statutes of 1977 (AB 1544), continued the school district administered Indian Early Childhood Education programs under the new title of the Native American Indian Education Program projects. These projects supplement educational services with a basic skills emphasis to Indian pupils in grades kindergarten through four. The principal differences between the Native American Indian Education Programs and the Indian Education Centers is in (a) the scope of activities, (b) the age group served, and (c) the administration of the program. According to the department, the program serves 814 students in 10 districts.

Table 35 summarizes state operations and local assistance expenditures for the program.

Table 35
Native American Indian Education Program

	<i>Actual</i> 1977-78	<i>Estimated</i> 1978-79	<i>Proposed</i> 1979-80	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
State Operations	—	\$25,110	\$27,123	\$2,013	8.0%
Local Assistance	\$270,000	257,580	257,580	—	—
Totals	\$270,000	\$282,690	\$284,703	\$2,013	0.7%

The Governor's Budget does not provide an increase in local assistance funding for this program. We feel that the overall increases in school district funds from other state and local sources will be adequate to provide for cost of living adjustments for this program.

3. MENTALLY GIFTED MINORS (Item 338)

In 1961, the Legislature enacted a permissive program for Mentally Gifted Minors (MGM) which requires participating school districts to provide (a) opportunities suited to the abilities of gifted minors and (b) a "qualitatively different" program primarily for those students ranked in the top two (increased to three in 1972) percent statewide as measured by a general test of intelligence. Some students are identified through special criteria determined at the local level.

Clear MGM goals and objectives have not been defined although districts are required to submit plans indicating the general and specific goals MGM pupils are expected to achieve.

Objectives for gifted programs recommended in Department of Education program guidelines and commonly implemented at the local level are in the following areas: (a) academic achievement, (b) problem solving, (c) creativity, (d) leadership, (e) self-esteem, (f) communication, (g)

DEPARTMENT OF EDUCATION—Continued

career awareness, (h) aesthetic awareness and (i) peer relationship.

In 1979-80 there will be approximately 348 districts with 150,000 state-supported full-time students in the program at an estimated General Fund cost of \$13.4 million.

Table 36 illustrates MGM state operation and local assistance expenditures.

Table 36
MGM Program Expenditures

	<i>Actual</i> 1977-78	<i>Estimated</i> 1978-79	<i>Proposed</i> 1979-80	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
State Operations	\$305,554	\$342,462	\$317,229	\$-25,233	-9%
Local Assistance:					
Program Apportionments	14,091,048	12,509,965	12,509,915	-50	—
Pupil Identification	890,263	863,585	863,585	—	—
Subtotal, Local Assistance	\$14,981,311	\$13,373,550	\$13,373,500	-\$50	—

Table 37 displays MGM participation. Because of more than 3 percent of total statewide ADA have been enrolled in the program, a 9,500 (6 percent) reduction in total pupil participation is scheduled for 1979-80.

Table 37
MGM Participation and Identification

	<i>Actual</i> 1976-77	<i>Actual</i> 1977-78	<i>Current</i> 1978-79	<i>Projected</i> 1979-80
Pupil Participation (FTE) ^a	187,186	170,881	159,347	149,786
Pupil Identification	29,902	20,229	22,002	22,002

^a Full-time equivalent.

Program Elimination

We recommend the deletion of the current MGM program for a General Fund savings of \$13.4 million. (Reduce Item 388 by \$13.4 million).

We further recommend that if the program is to continue, funding should be carried in new legislation which establishes an equitable method of funding and gives districts greater discretion for determining culturally diverse pupil eligibility.

In our judgment, school districts have a clear obligation to provide gifted pupils with educational opportunities suited to their abilities and potential. Nevertheless, the serious problems which characterize this program cause us to recommend that it be eliminated from the budget and reviewed in new legislation.

In 1977, we identified a number of problems with the program involving overenrollment, eligibility and funding. Recently a study on MGM conducted by the Auditor General showed that many of these issues have not been addressed.

Program Impact

There is no statewide comparative evidence documenting (a) the relative effectiveness of MGM teaching methods or (b) the effectiveness of the MGM program in general.

Pupil Identification

The current identification system of gifted pupils has several problems. First, districts are reimbursed only for pupils identified, not for the total number tested. In 1976-77 state costs for MGM pupil identification was approximately \$1.2 million, while an additional \$1.1 million was spent from local sources. The excess costs stem from school psychologist time spent on testing students who do not achieve the MGM minimum I.Q. score.

Secondly, pupil eligibility for the program has been determined primarily through the use of Standardized Intelligence Tests. Although current statutes allow districts to use alternative criteria for eligibility, districts have been reluctant to use other criteria due to the time and resources involved in developing equitable criteria for a relatively small program.

I.Q. testing norms are based on tests of children from mainstream cultural backgrounds. As a result, the predominant use of intelligence tests has prevented talented high achieving pupils from culturally different backgrounds from qualifying for the program. The participation of pupils with ethnic minority backgrounds is shown in Table 38.

Table 38
Comparison of District and MGM Ethnic Breakdown by Percentage
for 1977-78^a

	<i>District Enrollment</i>	<i>MGM Enrollment</i>
Asian	4.2%	7.6%
Black	14.1	5.3
Chicano/Spanish Surname.....	11.7	4.0

^a Based on a sample of 21 school districts including 31.9 percent of total MGM (FTE) statewide.

Disparities in School District Participation

There are substantial disparities in MGM participation among school districts (Table 39). In 1976-77, 698 districts did not participate while 34 districts received funding for more than 10 percent of their total enrollment. In fact, one school, Orinda Union Elementary, identified 42 percent of its students as mentally gifted.

Table 39
District Participation in
MGM Program 1976-77^a

<i>Percent of Enrollment Participating</i>	<i>Number of Districts</i>	<i>Total Enrollments</i>	
		<i>Number</i>	<i>Percent</i>
None	698	565,665	13.6%
Up to 3%	164	1,271,312	30.6
3-10%	147	2,163,488	52.0
10% and over	34	156,535	3.8
Total	1,043	4,157,000	100.0%

^a Expressed in (FTE).

Although the funds are budgeted, the Governor's Local Government Fiscal Relief Plan proposes that the MGM program be eliminated in 1979-80 as a "lower priority".

In the absence of hard evidence that the MGM program is helping

DEPARTMENT OF EDUCATION—Continued

districts fulfill their obligation to gifted children, we are unable to justify the continued use of \$13.4 million for this program. Accordingly, we recommend that the program be terminated after 1978-79.

Funding Alternative

If the program is continued through new legislation, we recommend that (a) participation and funding be based on a dollar amount per ADA, (b) funds be equalized based on the district expenditures per pupil, (c) identification reimbursements be eliminated and (d) districts receive greater discretion in determining a culturally diverse pupil eligibility.

If MGM funds were distributed as an entitlement, districts would receive \$3.23 for each student in 1979-80. An equalization factor would vary this amount according to district expenditures per pupil. Low spending districts would receive more MGM funds per ADA. This would take into account a district's relative ability to provide enriched programs for gifted pupils.

Administrative Costs

We recommend deletion of state support for MGM state administration in 1979-80 for a General Fund savings of \$174,000. (Reduce Item 307 by \$174,000).

State MGM program administration will be unnecessary if MGM program support is deleted from the 1979-80 Budget Act. State support for the MGM program is budgeted at \$174,000 in 1979-80. These funds would support two professional positions and 1.5 clerical positions. We recommend eliminating these positions.

Federal MGM support budgeted for 1979-80 includes \$64,000 in Title V funds and \$79,000 in a federal grant for program development and teacher training. We recommend leaving these funds in the budget to assist those districts that may wish to continue local programs and to administer the federal grant. Federal funds will support one professional position in 1979-80.

4. SPECIAL EDUCATION (Items 313, 323-325)

Special Education includes (1) apportionments for regular program special education and (2) program support for categorical type special education. The latter includes (1) the Master Plan for Special Education and (2) Special Schools. Special education services are provided to students who are blind, deaf, orthopedically handicapped, multi-handicapped, educable and trainable mentally retarded and educationally handicapped.

A. OVERVIEW**1. Enrollment**

In 1977-78, approximately 332,000 handicapped students received services in special education programs. Table 40 indicates that students with speech impairment and specific learning disabilities comprise 62.5 percent of those served.

Table 40
Unduplicated Count of Pupils Served
by Special Education
(February 1, 1978)

<i>Major Handicapping Disability</i>	<i>Ages 3-5</i>	<i>Ages 6-21</i>	<i>Total</i>	<i>Percent</i>
Mentally Retarded	1,789	36,461	38,250	11.5%
Hard of Hearing	335	2,756	3,091	.9
Deaf	484	2,759	3,243	1.0
Speech Impaired	14,281	99,555	113,836	34.3
Visually Handicapped	155	2,648	2,803	.8
Emotionally Disturbed	299	22,356	22,655	6.8
Orthopedically Impaired	2,094	17,132	19,226	5.8
Other Health Impaired	1,920	33,481	35,401	10.7
Specific Learning Disability	1,355	92,153	93,508	28.2
TOTAL ^a	22,712	309,301	332,013	100.0%

^a Totals do not include approximately 1,200 children in state special schools.

2. Funding

Table 41 displays state and federal funding. The increase for 1979-80 is nearly \$100 million, of which \$68 million comes from the General Fund.

Table 41
Total State and Federal Support
for Special Education

<i>Special Education</i>	<i>1977-78</i>	<i>1978-79</i>	<i>1979-80</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
Programs:					
General Fund	\$91,354,481	\$137,636,433	\$183,315,656	\$45,679,226	33.2%
Reimbursements	3,541,819	3,032,209	3,024,529	-7,680	-0.3
Federal Funds (PL 94-142)	24,397,955	57,401,383	82,980,595	25,579,212	44.6
Subtotal	\$119,294,255	\$198,070,025	\$269,320,780	\$71,250,755	40.0%
Apportionments:					
General Fund	231,238,754	244,315,050	266,726,500	22,411,450	9.2
TOTAL	\$350,533,009	\$442,385,075	\$536,047,280	\$93,662,205	21.2%
Estimated total support per student			\$1,360		

B. APPORTIONMENTS FOR SPECIAL EDUCATION

Table 42 displays the regular apportionments for special education. These funds are distributed according to formulas in statutory law.

Table 42
General Fund Apportionments for Special Education

<i>Category</i>	<i>1977-78</i>	<i>1978-79</i>	<i>1979-80</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
Sedgwick Act	\$11,369,370	\$9,015,000	\$10,726,500	\$1,711,500	19.0%
Physically Handicapped	110,006,147	120,400,000	133,700,000	13,300,000	11.0
Mentally Retarded	22,352,554	23,000,000	23,800,000	800,000	3.5
Special Transportation	17,059,650	18,400,000	19,800,000	1,400,000	7.6
Educationally Handicapped	70,451,033	73,500,000	78,700,000	5,200,000	7.1
TOTAL	\$231,238,754	\$244,315,050	\$266,726,500	\$22,411,450	9.2%

DEPARTMENT OF EDUCATION—Continued

This table indicates that General Fund apportionments for special education will increase by 9.2 percent, or \$22.4 million, in 1979-80. This increase is due to (a) the 6 percent inflation adjustment provided in AB 65 for physically handicapped, mentally retarded, and educationally handicapped and (b) a projected increase in the number of handicapped children served. It should be noted that the expansion of the Master Plan program, discussed below, has the effect of reducing the level of regular apportionments in 1979-80 because districts scheduled for inclusion in the Master Plan are apportioned separately.

C. PROGRAM SUPPORT

Table 43 displays expenditures and funding for the special education components which are administered by the State Department of Education, as shown in the Governor's Budget. This table indicates that in 1979-80 there will be a 36 percent increase (\$71.3 million), primarily in the Master Plan and federal support activities.

State Operations (Administration)

We do not believe that Table 43 accurately reflects the departmental administrative allocations (state operations) among the program components.

We recognize that proper allocation of administrative costs is difficult because the department is not organized along the lines of the budget's program elements. (For example, the department has two regional Consultant Services units which serve Master Plan and non-Master Plan schools.) Nevertheless, we believe that the department can and should do a better job of allocating the administrative costs in future budgets.

Table 43
Special Education Program Support

Component	1977-78	1978-79	1979-80	Change	
				Amount	Percent
1. Master Plan					
State Operations	\$389,469	\$515,106	\$539,439	\$24,333	4.7%
Local Assistance	57,395,378	101,424,195	149,404,143	47,979,948	47.3
2. Education Improvement for Handicapped (94-142)					
State Operations	4,632,036	3,271,745	3,396,973	125,228	3.8
Local Assistance	19,097,030	52,968,777	78,417,000	25,448,223	48.0
3. Research and Development					
State Operations	344,241	—	—	—	—
4. Special Schools					
State Operations	21,162,088	22,372,709	23,530,379 ^a	1,157,670	5.2
5. Clearinghouse Depository					
State Operations	309,615	303,223	319,140	15,917	5.2
6. Other Special Education Programs ^b					
State Operations	1,260,998	1,437,870	1,493,526	55,656	3.9
Local Assistance	14,703,400	15,776,400	12,220,180	-3,556,220	-22.5
TOTALS	\$119,294,255	\$198,070,025	\$269,320,780	\$71,250,755	36.0%
State Operations					
General Fund	\$19,255,703	\$21,508,838	\$22,764,333	\$1,255,495	5.8%

Federal funds	5,300,925	3,359,606	3,490,595	130,989	3.9
Reimbursements	3,541,819	3,032,209	3,024,529	-7,680	-0.3
SUBTOTAL	\$28,098,447	\$27,900,653	\$29,279,457	\$1,378,804	4.9%
Local Assistance					
General Fund	\$72,098,778	\$116,127,595	\$160,551,323	\$44,423,728	38.3%
Federal funds	19,097,030	54,041,777	79,490,000	25,448,223	47.1
SUBTOTAL	\$91,195,808	\$170,169,372	\$240,041,323	\$69,871,951	41.1%
Positions					
Special Schools	957.8	1,013.1	1,024.8	11.7	1.2%
Department Management	91.6	109.3	109.3	—	—

^a Budget Item 313 plus ESEA Title I funds.

^b This item includes a General Fund appropriation for Development Centers for the Handicapped (Item 325), Sheltered Workshop programs (Item 324), and general department administrative funds.

1. Master Plan for Special Education

Chapter 1532, Statutes of 1974, authorized the establishment of the Master Plan for Special Education (MPSE) program. This chapter provided for pilot testing of the MPSE in up to ten districts and counties (called Responsible Local Agencies) in fiscal years 1975-76, 1976-77, and 1977-78.

Chapter 1247, Statutes of 1977 (AB 1250) authorized the continuation of the existing ten Responsible Local Agencies (RLA's) and the statewide expansion of the MPSE. Funding appropriated in Chapter 894, Statutes of 1977 (AB 65) is adequate to provide for seven additional RLA's in 1978-79 and another nine new RLA's (now designated "Special Education Service Regions") in 1979-80.

The existing 17 Special Education Service Regions are listed in Table 44.

Table 44
Master Plan Special Education Service Regions, 1978-79

<i>Service Region</i>	<i>Handicapped Enrollment (est.)</i>
Contra Costa	6,647
Fresno	4,075
Glenn	536
Humboldt-Del Norte	3,050
Los Angeles (Area D)	6,480
Merced	3,071
Riverside	8,818
Sacramento	4,973
San Diego	8,931
San Juan	5,204
Santa Barbara	5,446
Santa Clara (Zone 1)	2,879
Santa Cruz	2,872
Santa Monica	1,374
Stanislaus	5,101
Tulare	5,555
Whittier	5,542
TOTAL	80,554

DEPARTMENT OF EDUCATION—Continued

Master Plan Enrollment

Table 45 shows the enrollment, by type of handicap and type of instructional placement, in the 10 Special Education Service Regions as of February 1, 1978. Data for the 1978-79 year, which would encompass 17 Master Plan service regions, are not available at this time.

Table 45
Master Plan Enrollment
February 1, 1978
(10 Service Regions)

<i>Type of Handicap:</i>	<i>Number of pupils</i>
Communicatively Handicapped	12,658
Learning Handicapped	24,766
Physically Handicapped	4,235
Severely Handicapped	2,052
TOTAL	43,711
<i>Instructional Placement:</i>	
Special Class	10,516
Resource Specialist	17,102
Desig. Instruction and Services	15,847
Non-Public School	246
TOTAL	43,711

PL 94-142 and the Master Plan

Subsequent to implementation of California's Master Plan, Congress enacted the Education for All Handicapped Children Act of 1975 (Public Law 94-142). It requires that all handicapped children between the ages of 3 and 18 be provided a "free appropriate public education" by September of 1978. Federal funds are allocated primarily as direct support to schools for serving handicapped children. Up to 25 percent of PL 94-142 funds may be used for programs or projects identified by the Board of Education and approved by the U.S. Office of Education. PL 94-142 also mandates the provision of individualized education programs, placement of pupils in the least restrictive environment, and various procedural rights for children and parents.

Those agencies operating under the Master Plan for Special Education must also adhere to an additional set of state-mandated provisions. Under the Master Plan, programs are organized on the basis of pupil need rather than type of disability. Most significantly, the Master Plan funds (a) Resource Specialist Programs, which provide remedial instruction to students with relatively mild handicaps and offer consultative services to teachers and parents, and (b) Program Specialists, who provide administrative services, consultation, and assistance in such areas as diagnostic assessment and staff development. In addition, the Master Plan requires a two-level system of pupil placement and assessment which may involve more extensive review than is mandated by federal law.

PL 94-142 requires all local education districts to provide specified services to handicapped children. The level of services called for by the state

Master Plan exceed the federal minimum. The funding policy proposed in the Governor's Budget would add new districts to the Master Plan. We believe such an expansion is premature prior to (a) a determination that all districts are at least complying with the PL 94-142 required level of service and (b) a full evaluation of the incremental benefits of the Master Plan.

Expansion Policy of the Master Plan.

The Legislature, in Chapter 894 (AB 65), appropriated \$34.51 per unit of average daily attendance for the Master Plan in 1979-80, resulting in a total funding level of \$149.4 million for continuation and expansion of the program. Also included in the bill was an expression of legislative intent that funding increases be provided in subsequent years so that statewide implementation of the Master Plan could be completed by the end of 1981-82. The phase-in schedule, as projected by the Department of Education, is summarized in Table 46.

Table 46
Master Plan Expansion

<i>Year</i>	<i>Master Plan Handicapped Enrollment</i>	<i>Percent of Statewide Handicapped Enrollment</i>	<i>Total District Enrollment Percent of Statewide Total Enrollment</i>
1977-78	43,712	13.0%	11.0%
1978-79 (est.)	80,554	22.1	19.0
1979-80 (est.)	126,000	32.0	30.0
1980-81 (est.)	258,821	61.0	55.0
1981-82 (est.)	455,783	100.0	100.0

The Governor's Budget, reflecting the appropriation provided in AB 65, proposes an allocation of \$149.4 million for the Master Plan in 1979-80, an increase of \$48 million over the current year. Of the increase, only \$12 million represents "new" state funding (for inflation and expansion) because approximately \$36 million would be allocated to the proposed new Special Education Service Regions if the Master Plan were not expanded. Table 47 shows the regions that are projected for expansion in 1979-80.

Table 47
Projected Expansion of Master Plan, 1979-80*

<i>Service Region</i>	<i>Handicapped Enrollment (Est.)</i>
Butte County	2,300
Los Angeles (new area)	6,500
Marin County	3,100
Orange Unified	3,000
San Bernardino West	4,100
Santa Clara (Zone 2)	4,700
Santa Clara (Zone 7)	1,400
West Orange County	6,800
West San Gabriel	8,200
TOTAL	40,100

* The Department of Education has not allocated district budgets at this time.

DEPARTMENT OF EDUCATION—Continued

Alternative to Master Plan Expansion

We recommend that expansion of the Master Plan be postponed in 1979-80 and that the proposed increase in state funding (\$48.0 million) be reallocated as follows: \$34 million for regular special education apportionments; \$1.6 million for DCH programs; and \$12.4 million to be apportioned to all non-Master Plan districts according to an equalization formula. (Reduce Item 323 by \$48,000,000, increase Item 325 by \$1,600,000 and increase Item 338 by \$46,400,000.)

Because of the new responsibilities imposed by PL 94-142, we support an increase in funding for special education in the amount proposed by the budget. We do not believe, however, that this additional funding should be used to expand the Master Plan. In our judgment, further expansion of the Master Plan should not occur until (a) it is certified that all districts are able to meet the federal requirements and (b) at least the early stages of the independent program evaluation which is now in progress are completed.

Although none of the state's local education agencies has been denied PL 94-142 funds due to noncompliance, it is far from clear that non-Master Plan districts will be able to meet the federal requirements. Departmental reviews of a sample of local education agency programs do not demonstrate that all districts will be able to operate at the PL 94-142 level, particularly with respect to the general requirement that all handicapped children aged 3-18 be afforded a "free appropriate public education" by September of 1978.

Given the variation in financial resources among school districts, some local agencies find it more difficult to comply with federal mandates in special education than others. This situation would be exacerbated, rather than ameliorated, if additional state funds for special education were distributed under the Master Plan. Studies by the Department of Education tend to support this conclusion. These studies show that in 1977-78 and 1978-79 non-Master Plan districts provided a significantly larger share of their special education expenditures from local sources of revenue than did the Master Plan regions, with relatively little difference between the two groups in total expenditure per pupil. Given this finding, and the constraints of Proposition 13 as well as the mandates of PL 94-142, we believe additional state aid would be better allocated if it went primarily to districts with relatively low levels of financial resources.

Finally, we do not believe additional commitments should be made to the Master Plan prior to the state-funded program evaluation which is currently in progress. We discuss this evaluation in the following section.

Our recommendation would be implemented by apportioning the proposed increase in state funding (that is, the estimated \$12.4 million in "new" state money) to districts on the basis of their state and local general purpose income per pupil, utilizing an equalization aid factor. This would provide more funds for special education in low-income districts such as Glendale (\$1,389 per pupil), while expanding the Master Plan would tend to direct additional funds to some high-income districts such as Tamalpais

in Marin County (\$2,034 per pupil).

This recommendation would not change the proposed level of funding for special education. Funding for the Master Plan (Item 323) would be maintained at the current level by reducing the budgeted amount \$48.0 million. The reduction would be offset by increases of \$1.6 million for the Developmental Centers for the Handicapped (Item 325) and \$46.4 million for special education apportionments (Item 338). Districts which are scheduled to be phased into the Master Plan in 1979-80 (as well as other non-Master Plan districts) would still be permitted to operate selected components of the Master Plan, such as the Resource Specialist Program, with the approval of the Department of Education.

We should emphasize that this proposal applies only to the budget year and does not preclude our support or opposition to Master Plan expansion in subsequent years.

D. GENERAL SPECIAL EDUCATION ISSUES

1. Independent Evaluation of Special Education Services

Chapter 1247, Statutes of 1977 (AB 1250), required the Department of Education to contract for an independent evaluation of school district special education programs. Specifically it provided that:

"The Department of Education shall contract for an independent evaluation of the programs established pursuant to this chapter to be conducted during the 1977-78, 1978-79, 1979-80, 1980-81, and 1981-82 fiscal years which shall contain, but need not be limited to, annual and longitudinal information from a sampling of participating and non-participating districts and schools regarding:

(a) Number and characteristics of pupils served by type of exceptional need classification and instructional program.

(b) Placement of pupils in least restrictive environment.

(c) Classroom characteristics, including staff-pupil ratios and class composition.

(d) Degree to which objectives identified in individualized educational programs, including pupil cognitive skill development, are achieved, provided appropriate assessment measures related to such objectives are available.

(e) Pupil attitudes toward self, school and others and pupil interpersonal relationships.

(f) Parent, pupil, teacher and administrator satisfaction with services and processes provided, and parental involvement in programs and services.

(g) Improvement of professional skills among teachers, administrators, and other school personnel.

(h) Program costs, including expenditures for direct services, support services and indirect support at the responsible local agency, district and school levels, and sources of funding at the responsible local agency and district levels.

Such information shall: (1) allow comparisons between participating and non-participating districts and schools with regard to subdivisions

(a) through (h) above; (2) provide information with regard to subdivi-

DEPARTMENT OF EDUCATION—Continued

sions (b) through (f) and (h) in relation to exceptional need classifications and instructional programs identified in subdivision (a); and (3) for the purpose of improving administrative processes and procedures, include comparisons among responsible local agencies as measured by subdivisions (a) and (h) above.

The independent evaluator shall have expertise in evaluation. Selection of the independent evaluator, and the design and scope of the evaluation, shall be subject to approval by the Legislative Analyst and the Department of Finance.

The evaluator, by January 1, 1979, and annually thereafter through 1982, shall submit a report to the Legislature and the Governor."

Chapter 894, Statutes of 1977 (AB 65) provided \$1,000,000 to the department for the contract. The Request for Proposal for this study was developed with input from the members and staff of the Assembly Education Committee, Senate Office of Research, Assembly Ways and Means Committee, Commission on Special Education, Educational Management and Evaluation Commission, as well as the Departments of Education and Finance and our office. The latter three offices approved the final RFP before its March 31, 1978 submission to potential bidders.

Proposals were received from 11 bidders. Representatives of the Commission on Special Education, the Senate Office of Research and local education units, as well as the Departments of Education and Finance and our office rated all 11 proposals. On June 30, 1978 the latter three offices agreed that Stanford Research Institute International (SRI) had submitted the best proposal. The department entered into contract negotiations with SRI at that time.

In October 1978, the Departments of Education, Finance and our office signed a Memorandum of Understanding concerning this contract (and the other two independent evaluations mandated in AB 65—Bilingual Education and SIP). The agreement provides a mechanism for ongoing review of each evaluation, and states that any change in their design or scope must be approved by all three agencies.

Recently several concerns have been raised concerning the scope and design of the special education evaluation. In response, our office asked SRI to perform a limited review of the information required in AB 1250 and discuss potential areas that could be deemphasized, dropped or expanded from those requirements in order to deliver the most focused, policy-relevant evaluation to the Legislature. SRI submitted a nine page response to this request in December.

The Department of Education has circulated the document to those with concerns on the evaluation and has also provided for an independent review of it by a three person panel. We will report on the status of these issues during budget hearings.

2. Inservice Training

We recommend that the State Board of Education implement regulations for Special Education Service Regions which would ensure that all regular classroom teachers who provide services to handicapped pupils

receive the equivalent of at least one day of training concerning the needs of exceptional children.

Chapter 1247 (AB 1250) requires that each RLA's local comprehensive plan provide for staff development of regular classroom teachers. In last year's Supplementary Report to the Budget Bill, we were directed to review the issue of inservice training of regular classroom teachers who provide services to special education students in the Master Plan RLA's (now called Special Education Service Regions). Our review, however, indicates that the RLA's have generally failed to provide these teachers with adequate inservice training.

Most of the RLA directors acknowledge that more inservice training of regular teachers is needed, but they believe this can only be accomplished with additional funding for substitute teachers. We agree that an adequate program may require some "released time" for regular teachers. However, we believe existing resources are sufficient to provide a basic level of inservice training. This is supported by the fact that one of the RLA staff development programs we reviewed would, if implemented, successfully accomplish this objective.

Numerous funding sources at the state and federal level can be utilized for staff development. These include PL 94-142, PL 94-482 (teacher resource centers), Chapter 894 (AB 65), Chapter 966 (AB 551), and the state Master Plan. School administrators are aware of these sources, but generally have been reluctant to direct the funds toward a formal staff development program in special education. This occurs partly because available funding, even in the case of Master Plan allocations for "management and support," is not earmarked specifically for special education staff development, and partly because there is not any requirement for a specific amount of training to be provided.

We believe that regular classroom teachers should have, as a minimum, the equivalent of one day of training in special education. Program costs should gradually diminish in future years, as a result of the recently adopted regulations requiring all new classroom teachers to receive training in special education prior to obtaining a credential.

3. Distribution of Master Plan Funds:

The allocation of state and federal funds among the Master Plan RLA's (Special Education Service Regions) is determined by the State Department of Education. Because the combined total of funds requested has exceeded the amount available, the department has determined allocations through a series of negotiations with the RLA's. Dissatisfaction with this procedure led to the creation of a task force to consider changes in the allocation mechanism. The task force, consisting of RLA directors and Department of Education staff, is developing a system whereby funds would be distributed according to a specific formula. We anticipate that the task force proposal will be submitted to the department for approval before commencement of the budget hearings.

DEPARTMENT OF EDUCATION—Continued**4. Eligibility Criteria**

One of the most difficult problems facing administrators of all special education programs is the ambiguity of existing definitions and criteria for identifying pupils with exceptional needs, particularly in the case of children with "learning handicaps". Many administrators believe that this has resulted in a situation where pupils who are low achievers have been improperly classified as requiring special education services.

Because of this problem, Chapter 1247, Statutes of 1977 (AB 1250) directed the State Board of Education to develop specific identification criteria by January 1, 1979. The Board has adopted revised Title 5 regulations which include eligibility criteria, but the department acknowledges that more definitive guidelines are needed. Consequently, a special task force is currently preparing a set of guidelines.

5. Commission on Special Education

Federal Law (PL 94-142) requires states to have an advisory board on special education which will advise the state on unmet needs, comment on rules and regulations, and assist in the development of evaluations; in California, this is the Commission on Special Education. The Commission consists of 17 persons: (a) one member of the Assembly, (b) one member of the Senate, (c) three public members appointed by the Speaker of the Assembly, Senate Committee on Rules, and the Governor, and (d) 12 public members appointed by the Board of Education. Members of the commission do not receive salaries or stipends, but are reimbursed for their actual and necessary expenses.

Chapter 928, Statutes of 1978 requires that at least four of the public members of the commission be parents of pupils who have received special education services. This legislation also lists specific reporting duties of the commission and provides that all commission recommendations and requests be placed on the agenda of the next meeting of the Board of Education.

Duties of the commission are also delineated in a protocol issued by the Board of Education. The Department of Education is in the process of drafting proposed revisions to the protocol so that it will conform to existing state and federal law. If necessary, we will comment on the proposed changes during budget hearings.

6. Special Education Program Reviews

In 1978, the Department of Education implemented a system of on-site reviews of special education programs in the state's local education agencies. School districts, state hospitals, and special schools will be reviewed on a three-year cycle, with one-third of the total being reviewed each year.

The first set of program reviews were completed in May 1978. Comments and recommendations were transmitted in a report to the school districts, which were directed to respond within 30 days with a plan for corrective action. The department reviews this plan and, within 30 days, sends its response to the district.

Our review of this process indicated excessive delay on the part of many

districts as well as the department in submitting the required follow-up reports. In response to our inquiry, the department has assured us that appropriate action will be taken. However, we will continue to monitor this situation.

7. Individualized Education Plans (IEP)

According to state and federal law, each special education pupil must have a written individualized education plan (IEP), established at the beginning of the school year and reviewed at least once annually. The IEP should include (a) a pupil assessment, (b) a list of goals and objectives, (c) identification of services to be provided and associated timelines, and (d) appropriate criteria for determining whether objectives are being achieved.

The Supplementary Report to the Budget Bill for 1978-79 directed the Legislative Analyst to review the extent to which IEP's have been developed and implemented. Our analysis is based on site visits, a survey of Master Plan RLA's (Service Regions) and the final reports of the Department of Education program reviews.

These data indicate that the local education agencies have developed, or are in the process of developing, IEP's for all handicapped children. The extent to which the IEP's are being implemented is a more difficult question to answer. The department's program reviews concluded that, with one exception, districts were either in compliance with state and federal law regarding IEP implementation or were "moving toward" compliance. Numerous recommendations were submitted by the reviewers, and districts were generally responsive in their plans for corrective action. In addition to these annual program reviews, IEP's will be analyzed in a federally-funded study and in the Master Plan evaluation mandated by AB 1250. These analyses should yield a more definitive answer to the question of IEP implementation.

8. Regional Centers for the Developmentally Disabled

Diagnostic and counseling services are provided to developmentally disabled persons (mental retardation, cerebral palsy, epilepsy, and autism) by a statewide network of regional centers operating as nonprofit corporations under contract to the Department of Developmental Services. There are 21 of these regional centers for the developmentally disabled.

In last year's Supplementary Report to the Budget Bill, the Legislative Analyst was directed to review the potential coordination of services provided to handicapped children by the regional centers and the school districts. Subsequent to this legislative directive, the Department of Developmental Services and the Department of Education signed an interagency agreement which delineates responsibilities of the regional centers and the local education agencies.

Included in the interagency agreement is the assignment of responsibilities for providing such services as assessments, transportation, counseling, placement in a non-public school, out-of-home placement, camp programs, summer school, and speech therapy. The agreement also requires that procedures be developed to facilitate coordination in developing the

DEPARTMENT OF EDUCATION—Continued

local education agency's individualized education plan (IEP) and the regional center's individual program plan (IPP). This requirement has been fulfilled through a separate agreement between the two departments.

We have reviewed the agreement and believe it will help eliminate duplication of services and facilitate better coordination between the agencies and centers. Implementation of the agreement will be monitored by our office. It should also be noted that the Auditor General has been requested to address this issue in a forthcoming report.

9. Education for State Hospital Residents

There are approximately 4,000 children of school age who are residents of California state hospitals. The provision of educational services for these hospital residents is currently under the jurisdiction of the Department of Developmental Services, supported by state and federal funds (\$10.8 million in 1978-79).

The Department of Education reports that many of these children are not receiving an appropriate public education in the least restrictive environment, as required by Public Law 94-142. The department believes that compliance with PL 94-142 would be facilitated by transferring jurisdictional authority to the county superintendent of schools in which the hospital facility is located. Local share of the program costs would be provided by the county of the pupil's residence. The Department of Developmental Services has taken no position on the recommendation.

We agree that the Department of Education should be responsible for the educational program in the state hospitals. This is consistent with federal law and would help provide a broad range of educational services to hospital residents. Legislation would be required to effect the department's proposal.

The Legislature should also be aware that compliance with PL 94-142 could entail significant state costs. Such costs will depend partly on what is determined to be an "appropriate" education for the children involved. The Department of Education is currently in the process of developing a cost estimate requested by the Assembly Subcommittee on Mental Health and Developmental Disabilities.

10. Development Centers for the Handicapped (Item 325)

The Development Centers for the Handicapped (DCH) serve severely physically and mentally handicapped children in school districts which are not operating under the state Master Plan for Special Education. Included in the budget is a General Fund appropriation of \$10,956,380 for the DCH program in 1979-80, a reduction of \$3.6 million from the current year. This reduction is due partly to the scheduled increase in the number of Master Plan districts in 1979-80 (\$1.6 million) and partly to correction for current year overbudgeting beyond statutory authorization (\$2.0 million). The budget proposal includes a 6 percent allowance for inflation.

11. Section 504, Rehabilitation Act of 1973

Section 504 of the Rehabilitation Act of 1973 prohibits discrimination against handicapped individuals in any program or activity receiving federal assistance. As implemented by federal regulations adopted in 1977, this law requires that programs in existing as well as new facilities be made accessible to the handicapped. If no other alternative (such as reassignment of classes or home visits) will achieve this mandate, structural changes must be made by 1980. Because of these requirements, we anticipate substantial capital outlay requests by local school districts during 1979-80. The Department of Education estimates that the one time cost of meeting the accessibility requirements for elementary and secondary schools is in excess of \$250 million.

12. Auditor General Report

In response to a legislative request, the Auditor General is currently preparing a report covering several topics in the field of special education, including a review of funding sources, the costs of compliance with PL 94-142 and the education of children in state hospitals. The report is scheduled for completion on April 1.

E. SPECIAL SCHOOLS (Item 313)

The state operates six special schools for handicapped minors (deaf, blind, neurologically handicapped, and multihandicapped) who live in school districts that do not offer adequate special education services. New structures in Fremont, California for the School for the Blind and the School for the Deaf, presently located in Berkeley, should be ready for occupancy in the 1980-81 school year.

Table 48 summarizes the enrollment of handicapped pupils and the cost per full time equivalent (FTE) in the special schools as presented in the Governor's Budget.

Table 48
Enrollment of Handicapped Children and Cost per FTE^a in
Special Schools of California, 1977-78 to 1979-80

	<i>Actual 1977-78</i>		<i>Estimated 1978-79</i>		<i>Estimated 1979-80</i>	
	<i>Enrollment</i>	<i>Cost per Student</i>	<i>Enrollment</i>	<i>Cost per Student</i>	<i>Enrollment</i>	<i>Cost per Student</i>
School for the Blind.....	126	\$19,109	125	\$19,583	125	\$21,359
Diagnostic School for Neurologically Handicapped North ^b	40	23,169	40	25,713	40	27,087
Diagnostic School for Neurologically Handicapped Central ^b	40	21,163	40	22,470	40	24,042
Diagnostic School for Neurologically Handicapped South ^b	40	23,417	40	25,287	40	26,725
School for the Deaf-Berkeley ^c	441	11,183	519	11,731	520	12,384
School for the Deaf-Riverside.....	526	12,750	524	13,850	524	14,495

^a Does not include federal projects. FTE-full time equivalent.

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

^c Does not include pupils enrolled in the federal multihandicapped project.

DEPARTMENT OF EDUCATION—Continued**Budget Augmentations**

The budget proposes a General Fund appropriation of \$20,429,028 for the special schools in 1979-80, an increase of \$1,160,389, or 6.0 percent over the current year. Budget augmentations include (1) \$140,054 to continue nine night attendants, two security guards, and a security communications system which were administratively established in the current year at the Schools for the Deaf; (2) \$233,383 for 4.0 professional positions (in vocational education, speech therapy, recreational therapy, and library services) and 8.0 clerical and support positions; (3) \$30,654 in temporary help to support the increased administrative and clerical workload associated with relocating the School for the Blind and School for the Deaf (Berkeley); and (4) \$72,038 to provide full coverage of Workers' Compensation costs.

Upholstery Teacher

We recommend that the new position in vocational education at the School for the Deaf at Riverside be approved on a limited-term basis (authorization to June 30, 1980), to be renewed annually until a permanent position in vocational instruction becomes vacant.

One of the new positions requested in the budget is an upholstery teacher at the California School for the Deaf, Riverside. We agree that the students would benefit from instruction in this field, where employment prospects are relatively good. However, we believe the school already has a sufficient number of positions in vocational education, some of which are in fields offering relatively few employment opportunities. There are 15 vocational education instructors at CSD-Riverside, serving 295 pupils; whereas 13 teachers at CSD-Berkeley serve 372 students.

We recommend approval of the upholstery teacher on a limited-term basis, to be converted to a permanent position by filling the first available vacancy in vocational education. In this way, the upholstery program can be established as soon as possible while the position will ultimately be funded through a redirection of existing resources.

Reimbursements

The special schools are partially supported by reimbursements from local education agencies (the district from which the student originated). Because of Proposition 13, the level of reimbursements will decline significantly. The Department of Education requested \$1,216,021 from the General Fund to compensate for the loss in reimbursements.

The Department of Finance believes that this issue should be resolved through legislation, and estimates that \$541,000 would be required to replace the lost revenue and allow for inflation. We concur with the Department of Finance.

5. SCHOOL IMPROVEMENT PROGRAM (Item 315)

A. OVERVIEW

The School Improvement Program (SIP) authorized by Chapter 894, Statutes of 1977 (AB 65), revised and expanded the Early Childhood Education (ECE) program authorized by Chapter 1147, Statutes of 1972 (SB 1302).

SIP is aimed at restructuring education in grades K-6 and 7-12 whereas the ECE program served only grades K-3.

1. Funding

Table 49 summarizes funding for SIP during the prior, current and budget years.

Table 49
School Improvement Program Funding

Elementary Education (K-6):	<i>Actual</i>	<i>Estimated</i>	<i>Proposed</i>	<i>Change</i>	
	<i>1977-78</i>	<i>1978-79</i>	<i>1979-80</i>	<i>Amount</i>	<i>Percent</i>
State Operations	\$1,349,798	\$1,559,413	\$1,628,798	\$69,385	4.4%
Local Assistance	115,324,860	118,762,200 ^a	110,966,569	-7,795,631	-6.6
Total	\$116,674,658	\$120,321,613	\$112,595,367	\$-7,726,246	-6.4%
Secondary Education (7-12):					
State Operations	\$83,158	\$188,455	\$198,205	\$9,750	5.2%
Local Assistance	1,455,000	4,524,000	4,240,431	-283,569	-6.3
Total	\$1,538,158	\$4,712,455	\$4,438,636	\$-273,819	-5.8%
Totals:					
State Operations	\$1,432,956	\$1,747,868	\$1,827,003	\$79,135	4.5%
Local Assistance	116,779,860	123,286,200 ^a	115,207,000	-8,079,200	-6.6
Total	\$118,212,816	\$125,034,068	\$117,034,003	\$-8,000,065	-6.4%

^a Includes \$375,000 appropriated by Chapter 883, Statutes of 1978 (SB 1787) to reimburse unpaid 1974-75 and 1975-76 ECE allowances.

As shown in the table, the budget proposes a local assistance appropriation of \$115.2 million, a 6.6 percent decrease from the current year. This appropriation is approximately 25 percent below the \$153.7 million funding level authorized by AB 65.

2. Participation

Table 50 summarizes participation and local assistance funding under SIP, by grade level.

Table 50
School Improvement Program
Participation and Funding by Grade Level
(Dollars in millions)

	<i>Actual</i>	<i>Estimated</i>	<i>Proposed</i>
Grades K-3:	<i>1977-78</i>	<i>1978-79</i>	<i>1979-80</i>
Local Assistance:			
Planning	\$0.8	\$2.1	—
Implementation	113.3	105.2	\$104.3
Total	\$114.1	\$107.3	\$104.3
Number of Schools	2,835	3,093	2,838
Pupils Served ^a	747,000 ^a	813,000 ^a	747,393
Percent of Enrollment	62%	68%	63%

DEPARTMENT OF EDUCATION—Continued

Grades 4-6:

Local Assistance:			
Planning	\$1.2	\$3.8	—
Implementation	—	3.0	\$5.7
Total	\$1.2	\$6.8	\$5.7
Number of Schools	281	1,021	281
Pupils Served ^a	61,000 ^a	182,000 ^a	62,829
Percent of Enrollment	7%	21%	7%

Grades 7-8:

Local Assistance:			
Planning	\$0.6	\$2.1	—
Implementation	—	1.2	\$1.7
Total	\$0.6	\$3.3	\$1.7
Number of Schools	25	189	36
Pupils Served ^a	10,000 ^a	88,000 ^a	19,324
Percent of Enrollment	2%	14%	3%

Grades 9-12:

Local Assistance:			
Planning	\$0.9	\$3.3	—
Implementation	—	2.2	\$3.5
Total	\$0.9	\$5.5	\$3.5
Number of Schools	27	125	39
Pupils Served ^a	38,000 ^a	159,000 ^a	53,944
Percent of Enrollment	3%	12%	4%

Combined K-12:

Local Assistance:			
Planning	\$3.5	\$11.3	—
Implementation	113.3	111.6	\$115.2
Total	\$116.8	\$122.9	\$115.2

^a Includes both planning and implementation ADA.

The table shows that the \$115.2 million proposed local assistance funding for 1979-80 does not provide funds for (1) implementation of the program in those schools with current year planning grants, or (2) any new planning grants. The budget request would provide support for all schools which have implemented the program in the current year (883,000 ADA). This is consistent with the supplemental language adopted by the 1978-79 Conference Committee:

"The State Board of Education is directed to use caution in the allocation of School Improvement Program planning grants in 1978-79 given the limited availability of state general funds for the 1979-80 budget year. The board is also directed to inform districts that do receive planning grants in 1978-79 that it will be highly unlikely that the state would be able to provide implementation funds for their programs in 1979-80. The board is further directed to not provide for any mechanism in 1978-79 for selection of districts to receive planning grants in 1979-80."

B. OVERFUNDING

We recommend that the proposed 1979-80 SIP local assistance appropriation be reduced from \$115,207,000 to \$108,248,000 for a savings of \$6,959,000. We further recommend that the Department of Education utilize in 1979-80 the per ADA rates the department is utilizing in the

current year.

The \$115,207,000 proposed local assistance funding is computed at the statutory funding rates per ADA established by AB 65. However, the Legislature reduced the statutory rates in the current year in order to free up funds for use in assisting local governments and schools adjust to the reduced revenues brought about by Proposition 13. In effect, the proposed \$115,207,000 would provide a 6.4 percent inflation increase to the current year implementation program. This is inconsistent with the policy regarding inflation adjustments established for other categorical programs. We know of no justification for favoring SIP in this way and believe the current year rates should be continued in 1979-80. This would result in a reduction of \$6,959,000 leaving a local assistance appropriation of \$108,248,000.

As shown in Table 2 total revenues received by schools are expected to increase by an amount sufficient to cover SIP inflationary needs. If additional increases for SIP are judged necessary by the Legislature, we recommend that they be considered in the process of deciding how much state aid in total should be provided to school districts and other local government entities.

Administrative Costs

We recommend that the proposed 1979-80 SIP related Elementary and Secondary Field Services Unit staff be reduced for a General Fund savings of \$187,000 (eliminate four consultant and one stenographer positions).

A reduced need for administrative support is a logical consequence of the recommended reduction in the local assistance funding level. Because planning grants are eliminated in 1979-80, the Department of Education's administrative workload should be reduced accordingly. In fact, this adjustment should have been made in the 1978-79 current year but was overlooked in the SB 154 cleanup.

C. EVALUATIONS

I. Department of Education Evaluation Report

The Department of Education's 1977-78 Evaluation Report of Consolidated Programs includes an assessment of the Early Childhood Education (ECE) program. The report's significant findings are as follows:

- (1) A longitudinal comparison of ECE and non-ECE schools shows that after differences in background characteristics have been controlled, students in ECE schools made greater progress in reading achievement (over the period of one year) than students in comparable non-ECE schools.
- (2) A comparison of 1977-78 third grade student reading achievement in ECE schools with the achievement performance in those schools in prior years shows that student achievement is as high or higher than it was in the baseline year before entering ECE.
- (3) More schools have shown increasing than decreasing patterns of reading achievement since entering ECE. More students are in those schools showing increases. There is, however, some variation in this result according to the school's percentile range on the

DEPARTMENT OF EDUCATION—Continued

1973-74 Entry-Level Test: schools in the 1-10 percentile range showed more decline than improvement as did those in the 71-80 range; schools in the 11-50 range showed the most improvement; and schools in the remaining percentile ranges had mixed results.

- (4) A comparison of reading achievement gains for participants in programs supported by consolidated application funds (ECE, ESEA Title I, EDY, Bilingual Education, and Miller-Unruh) and for non-participants, shows that students participating in the consolidated programs made greater gains in achievement. However, it should be noted that participants' scores in both years are lower than the level predicted for them based on school background characteristics whereas nonparticipants scores are higher than the predicted level.
- (5) For each of the categorical funding sources, participants in the Miller-Unruh reading program showed the most reading achievement gain; those in bilingual education maintained their relative position; and there was a small decline for EDY participants and a larger decline for those in ESEA Title I.

2. UCLA Evaluation Report

A longitudinal evaluation of the effects of the Early Childhood Education (ECE) program on fourth and fifth grade academic performance of students, attitudes, and classroom and school processes was conducted during 1977-78 by the UCLA Center for the Study of Evaluation. UCLA's findings in its final report can be summarized as follows:

Achievement Results

The performance of children in ECE and non-ECE schools in terms of reading and mathematics achievement was essentially comparable. This finding relates to all types of schools regardless of whether they receive compensatory education funding or not.

Longitudinal *trends* in reading and mathematics achievement from 1975-76 to 1977-78 indicate that ECE schools when combined with compensatory education show more positive growth than in ECE schools without compensatory funding.

Longitudinal trends in reading and mathematics achievement from 1975-76 to 1977-78 indicate that ECE schools which do not receive compensatory education funding show less positive growth, if any, than do non-ECE-non compensatory education schools.

Miller-Unruh program schools were superior to non-Miller-Unruh schools in reading when both were also receiving compensatory education funds. As with the ECE program, when schools were not receiving compensatory funding, non-Miller-Unruh schools outperformed Miller-Unruh schools.

On all achievement measures, schools receiving compensatory education funds performed considerably lower than schools not receiving such funds.

Attitudes

Students in ECE schools reported consistently less positive attitudes toward school, reading and mathematics.

Fourth grade students in ECE program schools were significantly more positive in their self-concept in divergent mental ability (creativity). The result is more pronounced for ECE schools receiving compensatory education.

No attitude trend was found related to Miller-Unruh program.

Process data

Parents and principals in ECE schools report higher levels of parental influence in decision making than in non-ECE schools.

Teachers report less positive relationships with their principals in ECE schools.

Teachers in ECE schools report attending twice as many inservice training sessions as teachers in non-ECE schools, and also rated the training more highly than did non-ECE teachers. The trend changes, again, when one looks at schools without compensatory education funding, where teachers in ECE schools rate the relevance of staff development programs lower than teachers in non-ECE schools.

Teachers report their desire to influence more strongly the nature of staff development programs.

Parents report relatively high degrees of satisfaction with schools. Parents with children in ECE or Miller-Unruh schools are generally more satisfied than those with children in schools without these programs. Satisfaction in both cases was more pronounced in schools where there was a combination with compensatory education funds.

UCLA's findings that ECE schools not receiving compensatory education aid show less positive growth than ECE schools which receive compensatory education funds suggests that funding should be directed to compensatory education schools.

3. Independent Evaluation of SIP

AB 65 required the Department of Education to contract for a \$1 million independent evaluation of the School Improvement Program and the Local Staff Development and Resource Center Program. By statute this evaluation is to be conducted over the period 1977-78 through 1981-82.

A Request for Proposals (RFP) was sent out on May 15, 1978 and proposals were received from four bidders on June 20th. The review group agreed that the proposal submitted by the Center for the Study of Evaluation (CSE) located at UCLA was the best.

CSE is currently preparing a Design Report, which will detail its sampling plan, specifics for inquiry, sources of data and time schedule for the data collection to take place this spring. A briefing on this report by CSE study staff will be conducted early in February. In addition we have requested that the department ask CSE staff to attend budget hearings to comment on or answer questions about their evaluation.

DEPARTMENT OF EDUCATION—Continued

6. MILLER-UNRUH READING PROGRAM (ITEM 321)

The Miller-Unruh Reading Program was established in 1965 in an effort to upgrade the reading achievement of California's K-3 pupils who score in the lowest quartile on achievement tests. The program provides state funds principally to enable school districts to employ reading specialists in grades K-3 or alternatively in grades 4-6.

Table 51 shows Miller-Unruh program participation and funding since 1976-77.

Table 51
Miller-Unruh Program Participation and Funding Since 1976-77

<i>Activity</i>	<i>Actual 1976-77</i>	<i>Actual 1977-78</i>	<i>Estimated 1978-79</i>	<i>Proposed 1979-80</i>
Appropriation (General Fund)	\$13,849,625	\$14,680,625	\$14,005,317	\$14,005,317
Number of districts	203	188	168 est.	168 est.
Number of teachers	1,234	1,150	928 est.	928 est.
Estimated statewide average elementary teacher's salary	\$14,927	\$15,520	\$16,350	\$16,841 ^a
Percent of average teacher's salary funded by program ^b	75%	75%	92%	90%

^a Assumes 3 percent statewide average elementary salary increase.

^b The requirement that the state subsidy not exceed 75 percent of statewide average teacher's salary was eliminated in 1978-79.

As the table indicates, the Governor's Budget proposes the same funding level for Miller-Unruh in 1978-79 as in the current year, with no inflation increase. The table also shows a decrease of 222 Miller-Unruh teachers (19.3 percent) in 1978-79. This is notwithstanding the increase in state subsidy provided from 75 percent to 92 percent of the statewide average elementary teacher's salary in 1978-79. The primary reasons given for the decrease in the number of Miller-Unruh teachers are (1) the impact of Proposition 13 and (2) the SIP/Miller-Unruh offset. The offset is based on the requirement that the SIP grant to a school must be reduced by the amount of the Miller-Unruh grant. The offset in 1978-79 is estimated to be \$5,367,000.

Evaluation reports have consistently shown positive results for pupils in Miller-Unruh schools.

7. INSTRUCTIONAL TELEVISION (ITV) (Item 334)

Legislation enacted in 1966 authorized an annual state appropriation to local education agencies in support of instructional television. The amount of the appropriation is set so as to provide 50 cents for each student served by instructional television during the school year. This allowance may not be used for purchase of equipment, nor may it exceed one-half of the district's total cost.

State funding for ITV has increased from \$530,671 in 1966-67 to \$821,364 in the current year. During 1977-78, instructional television programs were conducted in 50 offices of county superintendents and 358 school districts, serving approximately 1.8 million students. This represented about 38 percent of total K-12 enrollment. A survey conducted during

1975-76 indicated that the state allocation was 24 percent of total expenditures for ITV in the participating school districts.

Program Termination

We recommend that the Legislature direct the Department of Education to provide notice to local education agencies that the state may not appropriate funds to reimburse instructional television (ITV) costs incurred beyond June 30, 1979. We further recommend that the Department of Education submit to the Legislature, by December 1, 1979, an evaluation of the cost effectiveness of the ITV program in California.

The 1979-80 budget includes funding for ITV at the current year level of \$821,364. In presenting his local government fiscal relief program, however, the Governor has proposed termination of the ITV program and redirection of the funds to meet higher priority needs.

The appropriation for ITV operates as a reimbursement for prior year expenditures. Consequently, funds appropriated in the Budget Act of 1979 would be used to reimburse district for current year spending. Because participating districts have already committed local resources in anticipation of receiving this reimbursement in 1979-80, we believe the funds should be appropriated as budgeted. We recommend, however, that the Department of Education give notice to local education agencies that state reimbursement for ITV programs conducted in 1979-80 is subject to elimination in the Budget Act of 1980.

We are also proposing that the Department of Education evaluate the ITV program. This evaluation should be limited in scope, concentrating on the cost effectiveness of the program in California and the impact of the annual state appropriation. We believe the study could be accomplished with existing departmental resources. We recommend that districts also be notified of this study.

8. STAFF DEVELOPMENT (Item 316)

Chapter 966, Statutes of 1977 (AB 551) authorized the School Personnel Staff Development program in schools. Funds are provided to districts at the rate of \$4 per child to improve the skills of school staff, assist in the development of materials, and foster improved school classroom environments.

Chapter 966 also authorized regional Staff Development Resource Centers. In 1979-80, no fewer than seven resource centers will be established. Centers assist teachers in planning instructional programs, provide staff development activities, and serve as liaison with other education agencies.

Funding for staff development and for resource centers programs is shown in Table 52.

Table 52
Staff Development Programs

	<i>Actual</i> <i>1977-78</i>	<i>Estimated</i> <i>1978-79</i>	<i>Proposed</i> <i>1979-80</i>
State Operations.....	\$139,328	\$145,500	\$145,500
Local Assistance:			
(a) School Personnel Staff Development	—	495,000 ^a	495,000
(b) Resource Centers.....	—	450,000 ^a	450,000
TOTAL	\$139,328	\$1,090,500	\$1,090,500

^a Reduced from \$533,500 and \$485,000 authorized in Chapter 894, Statutes of 1977 (AB 65).

DEPARTMENT OF EDUCATION—Continued**Augmentation**

We recommend that School Personnel Staff Development programs be funded at the level authorized for 1979-80, less 10 percent, for a General Fund augmentation of \$290,700 (Item 316).

AB 65 provided \$873,000 for Development Programs and \$727,500 for Resource Centers in 1979-80. The Governor's Budget proposes a lower funding level (Table 52). The reduced level of funding for resource centers appears appropriate in light of new federal funds for Teacher Centers. However, we believe an augmentation to the School Personnel Staff Development component, bringing it to its authorized level, less 10 percent, is warranted. (The 10 percent is the standard adjustment applied to most programs in SB 154.)

We recommend an augmentation based on the following factors:

1. Staff development is widely recognized as an important factor in school quality.
2. The program's funding began only last year and was established at a minimum level adequate only for phasing in an initial group of schools.
3. New staff development activities which would have been funded by the SIP program will be curtailed because there is no expansion proposed for SIP in 1979-80.
4. The Office of Staff Development reports that more schools have expressed an interest in the program than could be funded.

New Staff Members

Supplemental Report language to the 1978 Budget Act requires the Department of Education to add two staff to the Office of Staff Development from existing resources. According to the Governor's Budget, staffing from these programs rose from 2.7 positions in 1977-78 to 5.1 positions in 1978-79. The Department of Education reports it has filled the two positions, as required. It also points out that a third new person will be hired in the near future to provide technical assistance for four federally funded Teacher Centers in California.

9. DRIVER TRAINING/TRAFFIC SAFETY EDUCATION**A. OVERVIEW**

The driver training program is responsible for behind the wheel driver training (laboratory phase) and classroom driver education. In addition, it administers various state and federal traffic safety programs.

There are 5.2 positions budgeted in 1979-80 to perform state operations associated with driver training, at a cost of \$252,000 to the Driver Training Penalty Assessment Fund. Reimbursements to school districts for regular and handicapped driver training are set statutorily at \$60 and \$200 per ADA respectively. Classroom driver education is funded through state apportionments and local revenue.

Table 53 shows the total allocation made to school districts for the past,

current and budget years. In 1978-79, these funds will support programs for approximately 322,000 regular students and 5,000 handicapped students.

Table 53
Pupil Allocations ^a for the Laboratory Phase of Driver Training

	<i>Actual</i> 1977-78	<i>Estimated</i> 1978-79	<i>Proposed</i> 1979-80
Regular	\$20,121,515	\$18,897,696	\$18,897,696
Handicapped	994,192	901,978	901,978
Total	\$21,115,707	\$19,799,674	\$19,799,674

^a Based on total students trained in the prior year.

B. PROGRAM ELIMINATION

We recommend that support for regular driver training be eliminated from the Budget Bill, for a Driver Training Penalty Assessment Fund savings of \$18.9 million in 1979-80. In addition, we recommend that legislation be introduced to eliminate the requirement for the laboratory phase of driver training for persons under 18 years of age who wish to obtain a drivers license. Handicapped driver training should continue.

Last year, the Assembly Ways and Means Education subcommittee deleted the state reimbursement for driver training. Although the action was not approved by the Conference Committee on the Budget Bill, language was adopted in Item 316 of the 1978 Budget Act which required the Superintendent of Public Instruction not to pay for driver training if legislation was enacted which eliminated the requirement for driver training for persons being licensed prior to 18 years old. Under Section 12507 of the Motor Vehicle Code, only individuals 16-18 years old are required to complete an authorized behind-the-wheel driver training program for licensing.

The Governor's proposal for Local Government Fiscal Relief in 1979-80 deemed this program to have a low priority and recommended its elimination. We concur with this recommendation for the following reasons.

Effectiveness

The stated intent of the driver training program is to decrease the number of automobile accidents. Numerous studies have failed to substantiate the effectiveness of the program in achieving this objective.

For example, the Department of Motor Vehicles' *Young Driver Follow-up Study* conducted in 1971 evaluated whether the minimum licensing age should be raised from 16 to 18. The study showed no substantial difference in driving records during the first four years of driving. It found student grade point average, not training, to be the best predictor of driving records.

Licensing Rate

Another assumption of the program is that after formal training, 16-18 year old students will readily apply for a license. This is not the case. The California Driver Training Evaluation Study of 1973, conducted as a result of Chapter 1454, Statutes of 1969 (AB 1486), sampled over 12,000 program

DEPARTMENT OF EDUCATION—Continued

graduates and found that (a) only 47 percent of these graduates obtained a California driver's license within six months after training and (b) only 70 percent of graduates were licensed in California as of the study cut-off date (between 1¾ and 2¼ years after training).

Testing

The repeal of Section 12507 of the Motor Vehicle Code would not cause an increase in the licensing of persons who are unable to handle a car safely. Currently, all new drivers must pass both a written and a behind-the-wheel examination. This is an adequate means of determining whether an individual should possess a driver's license.

We believe the program should be terminated even if Motor Vehicle Code Section 12507 is not repealed. Those who do not have adequate driving skills have the option of (a) parental instruction and/or (b) attending a number of private driving schools. Nominal fees are not a major obstacle to obtaining the privilege to drive, given the costs normally associated with driving such as insurance and car maintenance.

Federal Funds

Concern has been raised that discontinuation of regular driver training funding will result in the loss of \$13 million in federal Traffic Safety funds. Our preliminary inquiries show that the possibility of the federal government cutting off these funds is highly unlikely. However, we do not believe that is sufficient reason to continue this program at a cost of \$18.9 million. If the Traffic Safety Program is justified some of these funds can be redirected to continue the program.

Handicapped Drivers

Many private driving schools are unable to handle the special needs of the physically and educationally handicapped. Consequently, we believe handicapped driver training—which helps to decrease homebound handicapped persons and increases their employment potential—should be continued.

Administration

We recommend elimination of support for 3.2 positions in state driver training operations if the program is eliminated for a savings of approximately \$187,000 to the Driver Training Penalty Assessment Fund.

The elimination of the regular driver training program will reduce Department of Education monitor and review responsibilities. Remaining oversight activities associated with the handicapped driver training are minimal. We recommend the continuation of one consultant and one clerical position for handicapped driver training. The deletion of the remaining positions produce savings of approximately \$187,000 to the Driver Training Penalty Assessment Fund.

Surplus

We note that Section 19.1 reverts \$7 million in driver training fund surpluses to the General Fund. We discuss this in our control section report.

C. FARM VEHICLE DRIVER TRAINING (ITEM 309)

\$109,801 is proposed for the continued support of farm labor vehicle driver training instruction. We recommend approval.

10. ADULT EDUCATION**A. OVERVIEW**

The Adult Education unit is responsible for management of state and federally funded programs for adults, and approves schools for veteran training. Adult education has three divisions: (1) program planning and development, (2) field services, and (3) postsecondary education (school approvals). There are 64 professional and non-professional employees budgeted for these divisions in 1979-80.

In 1977-78 approximately 241,000 persons were enrolled in high school adult programs, for a General Fund cost of \$92.9 million. General Fund apportionments dropped to 39.7 million in 1978-79 due to the 1978-79 Budget Act reductions. The Governor's Budget provides General Fund apportionment support of \$42.1 million for 1979-80. Overall local assistance funding, excluding local revenue, will total \$49.4 million in 1979-80. Table 54 shows these changes.

Table 54
Adult Education Funding

	Actual 1977-78	Estimated 1978-79	Proposed 1979-80	Change	
				Amount	Percent
A. Adult Education Instruction					
State Operations					
General Fund	\$285,298	\$287,108	\$296,626	\$9,518	3.3%
Federal funds	797,483	811,638	809,404	1,734	-.2
Reimbursements	4,228	58,865	63,044	4,179	7.0
Total	\$1,087,009	\$1,157,611	\$1,169,074	\$11,463	1.0%
Local Assistance					
General Fund apportionments	92,989,663	39,753,340 *	42,138,540 *	2,385,200	6.0
Federal grants	5,954,667	6,913,817	6,137,608	-776,209	-11.2
	<u>\$100,031,339</u>	<u>\$47,824,768</u>	<u>\$49,445,222</u>	<u>\$1,620,454</u>	<u>3.4%</u>
B Postsecondary Education (Bureau of School Approvals)					
State Operations					
General Fund	\$82,677	\$116,000	\$122,000	\$6,000	5.1%
Federal funds	816,548	1,070,815	1,103,256	32,441	3.0
Reimbursements	396,536	395,697	425,609	29,912	7.5
Local Assistance					
Student Tuition Recovery Fund	—	—	262,500	262,500	NA
Total	\$1,295,761	\$1,582,512	\$1,913,365	\$330,853	20.9%

* Does not include funds appropriated through SB 154, Chapter 292, Statutes of 1978.

I. Misinterpretation of 1978-79 Budget Act Intent

We recommend that the Department of Education require school districts to maintain adult programs as specified in the Budget Act of 1978.

Chapter 292, Statutes of 1978 (SB 154), and the 1978 Budget Act require

DEPARTMENT OF EDUCATION—Continued

districts to maintain specified adult programs at a proportionate level of service depending on the percentage of funds provided to the district through the provisions of SB 154. Specifically:

"No school district or county superintendent of schools shall receive an allocation of funds . . . if the school district or county superintendent does not maintain at least a proportionate level of service for adult education programs in elementary and secondary basic skills in mathematics, history, government, language arts, adult education programs in English as a second language, adult education programs in citizenship for immigrants, adult education programs for substantially handicapped persons, adult education programs for apprentices, adult short-term vocational programs with high employment potential, summer school adult and kindergarten and grades 1 through 12 programs for substantially handicapped persons, and summer school programs for graduating high school seniors.

Provided further, that for the purposes of this item, a proportionate level of service for a school district is defined to mean a 1978-79 funding level for the above mentioned programs no less than 90 percent of the 1977-78 funding level for such programs."

The Department of Education has interpreted this provision to apply only to revenue generated per participant rather than to actual expenditures per participant. Because some adult programs cost more than the revenue generated per participant, the department's interpretation would allow for greater reductions in these programs than occurred in the general K-12 program.

For example, assume that a district reduces its general education program by 10 percent in 1978-79 due to SB 154. Further assume that in 1977-78 its parent cooperative preschool program operated through adult education, cost \$180,000. Finally, assume that revenue generated by the ADA in the program totaled only \$50,000 and the remaining revenue was supplied from district resources. Under our interpretation of the program maintenance provision, the district would only be allowed to reduce its preschool program by 10 percent, from \$180,000 to \$162,000. Under the department's interpretation the 10 percent reduction would apply to the \$50,000 in revenue generated. Thus, under the department's interpretation the program would be "maintained" if only \$45,000 was spent in 1978-79.

We believe that the department's interpretation does not meet the directive of the Legislature that 1978-79 programs be "no less than 90 percent of the 1977-78 funding levels." The department should be directed to bring districts into compliance.

B. POSTSECONDARY EDUCATION (SCHOOL APPROVALS)

The Bureau of School Approvals reviews educational programs and courses offered by the numerous private postsecondary schools in the state. The bureau is responsible for enforcement of state and federal private postsecondary and veteran education laws.

New Legislation

Chapter 975, Statutes of 1978 (AB 2290), established the Student Tuition Recovery Fund. The fund is designed to reimburse students in private postsecondary schools that close prior to the completion of the instructional program. Reimbursements to students for tuition paid in excess of instruction received are expected to total \$262,500 in 1979-80. These reimbursements are funded through assessments made against the private postsecondary schools.

Private Vocational School Contracts

A recent Auditor General report shows that school districts, regional occupational programs and community colleges have received excessive revenues through contracts with private vocational schools.

Table 55 shows the cost and revenues under private contracts as compiled by the Auditor General. Overall, contract costs constitute less than 29 percent of the estimated total revenue generated.

Table 55
Statewide Costs and Estimated Revenues to Public Entities For Private Vocational Education Contracts by Program Area—1977-1978^a

<i>Program Area</i>	<i>Number of Programs</i>	<i>Contract Cost</i>	<i>Estimated Revenue Generated</i>	<i>Difference Between Estimated Revenue and Cost</i>
Office	11	\$429,610	\$943,540	\$513,930
Distributive	7	260,200	366,220	106,020
Health	16	805,140	1,470,780	665,640
Technical	1	49,900	80,390	30,490
Trade & Industry (T&I)				
Cosmetology	120	4,726,030	19,319,910	14,593,880
Barbering	5	314,530	1,439,860	1,125,330
Other T&I	3	171,720	372,860	201,140
Vocational Skills for Handicapped Pupils	4	N/A	N/A	N/A
All Program Areas	167	\$6,757,130	\$23,993,560	\$17,236,430

^a Unaudited data.

The Department of Education defends the current practice on the basis that the excess revenue generated by these contracted courses are important to a local vocational education program because they provide revenues that are used for high cost vocational courses. If this is a primary incentive, such courses may not be in the student's best interest.

We believe that pending comprehensive school finance legislation should address this issue of excessive revenues generated through private vocational education contracts.

II. VOCATIONAL EDUCATION (Item 326)**A. OVERVIEW**

The Vocational Education Unit in the Department of Education assists local education agencies in providing vocational training and guidance to approximately one million secondary students in the state. Table 56 shows actual and projected enrollment in the various categories of vocational education.

DEPARTMENT OF EDUCATION—Continued

Table 56
State Secondary School Vocational Enrollments^a

<i>Vocational Education Programs</i>	<i>Actual 1977-78</i>	<i>Estimated 1978-79</i>	<i>Proposed 1979-80</i>
Agriculture education	64,233	65,518	66,828
Distributive education	39,452	40,241	41,046
Health occupational education	24,426	24,915	25,413
Home economics—occup. prep.	29,469	30,059	30,660
Business—office occupational	344,899	351,797	358,833
Technical education	2,991	3,051	3,112
Trade and industrial education	238,961	243,739	248,614
Consumer and homemaking	269,140	274,523	280,013
Subtotals	1,013,571	1,033,843	1,054,519
Industrial Arts Education Programs	19,588	19,980	20,380
Vocational Work Experience Programs ^b	(22,948)	(23,407)	(23,875)
GRAND TOTAL BY LEVELS	1,033,159	1,053,823	1,074,899

^a A student participating in a vocational class throughout the school year constitutes one enrollment.

^b Included in subject matter totals above.

Table 57 summarizes state, federal and local funding for vocational education.

Table 57
Secondary Vocational Education Funding

	<i>Actual 1977-78</i>	<i>Estimated 1978-79</i>	<i>Proposed 1979-80</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
State Operations					
General Fund	\$637,641	\$1,946,494	\$2,479,203	\$532,209	27.0%
Federal funds	6,366,522	4,505,976	3,944,716	-561,260	-12.4
Reimbursements	780,269	1,120,568	1,150,261	29,693	2.6
Subtotal	\$7,784,432	\$7,573,038	\$7,574,180	\$1,142	.02%
Local Assistance					
Federal funds	\$44,345,666	\$51,213,127	\$55,355,751	\$4,142,624	8.1%
State and local ^a (est)	600,000,000	590,000,000	616,000,000	26,000,000	4.4
Reimbursements	11,423,008	12,900,335	13,324,772	424,437	3.3
Subtotal	\$655,768,674	\$654,113,462	\$684,680,523	\$30,567,061	4.7%
Total	\$663,553,106	\$661,686,500	\$692,254,703	\$30,568,203	4.6%

^a Based on average increase in SB 154 block grants and includes General Fund support for Regional Adult and Vocational Councils for 1977-78.

Vocational Education Act (VEA) Amendments

The 1976 amendments to the federal Vocational Education Act (VEA) made significant changes in state administration support for vocational education. The amendments required all states to share the expense of specified categories of state-level administration in the amount of 20 percent in 1977-78, 40 percent in 1978-79 and 50 percent in years thereafter. California secured a waiver of the 20 percent requirement in 1977-78. Last year the Budget Act included \$560,394 in match funds. The proposed 1979-80 Governor's Budget includes an additional \$540,327 to match the required 50 percent.

The 1976 amendments to the (VEA) also required significant changes in federal vocational education local assistance. This caused the state De-

partment of Education to develop a new VEA local assistance funding formula for grants to school districts. The new formula is distributed on a 50/50 matching basis and utilizes a number of variables including district size, poverty, and ability to provide vocational programs. The individual measures include Aid to Families with Dependent Children (AFDC), limited- and non-English speaking pupils (LES/NES), modified assessed valuation (MAV), vocational and total high school average daily attendance.

In 1977-78, the first year of the new formula, a 30 percent cap on district allocation increases minimized major changes in district funding. However, in 1978-79 many small, rural school districts experienced significant reductions in funding while large urban districts received substantial increases. The Auditor General is currently reviewing the impact of the new formula. We will report on this issue during budget hearings.

Reductions in Staff Positions

Prior to 1977-78 budget hearings, we compared workload presented in the vocational education unit management plan with workload of other consultants in the department, and concluded that the vocational education staff was excessive. In a supplemental analysis presented during the 1977-78 budget hearings, we recommended that state Department of Education staff be reduced from 115 to 67.1 professional positions over a three-year period.

To prevent lay-offs, the Legislature eliminated only 6 professional positions at the beginning of the 1977-78 budget year, but required an additional reduction of 26 professional positions as of June 30, 1978.

Table 58 illustrates changes in professional positions within the vocational education unit in response to this legislative directive.

Table 58
State Vocational Education Professional Positions^a

<i>Headquarters</i>	<i>1977-78</i>	<i>1978-79</i>	<i>Change</i>
1. Administration	1	4	3
2. Field Operations	8	2	-6
3. Agriculture	3	2	-1
4. Business	4	2	-2
5. Homemaking	3	1	-2
6. Industrial	5	3	-2
7. Vocational Education Instruction	5	-	-5
8. Vocational Education Services	10 ^b	-	-10
9. Career Education	6	-	-6
10. Support Services	-	10	10
SUBTOTAL	45	24	-21
<i>Regional Offices</i>			
1. Administration	3	3	0
2. Vocational Education Consultant	5	4	-1
3. Agriculture	7	7	0
4. Business	5	6	1
5. Homemaking	4	6	2
6. Industrial	11	10	-1
SUBTOTAL	35	36	1
TOTAL	80	60	-20 ^b

^a Includes vacant positions in total.

^b Of the required reduction of 26 positions, 6 positions were reduced from the Chancellor's Office of the Community Colleges.

DEPARTMENT OF EDUCATION—Continued

The department has chosen to (a) eliminate the career education section, (b) reduce the vocational education field services components and (c) establish a multi-purpose support services section. Seniority was the primary criterion used by the department for staff reduction in 1978-79.

B. REGIONAL ADULT AND VOCATIONAL EDUCATION COUNCILS (RAVECs)

Chapter 1269, Statutes of 1975, established a network of 72 consolidated regional adult and vocational education councils (RAVECs). Council boundaries are based primarily on community college district boundaries.

The principal responsibilities of the RAVE Councils are to: (1) develop regional plans and (2) review certain adult and vocational education courses and programs to eliminate unnecessary duplication of effort. Courses which are part of the regular high school program and all credit classes in community colleges have not been subject to council review.

State funding in 1978-79 would have totaled \$278,573 for administration and \$1,404,500 for local assistance. However, the Legislature eliminated funding for RAVECs from the 1978-79 Budget Act, on the basis that (a) RAVECs have been relatively ineffective and (b) their need is diminished with the enactment of Proposition 13.

Repeal

We recommend that legislation be enacted which repeals the statutory authorization for RAVECs.

Although few RAVECs have met since the deletion of support funds from the 1978-79 Budget Act, they are still under state reporting requirements. This constitutes an unfunded local mandate and should be repealed from the Education Code.

C. CHILD DEVELOPMENT, CHILD NUTRITION AND OTHER SERVICES

Table 59 shows state and federal funding for child development, child nutrition and other services. State supported child care services are projected to increase by \$1.38 million (6.9 percent) in 1979-80. The 1978-79 level of Preschool funding is proposed for the budget year. Both state and federal child nutrition programs show large projected increases in 1979-80.

Table 59
Local Assistance
Child Development, Child Nutrition and Other Services *

	<i>Actual</i> 1977-78	<i>Estimated</i> 1978-79	<i>Proposed</i> 1979-80	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
Child Development ^c					
Child Care	(\$72,728)	(\$81,467)	(\$82,847)	(\$1,380)	(6.9%)
Preschool	(24,542)	(24,542)	(24,542)	(—)	(—)
	<u>\$97,270</u>	<u>\$106,009</u>	<u>\$107,389</u>	<u>\$1,380</u>	<u>\$1.3%</u>

Items 307-341

K-12 EDUCATION / 945

Child Care Reimbursements ^F	32,749	45,181	51,989	6,808	15.1
Migrant Day Care ^F	457	457	457	—	—
Child Nutrition ^F	255,400	247,942	282,940	34,998	14.1
Child Nutrition ^G	33,761	35,293	46,210	10,918	30.1
School Libraries ^F	13,417	15,517	15,816	299	1.9
Assistance to Public Libraries ^F	3,613	4,211	4,443	231	5.5
Assistance to Public Libraries ^G	1,000	4,590	4,628	38	.8
Subtotal, Other Services	\$437,667	\$459,200	\$513,872	\$54,672	11.9%

^G indicates state supported.

^F indicates federally supported.

^L indicates locally supported.

^a Figures do not include federal Headstart funding estimated to total \$28.4 million in 1977-78 and \$50 million in both 1978-79 and 1979-80.

I. CHILD DEVELOPMENT/PRESCHOOL (Items 328 and 329)

Child development programs administered by the Department of Education include both child care services and the state preschool program. Expenditures and funding for these programs are shown in Table 60.

Table 60
Child Development/Preschool
Expenditures and Funding

Activity	Actual 1977-78	Estimated 1978-79	Proposed 1979-80	Change	
				Amount	Percent
A. Child Care Services:					
State Operations	\$3,056,215	\$3,278,394	\$3,462,405	\$184,011	5.6%
Local Assistance	103,569,525	126,886,060	135,293,172	8,407,112	6.6
Subtotal	\$106,625,740	\$130,164,454	\$138,755,577	\$8,591,123	6.6%
B. Preschool Education:					
State Operations	475,546	725,484	756,179	30,695	4.2
Local Assistance	24,541,913	24,542,044	24,542,044	—	—
Subtotal	\$25,017,459	\$25,267,528	\$25,298,223 ^a	\$30,695	0.1%
Combined Totals:					
State Operations	3,531,761	4,003,878	4,218,584	214,706	5.4
Local Assistance	128,111,438	151,428,104	159,835,216	8,407,112	5.6
Total	\$131,643,199	\$155,431,982	\$164,053,800	\$8,621,818	5.5%
<i>General Fund</i>	<i>\$98,436,507</i>	<i>\$108,739,336</i>	<i>\$110,489,215</i>	<i>\$1,749,879</i>	<i>1.6%</i>
<i>Federal Funds</i>	<i>457,000</i>	<i>457,000</i>	<i>457,000</i>	—	—
<i>Reimbursements (Federal)</i>	<i>32,749,692</i>	<i>46,235,646^b</i>	<i>53,107,585^b</i>	<i>6,871,939</i>	<i>14.9</i>

^a Includes \$13,349,788 administered by the elementary education program manager and \$11,948,435 administered by the Office of Child Development.

^b Includes \$44.2 million in 1978-79 and \$52.0 million in 1979-80 in federal Title XX funds transferred as "reimbursement" to the Department of Education from the Department of Social Services.

A. Child Care Services

Administration

The Child Development Act requires the Department of Education to (1) formulate and promote a child development program in all California communities where the need exists; (2) adopt rules, regulations and stand-

DEPARTMENT OF EDUCATION—Continued

ards for accreditation of neighborhood family day care homes administered by the department; (3) establish rules for program eligibility and priority of services; (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; (7) generate the maximum federal reimbursement for federally eligible children.

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.

Participation

Table 61 summarizes the scope of department child care services based on data for April, 1978. The table indicates that 500 agencies were serving an estimated 70,000 children.

Table 61
Child Care Services
Estimated Number of Agencies, Sites and Children as of April 1978

<i>Program</i>	<i>Number of Contracting Agencies</i>	<i>Number of Sites^a</i>	<i>Number of Children (est.)</i>
School districts and county superintendent of schools	119	632	33,936
Private community based programs.....	123	417	13,779
Campus children centers.....	37	85	3,493
County child care services	35	Not Available	4,418
High school age parenting	23	32	510
Migrant day care	18	41	2,018
Alternative child care.....	145	933	11,456
Pilot study	Not Reported	Not Reported	537
Total	500	2,140	70,147

^a Includes family day care homes.

Funding

Table 62 summarizes state General Fund appropriations for child care by Budget Bill item.

Table 62
State Budget Bill Appropriations for Child Care
Proposed 1979-80

<i>Item No.</i>	<i>Agency</i>	<i>State Operations</i>	<i>Local Assistance</i>	<i>Total</i>
150	Department of Housing and Community Development—Migrant Services program (for transfer to Department of Education)	\$52,000	\$405,000	\$457,000
307	Department of Education	2,408,227	—	2,408,227
328	Department of Education	—	82,847,223	82,847,223
	Total	\$2,460,227	\$83,252,223	\$85,712,450

Table 63 summarizes budgeted state, federal and local funding of child care services in 1978-79 and 1979-80.

The proposed 1979-80 funding of \$138,755,577 is an overall net increase of \$8.6 million or 6.6 percent over the current year. The General Fund increase is \$1.8 million or 2.1 percent and the federal reimbursement funds increase is \$6.8 million or 14.9 percent. The increase consists of:

- (1) \$3 million from the General Fund to annualize the 1978-79 \$20 million expansion program.
- (2) \$7.4 million to provide a 6 percent inflation allowance on both 1978-79 General Fund and Title XX federal funds budgeted for child care programs. Of this total, \$4.8 million is from the General Fund and \$2.6 million is from \$20 million in new Title XX funds for child care authorized by HR 13511 (PL 95-600).
- (3) A decrease of \$2 million in one-time capital outlay expenditures for migrant day care facilities. These expenditures are being financed in the current year with \$1 million from the General Fund and \$1 million of federal Public Works Employment Act funds.
- (4) A General Fund inflation increase of \$184,000 in state operations (5.6 percent).

In addition, there is a switch of \$5.2 million between state and federal funds which does not change the total of funds available.

DEPARTMENT OF EDUCATION—Continued

Table 63
Child Care Services
Expenditures and Funding

Program	Estimated 1978-79				Proposed 1979-80			
	State	Federal	Local	Total	State	Federal	Local	Total
Local Assistance:								
General child development programs ..	\$50,074,713	\$43,203,763	—	\$93,278,476	\$47,863,421	\$51,011,764	—	\$98,875,185
Campus children's centers.....	2,518,452	—	\$572,185	3,090,637	2,669,559	—	\$572,185	3,241,744
High school age parenting and infant development	2,714,336	—	—	2,714,336	2,877,196	—	—	2,877,196
Migrant day care	3,375,922 ^a	457,000 ^b	—	3,832,922	3,554,177 ^a	457,000 ^b	—	4,011,177
Special allowances for rent	298,549	—	—	298,549	316,462	—	—	316,462
Special allowances for handicapped	501,420	—	—	501,420	531,505	—	—	531,505
Alternative child care program	21,169,720	—	—	21,169,720	22,439,903	—	—	22,439,903
Subtotal	\$80,653,112	\$43,660,763	\$572,185	\$124,886,060	\$80,252,223	\$51,468,764	\$572,185	\$132,293,172
State Operations	2,276,216	1,002,178	—	3,278,394	2,460,227	1,002,178	—	3,462,405
Total	\$82,929,328	\$44,662,941	\$572,185	\$128,164,454 ^d	\$82,712,450	\$52,470,942	\$572,185	\$135,755,577 ^c
Migrant child care facilities	1,000,000	1,000,000 ^e	—	2,000,000	—	—	—	—
1978-79 annualization	—	—	—	—	3,000,000	—	—	3,000,000
Total	\$83,929,328	\$45,662,941	\$572,185	\$130,164,454	\$85,712,450 ^f	\$52,470,942	\$572,185	\$138,755,577
Est. Fiscal Relief (SB 154)	(\$37,000,000) ^g	—	—	—	(\$37,000,000) ^g	—	—	—

a. Includes \$405,000, Item 150, Department of Housing and Community Development—Migrant Services Program.

b. Federal Title I funds.

c. Includes 6 percent inflation increase.

d. Includes \$6,250,000 authorized by Chapter 1246, Statutes of 1977 (AB 1288).

e. Federal Public Works Employment Act (PWEA) funds.

f. Budget Bill Item 328—\$82,847,223; Budget Bill Item 150—\$457,000; Budget Bill Item 307—\$2,408,227.

g. Replaces funds previously generated by a child development permissive tax in fiscal year 1977-78.

Annualization

The \$3 million proposed for annualization is for full year funding in 1979-80 of those programs which were commenced during 1978-79. This is because most of these programs are operating for less than a full year in 1978-79. The annualization problem occurs when new funds are appropriated for a competitive local assistance program. It occurs whether the new funds are authorized by the Budget Act or by separate legislation. This is because the Department of Education must solicit and review proposals and award contracts to successful applicants—a time consuming process. Frequently programs are not implemented and in full operation until midyear. We recommend that enabling legislation (1) stipulate that the new funds are to represent full year funding and (2) limit the amount of funds allocated to an individual program to a pro rate share of full year funding depending on when that program becomes operational. This latter limitation could result in first year total expenditures less than the amount of the appropriation but would eliminate the necessity to appropriate additional "annualization" funds in the following year.

No Expansion Funds

HR 13511 (PL 95-600) (1) continues \$20 million in federal Title XX funds provided by PL 95-171 (HR 3387) in 1978-79 for child care services and (2) also provides an additional \$20 million in Title XX funds in 1979-80 *which can be used for any of the social services programs.*

Of the \$20 million provided by HR 3387, \$12.2 million was allocated for expansion of child care programs and the balance was allocated to other social services programs.

As shown in Table 64, the Governor's Budget proposes to utilize the \$40 million of HR 13511 funds to (a) replace the HR 3387 funds (\$12.2 million), (b) provide a 6 percent inflation allowance on federal funds allocated to child care (\$2.6 million), (c) replace existing General Funds allocated to child care programs (\$5.2 million), and (d) fund other social services (\$20 million). None of it is proposed for expansion of child development programs.

Table 64
Use of Federal Title XX Funds
(millions)

	1978-79		1979-80		Net Program Change
	HR 3387	State	HR 13511	State	
Child care services	\$12.2	—	\$12.2	—	—
Other social services	7.8	—	20.0	—	\$12.2
Inflation allowance	—	—	2.6	—	2.6
Substitute federal for state funding	—	—	5.2	\$-5.2	—
	\$20.0	—	\$40.0	\$-5.2	\$14.8

The Commission to Formulate A State Plan for Child Care and Development Services (Riles Commission) recently issued a report that found a serious shortage of child care services at all income levels. It proposes an immediate expansion of subsidized child care programs to serve an addi-

DEPARTMENT OF EDUCATION—Continued

tional 12,600 infants and toddlers and 7,000 preschool and school age children. The estimated cost of this expansion is \$23 million for program operation and \$10 million for capital outlay.

Migrant Funds

As indicated in Table 63 the Governor's Budget proposes to transfer \$457,000 of Migrant Services Program day care funds from the Department of Housing and Community Development to the Department of Education. Of this amount \$405,000 is for local assistance and \$52,000 is for state operations. The Governor's Budget proposes an inflation increase on these funds for 1979-80 but does not transfer the increase of \$22,850. We recommend the full amount be transferred to the Department of Education including the inflation allowance.

School District Programs

Chapter 332, Statutes of 1978 (SB 2212) requires school districts and community college districts to make available to their child development programs in 1978-79 the same percentage of their total funding level as the percentage of their total 1977-78 funding level was accounted for by a child development permissive tax levied in 1977-78. As shown in Table 63 approximately \$37 million of SB 154 funds will be expended in 1978-79 for these centers. In addition, SB 2212 requires school districts to lower the costs of their child development programs beginning in 1979-80 to the average statewide cost per child for such programs. The Department of Education indicates that 27 of these programs are operating in 1978-79 at costs in excess of the statewide average. Most of these 27 programs are operating substantially above the statewide average and may not be able to meet the SB 2212 mandate in 1979-80.

Alternative Child Care

The alternative child care program, authorized by Chapter 344, Statutes of 1976 (AB 3059), was to operate for the three year period, 1976-77 through 1978-79. The Legislature required an independent evaluation to assess the effectiveness and efficiency of the various alternative child care programs. This evaluation is being conducted by Abt. Associates, Inc. and the report is due March 31, 1979.

The Governor's 1979-80 Budget proposes to continue funding these alternative child care programs with an added 6 percent inflation allowance. However legislation will be necessary to continue the program specifications prescribed by Chapter 344. Both the independent evaluation and the specifications for continuation of these programs will need to be reviewed by the Legislature.

Local Match Requirement

We recommend that the 25 percent local match requirement for campus child care programs be eliminated.

The campus child care program is funded on a 75 percent/25 percent state/local match basis. This match is a carry over from an earlier period when the program was federally funded. No other child care program has

this requirement. It should be noted that Chapter 292, Statutes of 1978 (SB 154) waived the 25 percent local match requirement for community colleges for 1978-79. We believe the local match requirement should be waived for all campus child care programs in 1979-80 and that this requirement should be removed from existing law. There is no direct fiscal impact resulting from this change. However, if individual campus child care programs should elect to discontinue providing the local match the program level would be reduced accordingly. This could create pressure for state funding to replace the local match.

Administration

The State Department of Education's Office of Child Development administers the child development programs and services for which the department is responsible. This office is managed by the Assistant Superintendent of Public Instruction for child development programs, supported by an assistant director, four field services administrators and a policy, planning and development coordinator. The total staff is comprised of 58 professional and 45 clerical positions. As shown in Table 60, proposed funding for administration in 1978-79 is \$3.5 million, an increase of 5.6 percent over the current year.

State administrative responsibilities include the following:

- (1) assessing and establishing priorities among child care needs and service gaps, by age group, location, type of program, delivery system.
- (2) funding child care agencies.
- (3) program development.
- (4) technical assistance—programmatic, fiscal and administrative.
- (5) site and facility licensing and monitoring.
- (6) audit review and follow-up.
- (7) fiscal and attendance accounting.
- (8) CII clearances for FCC providers.
- (9) fire clearances—all SDE-funded sites.
- (10) development and promulgation of regulations and guidelines.

Because the unit allocates each staff person to more than one function, it is difficult to determine whether the number of administrators proposed in the budget is appropriate. We have requested that the department provide the fiscal subcommittees with a precise allocation of professional and clerical workload to the above functions.

B. State Preschool Program

The objective of the State Preschool Program is to provide a child-centered, family oriented, educational preschool experience for children from low-income, disadvantaged families. More than 19,000 children are enrolled in programs administered by 117 school districts and 79 private, nonprofit agencies.

In addition, a preschool scholarship incentive program provides scholarships to assist 1,178 preschool permit teachers and aides to continue their professional development.

Table 65 summarizes expenditures and funding of this program.

DEPARTMENT OF EDUCATION—Continued

Table 65
State Preschool Program Expenditures and Funding

	<i>Actual</i> <i>1977-78</i>	<i>Estimated</i> <i>1978-79</i>	<i>Proposed</i> <i>1979-80</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
Elementary Education Program:					
State Operations	\$257,814	\$276,528	\$286,790	\$10,262	3.7%
Local Assistance	13,062,770	13,026,373	13,062,998	36,625	0.3
Subtotal	\$13,320,584	\$13,302,901	\$13,349,788	\$46,887	0.4%
Special Programs and Support Services:					
State Operations	217,732	448,956	469,389	20,433	4.6
Local Assistance	11,479,143	11,515,671	11,479,046	-36,625	-0.3
Subtotal	\$11,696,875	\$11,964,627	\$11,948,435 ^a	\$-16,192	-0.1%
Combined Totals:					
State Operations	475,546	725,484	756,179 ^b	30,695	4.2
Local Assistance	24,541,913	24,542,044	24,542,044 ^c	—	—
Total	\$25,017,459	\$25,267,528	\$25,298,223	\$30,695	0.1%

^a Includes \$199,269 for the Preschool Scholarship Incentive Program authorized by Chapter 795, Statutes of 1975.

^b Included in Budget Bill Item 307, Department of Education Support.

^c Budget Bill Item 329.

As the table indicates, the proposed local assistance funding level of \$24.5 million is the same as the current year funding level. State operation funding would increase by 4.2 percent. In addition, a staff services management auditor position is proposed for the internal audit office to audit preschool program operations.

Preschool Bilingual Education Plan Needed

Although the Governor's Budget does not contain an increase in local assistance funding for the preschool program in 1979-80, it does propose that a new Preschool Bilingual Education program be authorized as part of the 1979-80 local government fiscal relief measure. The proposal is for a \$4 million augmentation of which, we are advised, \$2.5 million would be allocated to serve approximately 2,000 additional limited- and non-English-speaking preschool age children and \$1.5 million would provide a 6 percent inflation increase for the preschool program.

We doubt that it is feasible to implement additional preschool programs unless related facility needs are also recognized. Thus, we believe the Department of Education should prepare a plan for implementing the proposed program expansion. The plan should include an assessment of the availability of facilities in the impacted areas where service would be required, and a cost estimate for any additional facilities needed.

Federal Headstart Program

The State Preschool program is very similar to the federal Headstart program administered directly by the federal government. In 1979-80 at least \$50 million will be spent in California to serve 25,000 children under the Headstart program. This is about the same level as in 1978-79.

Program Revision

The 1978-79 conference committee supplemental report directed the Department of Education to: "(1) develop per capita funding standards that take into account funds from other sources and develop maximum reimbursement rates based on reasonable cost for the State Preschool Program, (2) identify service areas for each state preschool applicant agency with guidelines for establishing flexibility in determining individual pupil attendance areas, (3) ensure that funds budgeted for administration of the State Preschool Program are spent specifically for that purpose and (4) report back to the appropriate legislative budget committees and the Auditor General by November 1, 1978, on the completion of these requirements and recommendations for possible implementation on July 1, 1979."

The department has indicated that it will respond to this directive and make specific recommendations during the budget hearings.

2. CHILD NUTRITION (Items 308 and 337)**A. OVERVIEW**

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 Bureau of Child 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 Bureau of Child Nutrition Services also administers the State Child Nutrition Program authorized by Chapter 1487, Statutes of 1974, and Chapter 1277, Statutes of 1975. Chapter 1487 provided 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 provided an additional state subsidy for meals served to needy pupils and mandated that by July 1, 1977, all K-12 school districts and county superintendents of schools would provide during each school day one free or reduced price meal for each needy student.

Participation

Table 66 summarizes the scope of the program. It indicates that participation in the school lunch program in 1979-80 is expected to grow by 15.3 percent, and participation in the school breakfast program will increase by 12 percent.

Table 66
Participation in Meal Programs in California Schools

	<i>Actual 1977-78</i>	<i>Estimated 1978-79</i>	<i>Projected 1979-80</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
<i>General Statistics</i>					
Number of Public School Districts.....	1,043	1,043	1,043	—	—
Number of Schools					
Public.....	7,471	7,471	7,471	—	—
Private.....	2,967	3,014	3,120	106	3.5%
Total.....	10,438	10,485	10,591	106	1.0

DEPARTMENT OF EDUCATION—Continued

Enrollment (K-12)					
Public	4,157,000	4,120,201	4,063,405	-56,796	-1.4
Private	451,321	469,160	486,992	17,832	3.8
Total	4,608,321	4,589,361	4,550,397	-38,964	-0.8
National School Lunch Program Participation					
Number of Sponsors	1,188	1,256	1,324	68	5.4
Number of Schools					
Public ^a	7,655	7,655	7,718	63	0.8
Private	290	357	424	67	18.8
Residential Institutions	232	276	319	43	15.6
Total	8,177	8,288	8,461	173	2.1
Enrollment of Participant Schools	4,148,370	4,348,075	4,439,826	91,751	2.1
Average Daily Participation					
Paid	781,084	809,760	920,222	110,462	13.6
Reduced Price	106,631	113,781	134,460	20,679	18.2
Free	905,435	991,237	1,153,459	162,222	16.4
Total	1,793,150	1,914,778	2,208,141	293,363	15.3
School Breakfast Program Participation					
Number of Sponsors	428	576	611	35	6.1
Number of Schools					
Public	2,265	2,758	3,239	481	17.4
Private	85	94	103	9	9.6
Residential Institutions	257	354	451	97	27.4
Total	2,607	3,206	3,793	587	18.3
Enrollment of Participant Schools	1,433,903	1,597,857	1,761,811	163,954	10.3
Average Daily Participation					
Paid	37,122	45,353	50,191	4,838	10.7
Reduced Price	16,188	17,241	19,308	2,067	12.0
Free	277,186	335,592	376,276	40,684	12.1
Total	330,496	398,186	445,775	47,589	12.0%

^a Includes child care and preschool programs.**Funding**

Table 67 summarizes expenditures and funding of these programs as proposed in the Governor's Budget.

Table 67
Food Services Program Expenditures and Funding

Program	Actual 1977-78	Estimated 1978-79	Proposed 1979-80	Change	
				Amount	Percent
Federal (Child Nutrition Act):					
Local Assistance:					
School Lunch:					
General Assistance	\$50,813,037	\$50,283,732	\$58,497,839	\$8,214,107	16.3%
Special Assistance to Needy Children	127,053,068	128,410,496	146,467,963	18,057,467	14.1
School Breakfast	28,397,842	32,620,295	38,381,694	5,761,399	17.7
Special Milk	12,659,356	12,842,609	13,650,444	807,835	6.3
Child Care Food Program	10,998,686	12,259,454	14,416,576	2,157,122	17.6
Summer Food Program	12,105,838	7,500,000	7,500,000	—	—
Food Services Equipment Assistance	3,058,129	2,900,000	2,900,000	—	—
Cash for Commodities	10,254,984	—	—	—	—

Commodities Supplemental Food Program	58,851	125,000	125,000	—	—
Nutrition Education and Training Projects.....	—	1,000,000	1,000,000	—	—
Subtotal	\$255,399,791	\$247,941,586	\$282,939,516	\$34,997,930	14.1
State Operations	1,536,123	4,441,907	4,522,916	81,009	1.8
Total—Federal Funds	\$256,935,914	\$252,383,493	\$287,462,432	\$35,078,939	13.9%
State (Child Nutrition Program):					
Local Assistance:					
Basic Subsidy	\$25,256,793	\$25,871,957	\$34,646,597	\$8,774,640	33.9%
Needy Subsidy	8,504,685	9,420,772	11,563,847	2,143,075	22.7
Subtotal	\$33,761,478	\$35,292,729	\$46,210,444 ^a	\$10,917,715	30.9
State Operations:					
Food and Nutrition Services	\$439,671	\$593,221	\$626,130	\$32,909	5.5
State Child Nutrition Program:					
Projects ^c	607,061	607,061	607,061	—	—
Administration	208,901	224,075	232,989	8,914	4.0
Subtotal	815,962	831,136	840,050 ^b	8,914	1.1
Subtotal	\$1,255,633	\$1,424,357	\$1,466,180	\$41,823	2.9
Total—General Fund	\$35,017,111	\$36,717,086	\$47,676,624	\$10,959,538	29.8%
Combined Totals:					
Local Assistance	\$289,161,269	\$283,234,315	\$329,149,960	\$45,915,645	16.2
State Operations	2,791,756	5,866,264	5,989,096	122,832	2.1
Total	\$291,953,025	\$289,100,579	\$335,139,056	\$46,038,477	15.9%

^a Budget Bill Item 337.^b Budget Bill Item 308.^c Awards to school districts.

Table 67 indicates a projected average growth of 14.1 percent in federal subsidies for food programs serving California children.

The state basic subsidy is projected to increase by 33.9 percent, and the needy subsidy is budgeted for an increase of 22.7 percent. Part of the reason for these increases is the 10 percent reduction in the current year appropriation mandated by Chapter 292, Statutes of 1978 (SB 154). The 1979-80 appropriation of \$46.2 million is projected to fully fund both state subsidies.

Open-ended Programs

The federal and state basic and needy 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 68 summarizes the per meal subsidies since July 1, 1977.

Table 68
Subsidies Per Meal for School Lunch and Breakfast Programs

Program	July- December 1977	January- June 1978	July- December 1978	January- June 1979
Federal subsidies:				
School lunch:				
General assistance	14¢	14½¢	15¼¢	15¾¢
Free	63	65	68¼	71½

DEPARTMENT OF EDUCATION—Continued

Reduced price.....	53	55	58¼	Not determined
School breakfast:				
General assistance	11¼	11½	12	12¼
Free	28	28¾	30¼	31¼
Reduced price.....	21	21¼	22¼	23¼
Especially needy:				
Free	45	50¼	52¼	54½
Reduced price.....	40	45¼	47¼	49½
State Subsidies:		1977-78	1978-79	Projected 1979-80
Basic		6.14¢	6.69¢	7.19¢
Needy		4.09¢	3.45¢	4.17¢
Statewide average cost per lunch		\$1.00	\$1.10	\$1.17

The federal per meal subsidies and the state basic subsidy will increase automatically in 1979-80 due to inflation. The state needy subsidy is also projected to increase in 1979-80. This however, is due primarily to lower growth in assessed valuations because of Proposition 13 which, under the current formula, increases the state's needy subsidy and reduces school districts' share of their total meal cost.

Administrative Budget

We recommend that the proposed 1979-80 State Child Nutrition Program appropriation be reduced from \$840,050 to \$808,673. (Reduce Item 308 by \$31,377).

The \$840,050 proposed state operations funding (Table 67) includes \$607,061 for nutrition projects and \$232,989 for Department of Education administration. The \$232,989 exceeds limitations on allowable administrative expenses for this program specified by Chapter 1277, Statutes of 1975. The excess administrative expense is \$31,377. This amount could (1) be allocated to nutrition projects or (2) revert to the unused surplus. Because of new federal funds available for nutrition education projects estimated to total \$1,000,000 in 1979-80, we recommend this amount be reverted to General Fund surplus.

D. LEGISLATIVE MANDATES (Item 341)

Item 341 of the Budget Act appropriates \$365,231 to the State Controller to reimburse local school districts for certain "mandated local costs". Chapter 1406, Statutes of 1972 (SB 90), requires the state to pay to local governmental units the costs of any new program or increased level of service of a program mandated by legislation enacted after July 1, 1973. Within the Department of Education, there are several legislative mandates affecting public school districts. Table 69 shows the types of mandates and the amounts budgeted to pay for them in the past, current and budget year.

Table 69
Legislative Mandates
Department of Education

<i>Mandate</i>	<i>Actual</i>	<i>Estimated</i>	<i>Proposed</i>	<i>Change</i>	
	<i>1977-78</i>	<i>1978-79</i>	<i>1979-80</i>	<i>Amount</i>	<i>Percent</i>
Certificated Employee dismissal	\$13,459	\$17,541	\$18,541	\$10,000	5.7%
Pupil disciplinary procedures.....	29,297	49,250	76,690	27,440	55.7
Pupil Basic Skills Testing Conferences	—	224,000	270,000	46,000	20.5
Filing Fees for County Superintendents	—	10,000	—	-10,000	-100.0
	\$42,756	\$300,791	\$365,231	\$64,440	21.4%

Deficiency Appropriations

The amounts shown in Table 69 reflect the dollars available to the Controller for reimbursement of claims filed by local school districts. The amounts are estimates of the total anticipated claims. In the case of pupil disciplinary procedures, actual claims have greatly exceeded the appropriated amounts. The Controller estimates that the claims filed for 1978-79 will total approximately \$725,944. Item 434 of the Budget Act provides money to fund the difference between the appropriated and claimed amounts. In our analysis of Item 434 we recommend that this deficiency appropriation not be approved until the details of the claims are made available to the Legislature. We will comment further on this issue during budget hearings.

II. STATE OPERATIONS (Item 307)

1. OVERVIEW

In this section we first discuss the overall state operations (administration) budget as well as those administrative activities that are not directly tied to a particular local assistance program. Administration issues related to particular local assistance programs such as SIP are discussed in connection with the programs themselves.

The major administrative activities discussed here are (1) Program Evaluation, (2) Curriculum Services and (3) Library Services. The special schools, although a part of state operations, are discussed in the special education section.

Funding

Table 70 shows the past year, current year and proposed levels of state operations for the Department of Education, Special Schools, Library Services and various minor categories. The amounts in Table 70 as well as those shown elsewhere in this section do not include the effect of a cost-of-living salary increase in 1979-80. (The Department of Finance has estimated that each 1 percent of salary increase will cost \$282,000 in General Fund money for these budget items.)

The proposed increases for the Department of Education, Special Schools, and Library Services are .7 percent, 6 percent, and 11.7 percent respectively.

DEPARTMENT OF EDUCATION—Continued

The non-General Fund position reductions refers to 20 unidentified positions. These reductions along with the Governor's Proposed 30 General Fund positions reductions are discussed below.

Table 70
Summary of State Operations Funding
Department of Education
Special Schools and State Library

	<i>Actual</i> 1977-78	<i>Estimated</i> 1978-79	<i>Proposed</i> 1979-80	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
Department of Education:					
General Fund	\$18,868,218	\$23,863,036	\$24,711,404	\$848,368	3.6%
State School Building Aid	353,517	183,261	190,044	6,783	3.7
Federal Funds	25,683,408	27,560,878	27,382,580	-178,298	-.6
Non-General Fund Position Reductions	—	—	-330,000	-330,000	NA
SUBTOTAL, Department of Education	\$44,905,143	\$51,607,175	\$51,954,028	\$347,147	.7%
Special Schools for the Hand- icapped					
General Fund	16,984,253	19,268,639	20,429,028	1,160,389	6.0
Library Services					
General Fund	4,466,096	4,697,895	5,301,198	603,303	12.8
Federal Funds	872,600	854,141	898,930	44,789	5.2
SUBTOTAL, Libraries	\$5,338,696	\$5,552,036	\$6,200,128	\$648,092	11.7
Surplus Property Revolving Fund	6,702,648	28,846,366	29,054,957	208,591	7.2
Reimbursements	7,401,747	7,946,536	7,663,741	-282,795	-3.6
Local Assistance Administra- tion	2,691,917	940,848	646,501	-294,347	-31.3
TOTAL Expenditures, State Op- erations	\$84,024,404	\$114,161,600	\$115,948,383	\$1,786,783	1.6%
General Fund	\$40,318,567	\$47,829,570	\$50,441,630	\$2,612,060	5.4
Federal Funds	26,556,008	28,415,019	28,281,510	-133,509	-0.5
Other Funds	17,149,829	37,917,011	37,225,243	-691,768	-1.8

Federal support to the Department of Education and the State Library is shown in Table 71, by source. The largest changes are an increase of \$705,038 (22 percent) in ESEA, Title I and a decrease of \$896,780 (19.6 percent) in vocational education funds. The net effect is a slight decrease in overall federal support in 1979-80.

Table 71
Summary of Federal Fund Expenditures
Included in State Operations

	<i>Actual</i> 1977-78	<i>Estimated</i> 1978-79	<i>Proposed</i> 1979-80	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
Department of Education					
ESEA, Title I—Educationally De- prived Children	\$3,479,479	\$3,180,430	\$3,885,810	\$705,380	22.2%
ESEA, Title II—IV-B School Li- brary Resources	916,434	1,110,243	1,151,888	41,645	3.8

ESEA, Title III—IV-B Guidance Counseling and Testing	201,956	300,362	311,109	10,747	3.6
ESEA, Title II—IV-C Supplementary Centers and Services	775,639	1,037,439	957,558	-79,881	-7.6
Right To Read	346,770	308,640	392,616	83,976	27.2
ESEA—Title IV-C Strengthening the State Department	3,586,740	4,040,608	4,199,054	158,446	3.9
EHA, Title VI—Education Improvement for the Handicapped	4,716,500	3,371,394	3,228,959	-142,435	-4.2
Adult Basic Education Act	505,736	560,689	601,870	41,181	7.3
Vocational Education Act	6,265,330	4,563,923	3,667,143	-896,780	-19.6
Vocational Education Act Special Projects	87,282	359,965	362,914	2,949	0.1
ESEA Title VII—Bilingual Education	534,650	1,196,171	1,297,507	101,336	8.4
Child Nutrition Act	1,506,252	4,441,907	4,522,916	81,009	1.8
Federal Education Projects	2,760,640	3,089,107	2,803,236	-285,871	-9.2
Subtotal, Department of Education	\$25,683,408	\$27,560,878	\$27,382,580	\$-178,298	-0.6 %
State Library	872,600	854,141	898,930	44,789	5.2 %
Total, Federal Aid to State Operations	\$26,556,008	\$28,415,019	\$28,281,510	\$-133,509	-0.5 %

Personnel

Table 72 shows the number of authorized positions in the Department of Education, Special Schools and the State Library. Approximately 47 percent of these employees have professional job classifications. The figure for 1979-80 reflects the reduction of 24.8 unidentified positions in 1978-79 related to Section 27.2 of the 1978 Budget Act and an additional reduction of 50 unidentified positions proposed in the 1979-80 Budget.

Table 72
Distribution of Personnel
State Department of Education
Special Schools and State Library

	Actual 1977-78	Estimated 1978-79	Proposed 1979-80	Change	
				Amount	Percentage
Department of Education	1,384.7	1,580.0	1,509.0	-71.0	-4.5%
Special Schools	957.8	1,013.1	1,024.8	11.7	1.2
State Library	206.3	200.6	183.9	-16.7	-8.3
TOTALS	2,548.8	2,793.7	2,717.7	-76.0	-2.7%
Professionals					
Number	1,225.0	1,313	1,277 ^a	NA	NA
Percent	(48%)	(47%)	(47%)		
Non-Professionals					
Number	1,323.8	1,481	1,440 ^a	NA	NA
Percent	(52%)	(53%)	(53%)		

^a Figure for professional and nonprofessional positions are estimated for 1979-80.

DEPARTMENT OF EDUCATION—Continued

Table 73 shows the locations where these individuals worked in 1978-79.

Table 73
Authorized Employees by Location
1978-79

	<i>Department of Education</i>	<i>Special Schools</i>	<i>State Library</i>	<i>Totals</i>
Sacramento	1,458.6	-	216.3	1,673.9
Los Angeles	126.1	451.0	1.0	578.1
Other	15.0	595.9	6.5	617.4
	1,599.7	1,046.9	223.8	2,870.4
Adjustments, Salary Savings, etc.	-19.7	-33.8	-23.2	-76.7
	1,580.0	1,013.1	200.6	2,793.7

2. THE STATE OPERATION BUDGET

Table 74 shows how the state operations budget is split between (a) personal services and (b) operating expenses and equipment (OEE), for the past, current and budget year. In the budget year 51.4 percent of total state operations will be spent on personal services. As mentioned above, cost-of-living salary increases are not included in these amounts.

Table 74
State Operations

	<i>Actual 1977-78</i>	<i>Estimated 1978-79</i>	<i>Proposed 1979-80</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
Personal Services	\$53,086,662	\$58,678,270	\$59,627,168	\$948,898 ^a	1.6%
Operating Expenses and Equip- ment (OEE)	30,937,742	55,483,330	56,321,215	837,885	1.5
Total Expenditures.....	\$84,024,404	\$114,161,600	\$115,948,383	\$1,786,783	1.6%

^a Figures do not include cost-of-living pay increases. Each 1 percent cost-of-living salary increase would cost \$282,000 in General Fund money.

Personal Services

Table 75 presents a breakdown of personal services for the Department of Education. The Governor's Budget proposes 2,717.7 positions in 1979-80.

Table 75
Department of Education
Personal Services

	<i>Actual 1977-78</i>	<i>Estimated 1978-79</i>	<i>Proposed 1979-80</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
Positions					
Base line authorized.....	2,548.8	2,709.5	2,687.8	-21.7	-.8%
Workload and administrative adjustments.....	—	160.9	-15.1	-176.0	-109.4
Proposed new positions.....	—	—	168.3	168.3	NA
Provision for personnel reduc- tions:					
a) General Fund.....	—	—	-30.0	-30.0	NA
b) Non-General Fund.....	—	—	-20.0	-20.0	NA
Estimated salary savings	—	-51.9	-48.5	3.4	1.0
Reductions per Section 27.2.....	—	-24.8	-24.8	—	—
	2,548.8	2,793.7	2,717.7	-76.0	-2.7%

Budget					
Base Line Authorized	\$43,348,407	\$46,000,036	\$46,476,953	\$476,917	.4%
(Merit Salary Adjustment)	(616,001)	(596,595)	(447,211)	(-119,384)	(-20.0)
Workload and Administrative					
Adjustments	—	2,204,818	-268,751	-2,473,569	-112.2
Proposed new positions.....	—	—	2,461,323	2,461,323	NA
Reduction of 30 General Fund					
positions.....	—	—	-495,000	-495,000	NA
Reduction of 20 non-General					
Fund positions	—	—	-330,000	-330,000	NA
Estimated salary savings	—	-816,632	-807,808	8,824	1.1
Staff Benefits	9,738,255	11,690,431	12,990,834	1,300,403	11.1
Reductions per Section 27.2	—	-400,383	-400,383	—	—
Total, Personal Services	\$53,086,662	\$58,678,270	\$59,627,168	\$948,898	1.6%

Personnel Reductions

As Table 75 shows, the budget proposes elimination of 24.8 positions in the current year pursuant to Section 27.2 of the 1978 Budget Act and 50 positions in the budget year (30 General Fund supported and 20 non-General Fund supported). The specific positions, however, have not been identified in the Governor's Budget. However, the department reported in January that 136 of its authorized positions were vacant (43 General Fund and 93 non-General Fund).

In recent years the department has spent significantly less than the amount budgeted for professional services. Last year (1977-78) personal services expenditures were \$2,504,093 less than the budgeted amount. In 1976-77, expenditures for personal services were \$1,816,949 less than budgeted. A majority of this amount resulted from underestimating salary savings by the department.

We have asked the Departments of Finance and Education to provide the fiscal committees the following information for use during budget hearings:

1. Identification of each of the 74.8 positions planned for elimination.
2. The most current count of vacant positions in the department, and the number of those eliminated through Item 1 above.
3. The associated funding for each eliminated position broken down into personal services and operating expenses and equipment.
4. A description of the methodology used to estimate salary savings, and comments on the accuracy of that estimating process.

Operating Expenses and Equipment (OEE)

Table 76 presents a breakdown of operating expenses and equipment (OEE). These OEE totals include proposed expenditures for the State Department of Education, Special Schools and the State Library. The "other items of expense" is primarily federal surplus property. OEE is budgeted for a 1.5 percent increase in 1979-80.

DEPARTMENT OF EDUCATION—Continued

Table 76
Department of Education
Operating Expenses and Equipment (OEE)

	<i>Actual</i> <i>1977-78</i>	<i>Estimated</i> <i>1978-79</i>	<i>Proposed</i> <i>1979-80</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
General Expenses	\$1,803,433	\$2,441,493	\$2,379,909	\$-61,584	-2.5%
Printing	811,733	1,074,768	1,048,923	-25,845	-2.4
Communications	1,210,388	1,462,175	1,474,241	12,066	8.3
Travel—in-state	3,286,148	4,186,793	4,440,433	253,640	6.1
Travel—out-of-state	131,312	327,491	352,294	24,803	7.6
Consultant and Professional Services	6,124,143	7,825,587	7,232,246	-593,341	-7.6
Subsistence and Personal Care	641,811	684,740	764,950	80,210	11.7
Data Processing	671,165	753,593	784,988	31,395	4.2
Consolidated Data Center	293,816	430,641	412,528	-18,113	-4.2
Facilities Operations	3,389,441	5,566,120	5,768,547	202,427	3.6
Other Items of Expense	11,371,357	29,028,220	30,345,860	1,317,640	4.5
Fiscal Pro Rata	69,420	99,815	247,485	147,670	148.0
Equipment	1,100,575	921,540	917,832	-3,708	-4
Subtotal	\$30,904,742	\$54,802,976	\$56,170,236	\$1,367,260	2.5%
Reduction per Section 27.1	—	(-796,225)	—	(796,225)	(100.0)
Subtotal, OEE less those listed below	\$30,904,742	\$54,802,976	\$56,170,236	\$1,367,260	2.5%
Education Commission of the States	\$33,000	\$35,000	\$35,000	—	—
Special Projects	—	5,979	5,979	—	—
Unallocated Legal	—	—	110,000	110,000	NA
Unallocated Vocational Education	—	639,375	—	-639,375	-100.0
Total, OEE	\$30,937,742	\$55,483,330	\$56,321,215	\$837,885	1.5%

Reduce Out-of-State Travel

We recommend that the 1979-80 out-of-state travel budget be reduced by \$194,720 in Item 307.

The OEE budget has a planned expenditure of \$352,294 for out-of-state travel in 1979-80. This is a 168 percent increase over actual out-of-state travel expenditures incurred in 1977-78.

Over the past six years the budget total for out-of-state travel has greatly exceeded actual expenditures. Table 77 shows that on the average actual expenditures have been 54.9 percent of the budgeted amount.

Table 77
Department of Education
Out-of-State Travel

<i>Year</i>	<i>Budgeted</i>	<i>Actual</i>	<i>Percent Actual to Budgeted</i>
1972-73	\$139,335	\$82,817	59.4%
1973-74	185,619	96,785	52.1
1974-75	212,976	103,123	48.4
1975-76	228,449	122,935	53.8
1976-77	237,290	151,938	64.0
1977-78	301,133	131,312	43.6
Subtotal	\$1,254,802	\$688,910	54.9%
1978-79	327,419	—	—
1979-80	\$352,294	—	—

We recommend that out-of-state travel expenditures in 1979-80 be budgeted at 120 percent of actual out-of-state expenditures in 1977-78. This would provide a 1979-80 total of \$157,574; \$194,720 less than the \$352,294 requested in the budget.

Consultant and Professional Services

Table 76 shows a proposed expenditure of \$7,232,246 for consultant and professional services in 1979-80. Part of this is to be used to contract for the Statewide Testing Program. We think the magnitude of the funding for this item may be excessive. We have asked the Department of Education to provide us with detailed information before budget hearings and will comment further on this issue at that time.

3. OFFICE OF PROGRAM EVALUATION AND RESEARCH

A. OVERVIEW

The Office of Program Evaluation and Research (OPER) is the Department of Education's centralized evaluation unit. Responsibilities of the office include (a) federal and state mandated program evaluations, (b) the California Assessment Program, and (c) assistance to local districts in evaluation and student proficiency testing. Recent and proposed funding for this unit are shown in Table 78.

Table 78
Funding for the Office of Program Evaluation and Research

	<i>Actual 1977-78</i>	<i>Estimated 1978-79</i>	<i>Proposed 1979-80</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
State Operations	\$4,131,245	\$4,595,244	\$4,743,227	\$147,983	3.2%
Local Assistance	251,194	256,250	256,250	—	—
Total	\$4,382,439	\$4,851,494	\$4,999,477	\$149,983	3.1%

State General Fund support for 1978-79 totaled approximately \$2.8 million or 58 percent of OPER's total budget. Federal funds of \$2.0 million accounted for the other 42 percent.

Contracts

About 30 percent (\$1.4 million) of the unit's budget is spent on contracts with testing firms. In the current year the department's statewide testing contracts total \$677,605. Another contract (\$630,953) is for the administration and scoring of the California High School Proficiency Examination (CHSPE). This amount is supposed to be recovered from fees charged to students who take the test. However, this has not occurred during the past two years. In 1976-77, contract costs exceeded fees by \$126,161; in 1977-78 the deficit was \$94,365.

A third contract (\$100,000) in the current year is for materials and training workshops for local district personnel in the technical aspects of developing proficiency standards mandated by Chapter 856, Statutes of 1976 and Chapter 894, Statutes of 1977.

Positions

OPER staff authorized positions in 1978-79 total 76.6. This includes 47 permanent professional positions, 17.5 clerical positions and 12.1 person years in temporary help. Only 31.9 positions are supported with state

DEPARTMENT OF EDUCATION—Continued

funds. The remaining 44.7 positions are federally supported.

In 1978-79 at least 35 of the 47 OPER professional staff are classified at the consultant level which starts at a salary of \$24,840 per year. The average salary of these consultants is approximately \$29,600.

Reform Proposal

In January the Educational Management and Evaluation Commission presented a paper to the State Board on "The Uses and Limits of Educational Evaluation at the State Level". In this paper the commission discusses the problems of current evaluations and what can be done to increase their effectiveness.

The following excerpt is from the summary of that paper:

"1. *Appropriate expectations for evaluation.* Evaluations can often help policymakers decide what new programs are needed, and how to manage existing programs. In principle, they could also help with decisions about what program practices to emphasize; however, this kind of information will be scarce and unreliable unless resources are shifted from evaluations of gross program outcomes toward studies of specific educational practices and strategies. In particular, formal evaluations cannot provide definitive information in support of program resource allocation decisions, because evaluations cannot make scientifically reliable statements about the cost effectiveness of state education programs.

2. *Improving evaluations.* The evaluation community has oversold its capabilities. Evaluations would be more credible and useful if they spelled out their assumptions and limitations and presented a range of possible alternative conclusions, together with evaluators' judgments and recommendations. Evaluators must be responsible for translating policymakers' ambiguous goal statements into researchable objectives, and must not be afraid to depart from experimental designs, which are usually inappropriate.

3. *Policy recommendations.* The Commission makes the following tentative general recommendations, subject to wider discussion:

1. Eliminate inter-program comparisons and reconceptualize large-scale summative program evaluations. Continue to support evaluations to assist program initiation and management decisions.
2. Drastically reduce the number of mandated evaluations, and do not mandate evaluations without providing the resources needed to do the work.
3. Transfer resources from evaluations of program outcomes to studies of educational practices and strategies.
4. Do *not* require in legislative language (or in procurements of independent evaluations) any specific research design or data collection and analysis strategy. *Do* require that evaluators spell out study assumptions, limitations, conclusions and recommendations.
5. Create an expert advisory panel to work with state agencies and contractors to improve technical quality."

We generally concur with these tentative recommendations of the Commission and have applied them in our analysis of the OPER budget.

We have also relied on the results of the department's efforts at zero-base budgeting for OPER. Based on these considerations, we are recommending the elimination of excessive evaluation and testing requirements in 1979-80. We anticipate recommending more eliminations of mandated evaluations in 1980-81.

B. ZERO-BASE BUDGET REPORT

In supplemental language to the 1978 Budget Act, the Legislature directed the Department of Education to use zero-base budgeting as the basis for determining the proposed OPER budget level for 1979-80. This language directed the department to prepare alternative 1979-80 budgets at levels equal to 80 percent, 100 percent, and 120 percent of the 1978-79 funding level. The department submitted this information to the fiscal committees prior to December 1, 1978. Based on our review of this information and subsequent discussions with OPER staff, we believe the following recommendations on funding for the OPER unit are appropriate.

Elimination of Evaluations of Limited Value

We recommend the elimination of the following evaluation reports for a General Fund savings of \$40,530: (1) Alternative Schools, (2) Demonstration Programs in Reading and Mathematics, (3) Nutrition Education, and (4) Bilingual Teacher Corps. (Reduce Item 307 by \$40,530).

Two 1978 statutes, Chapter 796 (AB 2506) and Chapter 828 (SB 1540), reduced the frequency with which several state mandated evaluations must be conducted. State funds saved by these reductions were redirected to provide annual funding for studies of special interest to the Legislature. These are discussed below.

In its zero based review of state mandated evaluations, the department identified eight evaluations that could be eliminated because they provide information of limited general interest. We recommend that four of those evaluations be eliminated. They are: (1) Alternative Schools, (2) Demonstration Programs in Reading and Mathematics, (3) Nutrition Education and (4) Bilingual Teacher Corps. Table 79 shows the frequency of these evaluations and the dollars budgeted for them in 1979-80.

Table 79
Evaluations Recommended for Elimination 1979-80

<i>Evaluation Report</i>	<i>Frequency of Report</i>	<i>Annual Costs</i>
Alternative Schools	Biennial	\$5,000
Demonstration Programs	Annual	12,500
Nutrition Education	Annual	10,000
Bilingual Teacher Corps	Biennial	13,030
Total		\$40,530

The dollars associated with the Demonstration programs reflect only the cost of the evaluation report. An additional \$12,500 would remain in the OPER budget for the Demonstration programs to carry out the statistical work needed annually to rank the various demonstration projects. This ranking is needed to aid the Legislature and the department in making funding decisions on these projects. The Nutrition Education

DEPARTMENT OF EDUCATION—Continued

Evaluation is not mandated by the Legislature. It is an internal requirement of the department. Elsewhere in this Analysis we have recommended transfer of the Bilingual Teacher Corps funding to the Student Aid Commission.

If the Legislature wishes information on any of these programs in the future, funding can be made available during the budget process.

In a subsequent recommendation, we propose to redirect part of \$40,530 savings to augment the department's efforts in assisting local school districts to establish proficiency assessment procedures mandated by Chapter 856, Statutes of 1976 and Chapter 894, Statutes of 1977.

Major Changes in Statewide Testing

We recommend that the California Assessment Program be modified to include testing of grade eight. We further recommend that grades one and three be tested in even numbered years and grades six, eight and twelve in odd number years.

These recommended changes will increase grade level information while reducing state costs by \$101,000 in 1979-80 and by an average of \$258,250 in each subsequent fiscal year. In addition, staff time at the local level will be saved due to the altered testing schedule. This time can be redirected toward other school level activities. (Reduce Item 307 by \$101,000).

The Legislature first required statewide testing in 1961. The program has been modified a number of times since then, most recently by Chapter 763, Statutes of 1978. The major purpose of the program is to provide the public, the Legislature, and the school districts with evaluative information regarding the levels of student performance achieved by different groups of pupils of varying socioeconomic backgrounds. The enabling legislation envisioned that this information would be used to identify unusual success or failure as well as the factors which appear to be responsible for them. With this information, appropriate action could be taken at the district and state level to obtain the highest quality education for all public school pupils.

Prior to Chapter 763, annual testing was required of all students in grades one, two, three, six and twelve. Chapter 763 eliminated grade two testing and expanded the scope of grade three testing.

The present testing schedule provides annual information on entry level skills of first graders and reading, writing and mathematics skills at the completion of primary (grade 3), intermediate (grade 6), and high school (grade 12). No information is available on student performance in junior high school (grade 8).

We believe that information on eighth grade performance would be useful to school districts in their assessment of junior high schools. Such information would help in the identification of possible problem areas contributing to the recent decline in student achievement that California students have experienced between grades six and twelve.

Objections raised to the inclusion of grade 8 testing in the past included (1) the increased cost to the state and (2) the increased cost in staff time

at the local district level. We believe, however, that grade 8 testing can be implemented in a way that avoids these costs.

First, we recommend shifting from annual to biennial testing in grades 6 and 12. The department's 80 percent budget option would also make this shift. We believe that this shift is desirable because it would allow more time to study the components and causes of changes in test results, and subsequently, more time to react to the trend in these results.

We also recommend, based on the same rationale, that grades one and three be tested biennially. In order to insure longitudinal results, we suggest that these lower grades be tested in the same years that the higher grades are *not* tested. This schedule will insure that the same class is tested in each subsequent test period. This schedule also allows for a more even workload at the state and local levels. Greater concentration can be focused on particular grades each year relative to what is possible under the existing schedule which calls for testing in one year and none in the next.

Fiscal Effect of the Change

Table 80 delineates the costs and savings associated with the inclusion of grade eight testing and a new staggered testing schedule. The estimated annual cost of printing and scoring tests in the current program is \$659,500. If our proposal were implemented in the budget year, the first year savings would be \$101,000. This is less than the savings would be in subsequent years because it would cost \$196,000 in the budget year to develop an eighth grade test.

Table 80
State Test Printing and Scoring Marginal Cost Under Alternative Year Testing Schedule With Inclusion of Eighth Grade Testing
(in thousands)

Grade Level	Annual Cost of Current Schedule	New Schedule				
		Year 1	Year 2	Year 3	Year 4	Year 5
1	\$172.5	\$172.5		\$172.5		\$172.5
3	190.0	190.0		190.0		190.0
6	163.0 ^a		\$153.0		\$153.0	
8		196.0 ^b	153.0		153.0	
12	134.0		134.0		134.0	
Total Cost	\$659.5	558.5	440.0	362.5	440.0	362.5
Net Savings Over Current Schedule	NA	\$101.0	\$219.5	\$297.0	\$219.5	\$297.0
Components of Savings:						
Contract Costs	NA	\$101.0	187.5	220.0	177.5	\$220.0
Staff Costs	NA	0	32.0	77.0	32.0	77.0

^a Includes \$10,000 publishers royalties.

^b One time outlay for the development of a grade eight test. Of that total, \$77,000 is budgeted from saved staff time and \$119,000 from saved contract outlays. Savings in staff time in subsequent years could be devoted to Statewide Testing special studies.

The entire first year savings of \$101,000 would result from savings in contract costs. In subsequent years this total savings figure would increase to \$219,500 in the years that grades six, eight and twelve are tested and to

DEPARTMENT OF EDUCATION—Continued

\$297,000 in the years that these grades are not tested.

Local district staff time would also be saved due to the reduction in the number of test administrations. Even with the addition of eighth grade testing, the number of administrations is reduced over a two year period by an average of 37.5 percent (from eight to five administrations). It should also be noted that the various grade levels would only be tested every other year which adds to the value of the staff time saved. We have no reasonable estimate of this local staff savings at this time.

C. PROFICIENCY ASSESSMENT

We recommend a net augmentation of \$110,000 to the Department of Education's budget to be used for (1) training of local county and district staffs in establishing proficiency assessment procedures (\$75,000) and (2) a follow-up survey on the status of local implementation of state proficiency requirements (\$35,000). (Increase Item 307 by \$110,000).

Chapter 856, Statutes of 1976 (AB 3408) required high school districts and unified districts maintaining junior, senior and four-year high schools to (1) establish district proficiency standards in reading comprehension, writing and computation, and (2) assess individual pupil proficiency in basic skills once in grades 7-9 and twice in grades 10-11 such that after June 1, 1980 no student would receive a high school diploma who had not demonstrated proficiency in the basic skills. Students failing each periodic assessment were to be provided counseling, remedial instruction and additional opportunities to meet the required standards.

Chapter 894, Statutes of 1977 modified the provisions of AB 3408 by extending individual pupil proficiency assessment in basic skills down to the elementary level (grades 4-6). AB 3408 provided \$175,000 to the Department of Education for the purpose of preparing and distributing a framework for assessing pupil proficiencies to local school districts. Chapter 894 augmented this amount by \$400,000. An additional \$100,000 was included in the 1978 Budget Act to provide for development of training materials and the provision of a limited amount of training for local district staffs in the use of proficiency instruments. This money was used for those purposes through a contract with Educational Testing Service (ETS).

The 1979-80 Governor's Budget contains \$304,500 to continue the provision of technical assistance activities to local school districts. Funding for these activities is shown in Table 81.

Table 81
Funding for Proficiency Assessment^a

	Actual 1977-78	Estimated 1978-79	Proposed 1979-80	Change	
				Amount	Percent
Technical Assistance	\$318,000	\$233,000	\$304,500	\$71,500	30.7%
Training	—	100,000	—	-100,000	—
Total	\$318,000	\$333,000	\$304,500	\$-28,500	-8.6%

^a This funding pattern is due to carryover of funds. AB 3408 funding (\$175,000) did not become available until January 1, 1977. AB 65 made available \$400,000 to be spent over the period 1977-78 and 1978-79.

Additional Staff Training Augmentation

The \$304,500 budgeted for activities in 1979-80 does not provide for continued training of local district staff, despite the fact that the department's zero base budget identifies this area for funding at the 120 percent budget level. The department feels that it can expand the available training materials and train an additional 300 selected local staff personnel for \$75,000. This would be carried out through a contract and would not require any additional permanent staff. We recommend that this money be made available from contract money saved as a result of our recommended changes in the state testing program.

Survey of the Status of Local Implementation

In April 1978, the Assembly Subcommittee on Educational Reform requested that the department conduct a limited-scale survey of local districts to assess their progress in implementing the proficiency requirements set forth in AB 3408 and AB 65. The study data are now being analyzed, and a report should be available before budget hearings.

Based on our review of the preliminary results we believe that the survey should be repeated in 1979-80. The department would also fund this activity in its 120 percent budget. The department believes it can conduct a study that would involve on-site interviews and data collection in a large random sample of districts, for \$35,000. The study would take nine months and could be conducted in-house.

We recommend that this study be conducted and that the amount saved from elimination of several evaluations be used for this purpose. This study should be submitted to the Legislature by March 15, 1980.

The net augmentation for these two studies totals \$110,000 (\$75,000 for local staff training plus \$35,000 for the survey).

D. CALIFORNIA HIGH SCHOOL PROFICIENCY EXAM (CHSPE) (ITEM 310)

We recommend that the California High School Proficiency Exam be administered twice rather than three times in 1979-80. We estimate a potential General Fund savings of approximately \$100,000 due to this change.

Chapter 1265, Statutes of 1972 established an examination process administered by the Department of Education which provides students an opportunity to obtain a diploma before their formal graduation. All test questions are developed by OPER. The cost of OPER staff time devoted to the task in 1978-79 totaled \$112,130. Educational Testing Service holds a contract for \$630,953 to produce, administer, score and report on the examination for 1978-79. The exam is currently given three times annually at approximately 100 centers statewide.

The current fee to take the exam is \$10 which is the maximum allowable under current law. These fees were meant to cover at least the contracted administration costs for the exam. Item 310 proposes that up to \$240,059 be available to fund the program in the event fees do not cover the costs of the contract.

During 1976-77, the first year in which the examination was offered three times, the fees were \$126,161 less than the contract costs. In 1977-78 the deficit was \$94,365. Table 82 displays these costs and the number of

DEPARTMENT OF EDUCATION—Continued

students taking the exam during those years.

Table 82
California High School Proficiency Test
Contract Cost, Fees and Number of Test Takers
1. Contract Costs and Fees

<i>Year</i>	<i>Contract Costs</i>	<i>Income From Fees</i>	<i>Difference</i>
1976-77	\$449,217	\$323,057	\$ -126,161
1977-78	421,223	326,858	- 94,365

2. Test Takers

	1976-77	1977-78	
November	10,499	November	8,372
March	9,956	March	9,445
June	9,715	June	10,128
TOTALS	30,170		27,945

We recommend that the department bid the contract for this exam on the basis of two administrations in 1979-80 in order to bring contract costs into line with income. Under our recommendation, the June test would be eliminated. The department also provided for this reduction in its 80 percent budget level. ETS estimates a potential savings of \$150,000 in production costs if the number of administrations is reduced from three to two. A savings of this amount, however, would require that the annual number of test takers remain about the same. Because we have no basis for predicting how the reduction in administrations will affect the number of test takers, we have not recommended reducing the budgeted amount for the contingency fund. (We are quite confident that costs will not exceed the contingency due to this change.) We do not believe that there will be any adverse effect on students as a result of this recommendation.

E. SPECIAL STUDIES

Legislation passed in 1978 created a pool of funds that OPER was to use annually for special studies. Chapter 828 (SB 1540) eliminated two evaluations (Experimental Kindergarten and Year-Round Schools) and changed the reporting of Indian Education Centers and Bilingual Teacher Corps evaluations from an annual to a biennial basis. Chapter 796 (AB 2506) eliminated the department's summative evaluation responsibilities for the Master Plan for Special Education (MPSE) and for the School Improvement Program (SIP). Summative evaluations of MPSE and SIP are being conducted by independent contractors. Savings in staff time of \$248,000 derived from these changes are to be spent on special studies. The Governor's Budget does not display total funding for these studies.

Chapter 796 requires the Superintendent to submit to the State Board and the Legislature a proposal for these special studies by February 15 of each year. Any issue that would lead to improved education for California's public school students can be proposed for study by the Superintendent. The department's 120 percent budget identified several new areas for study and local assistance in 1979-80. The dollars for these proposed stud-

ies and other activities totals \$950,000. We will review the department's recommendations in February and comment on them during budget hearings.

4. CURRICULUM SERVICES

A. OVERVIEW

The Curriculum Services Unit provides administrative and technical consultation to school districts and other appropriate agencies in: (1) state-mandated curriculum activities, (2) health education, including drug and alcohol abuse and nutrition programs, (3) personnel and career development services, (4) mentally gifted minors, (5) curriculum frameworks and instructional materials selection, and (6) other curriculum activities, including conservation education and instructional television.

Expenditures and revenues for these program areas are shown in Table 83.

Table 83
Expenditures and Revenues for Curriculum Services

Component	Actual 1977-78	Estimated 1978-79	Proposed 1979-80	Change	
				Amount	Percent
State Operations:					
1. State Mandated Curriculum Activities	\$601,401	\$641,248	\$857,819	\$216,571	33.8%
2. Health Education	1,577,281	663,834	605,369	-58,465	-8.8
3. Pupil Personnel Services	330,535	998,018	605,455	-392,563	-39.3
4. Mentally Gifted and Talented	305,554	342,462	317,299	-25,163	-7.3
5. Other Curriculum Activities..	428,518	458,851	475,116	16,265	3.5
6. Curriculum Frameworks and Instructional Materials	490,333	567,610	588,857	21,247	3.7
Local Assistance:					
1. Career Guidance Centers	250,000	250,000	250,000	0	0
2. Other Curriculum Activities ^a	1,074,008	1,139,364	1,139,364	0	0
Total.....	\$5,057,630	\$5,061,387	\$4,839,279	-\$222,108	-4.4%
State Operations:					
General Fund.....	\$2,465,544	\$2,351,233	\$2,629,674	\$278,441	11.8%
California Environmental Protection Program Fund	10,691	12,986	13,423	437	3.4
Federal funds	570,951	1,227,209	798,818	-428,391	-34.9
Reimbursements	686,436	80,595	8,000	-72,595	-90.1
Local Assistance:					
General Fund.....	1,024,008	1,071,364	1,071,364	0	0
California Environmental Protection Program Fund	300,000	318,000	318,000	0	0

^a Conservation-Energy Education and Instructional Television.

The number of authorized positions for this unit totals 59.6, 37 of which are classified as professionals.

As shown in Table 83, the budget proposes a General Fund increase of \$278,441, or 11.8 percent, for Curriculum Services. This is due primarily to

DEPARTMENT OF EDUCATION—Continued

a budgetary augmentation which will be discussed below. Also shown in the table is a reduction of \$428,391 (34.9 percent) in federal funds, due mainly to the termination of projects in career guidance and education.

Although not reflected in the budget totals, the Governor has proposed the elimination of the programs for the mentally gifted minors, driver training, and instructional television in his presentation of the local government fiscal relief program. These issues are discussed in separate sections in the Analysis.

B. CURRICULUM DEVELOPMENT FOR THE SCHOOL IMPROVEMENT PROGRAM (SIP)

We recommend that the General Fund augmentation of \$196,400 for curriculum development in the School Improvement Program be deleted. (Reduce Item 307 by \$196,400).

The budget proposes an augmentation of \$196,400 in operating expenses to develop curricular information materials and provide technical assistance for local education agencies in the implementation of their school improvement plans. Packages of informational material will cover program areas described in the School Improvement Program established by Chapter 894, Statutes of 1977 (AB 65).

This budget augmentation is unnecessary for the following reasons:

(1) Sufficient funding is available in the baseline budget. The Curriculum Services Office will complete several program packages for the School Improvement Program during the current year. This will free up funding for 1979-80. Such funds, however, are not allocated to the development of any of the new program packages proposed for the budget year.

(2) Funding for this project could be provided from the department's School Improvement Program administrative funds. The budget includes \$1.8 million for the Department of Education to administer the School Improvement Program. If the department desires, it could utilize a portion of these funds to develop curriculum packages.

(3) Some of the proposed packages are not directly related to curricular program areas. Program materials in the basic skill areas will be completed during the current year. Several of the packages which the department intends to develop in the budget year, while mentioned in Chapter 894 as components of a school improvement plan, are not specified as curriculum areas. Among these packages are "Classroom Environment," "Community Involvement" and "Timely Advice." Assistance in developing these plan components should be funded by the department's School Improvement Program allocation.

(4) Technical advice can be provided by curriculum specialists operating at the district and county levels. Chapter 894 encourages diversity of School Improvement Program implementation strategies and prohibits the Superintendent of Public Instruction from imposing particular instructional programs.

C. DRUG EDUCATION

Since 1970, the Department of Education has operated a program in alcohol and drug abuse education, supported by federal funds. In 1977-78, about \$700,000 of these federal monies were allocated to the Department of Education through an interagency agreement with the Department of Alcohol and Drug Abuse. Last year, however, the agreement was terminated by Alcohol and Drug Abuse, which has decided that the funds should be allocated to county health department programs.

In 1977, the Legislature repealed provisions in the Education Code requiring the Department of Education to establish a training program in drug education. Current law, however, requires local school districts to provide instruction in this area and directs the Department of Education to maintain an "information center."

The department requested \$450,000 in General Fund monies to continue its drug education program, but the funds are not included in the budget. During our review of this request, the department indicated that additional data concerning the use of these funds will be provided before the budget hearings. We believe that, during the hearing, the two departments involved should address the issues of the allocation of the federal funds and the need to continue a state-funded program.

D. CONTINUATION SCHOOLS

The legislature appropriated \$44,300 in the 1978 Budget Act to provide one additional consultant in the Department of Education to serve California's Continuation Schools. In addition, supplementary language was added mandating that:

"The Department of Education shall provide the following services for continuation high schools: (a) visit approximately 20 percent of all continuation schools annually, (b) process any specific request for information through secondary education team leaders, (c) provide such technical assistance as is available, (d) disseminate Budget Act or supplemental language having impact on Continuation Education, and (e) provide information on dates, time, content, and places of secondary workshops.

The Legislative Analyst's office will report on the Department of Education's efforts to comply with this supplemental language in their Analysis of the 1979-80 Budget Bill."

The Governor vetoed the appropriation, stating that "special assistance for this program can and should be provided by existing staff in the Elementary and Secondary Field Service Units." However, the language still applies.

Provision of New Services to Continuation Schools

The department has developed a schedule for visiting sixty continuation schools. It also has a compliance review form and related information that will be given to teams which conduct the visits. In keeping with the Governor's veto message, the department has placed responsibility for these visits with the Secondary Field Service Units.

In addition, activities have been conducted or are planned to improve services to continuation schools. These include (a) responding to ques-

DEPARTMENT OF EDUCATION—Continued

tions from the field, (b) re-establishing the Continuation School Advisory Committee, and (c) initiating plans for a new continuation education handbook. The department has also disseminated the Legislature's supplementary language to the field. Finally, five one-day workshops will be held during March 1979. Our review indicates that the department has begun to implement the supplemental report language.

Redirection of Positions

We recommend that a continuation school consultant position be established within the Department of Education to be funded within the department's existing resources.

Continuation schools form an important part of the state's programs for students with special needs. Students in continuation schools are typically those who have not experienced success in regular high schools, particularly those who are irregular attenders. For many, it is the "last step" before dropping out. Continuation schools are small schools, where teachers try to maintain a supportive environment, often including individual curriculum design and instruction.

The number of continuation students has risen markedly in the last decade from approximately 20,000 in 1965 to 93,000 in 1976-77. About three-quarters of the districts providing high school education also provide continuation schools.

Last year, the Legislature recognized the need for continued services to continuation schools and provided funds for this position. As mentioned, the funds for this position were vetoed by the Governor who stated that the functions could be handled by the Field Service Team. Unfortunately, this is inadvisable under current law: funding for the secondary field service team is provided by ESEA Title I, ESEA Title IV-B, IV-C and EDY funds. This staff can be used only for managing these programs.

Therefore, we are recommending that the department establish a separate position for a continuation school consultant. We believe that the department can establish this position through redirection of existing staff.

E. LEGAL OFFICE

The 1978 Budget Act contained an appropriation of \$200,000 to pay for the services of a private legal counsel retained to help defend the state in legal action on the *Serrano* school finance case. A contract was signed for \$90,000 covering the current year and we understand that approximately \$5,000 had been expended by December 1978. There has been no court action on this case in the current year.

The Governor's Budget proposes to carry forward the remaining \$110,000 made available last year for use in the budget year. Budget language, however, specifies that this money cannot be used without approval from the Department of Finance. The language also specifies that the Joint Legislative Budget Committee will be notified when any approval is given.

5. INSTRUCTIONAL MATERIALS (TEXTBOOKS)**A. OVERVIEW**

Article IX, Section 75 of the State Constitution requires the state to supply free textbooks to students in grades K-8. This mandate has led to the development of a complicated textbook evaluation, adoption, selection and distribution process that involves Department of Education employees, state board members, school teachers, specialists, and community participants.

Until 1973, the textbook program was supported by an annual General Fund appropriation. Chapters 929 and 1233, Statutes of 1972 made major revisions in the program by establishing an Instructional Materials Fund financed from the General Fund. Chapter 894, Statutes of 1977 (AB 65) raised support to local districts to \$12.88 per ADA, for a total state cost of \$40.1 million in 1977-78. General Fund support for Instructional Materials was reduced to \$38.3 million by Chapter 298, Statutes of 1978 (SB 154) for 1978-79. The 1979-80 Governor's Budget maintains the same level of support although AB 65 had scheduled a \$5 million increase for the budget year.

Table 84 shows textbook management and local assistance support.

Table 84
Textbook Expenditures and Funding

	<i>Actual 1977-78</i>	<i>Estimated 1978-79</i>	<i>Proposed 1979-80</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
State Operations:					
Secondary Education					
Program—Curriculum					
Frameworks	\$490,333	\$567,610	\$588,857	\$21,247	3.7%
Administrative Support					
Services-Textbook Dis-					
tribution Office	431,547	191,058	199,328	8,270	4.3
Warehousing and Ship-					
ping	274,136	565,141	591,318	26,177	4.6
Braille Book Produc-					
tion	195	40,299	41,760	1,461	3.6
Department Manage-					
ment and Special Ser-					
vices-Curriculum Com-					
mission	45,160	56,725	60,248	3,523	6.2
Subtotal, State Opera-					
tions	\$1,241,371	\$1,420,833	\$1,481,511	\$60,678	4.3%
Local Assistance	\$16,089,081	\$69,940,765	\$37,718,002	-\$32,222,763	-46.0%
TOTALS	\$17,330,452	\$71,361,598	\$39,199,513	-\$32,162,085	-45.0%
Funding:					
State Operations:					
General Fund	\$1,088,472	\$1,354,277	\$1,413,083	\$58,806	4.3%
Federal funds	72,017	66,556	68,428	1,872	2.8
Reimbursements	80,882	—	—	—	—
Local Assistance:					
General Fund	40,945,287	38,351,080	38,351,080	—	—
Less Transfer to State Op-					
erations	-274,331	-605,440	-633,078	27,638	4.5
Instructional Materials					
Fund	-24,661,614	32,195,125	—	-32,195,125	-100
Reimbursements	79,739	—	—	—	—

DEPARTMENT OF EDUCATION—Continued

B. MANAGEMENT STUDY

We recommend that the Legislature contract for a management study of the state textbook adoption, production and distribution process. The results of this study should be reported to the Legislature by December 15, 1979.

Chapter 929, Statutes of 1972, broadened textbook adoptions to make more titles available for local school district selection. In 1972-73, there were 803 such titles in all curricula subject areas. Currently, there are approximately 11,215 items available to local districts. Although it was the intent of the Legislature that districts have a greater selection of instructional materials, the current number of listings has resulted in a process that is not able to provide quality books at the lowest possible cost.

Since 1973 there has been a significant decline in the volume of textbooks printed by the Office of the State Printer. The increased number of titles has resulted in a decrease in the number of books ordered under each title. In most cases, the state printer needs a significant number of orders before substantial savings can be realized.

Table 85 shows the annual output of the state printer and the significant decline that began in 1973-74.

Table 85
Number of Books and Materials Printed by State Printer
1964-65 through 1976-77

<i>Year</i>	<i>Quantity</i>
1964-65.....	9,990,600
1965-66.....	5,494,000
1966-67.....	17,704,700
1967-68.....	16,405,560
1968-69.....	18,131,545
1969-70.....	23,750,000
1970-71.....	20,377,130
1971-72.....	14,384,720
1972-73.....	15,716,174
1973-74.....	3,696,000
1974-75.....	3,348,500
1975-76.....	3,671,656
1976-77.....	2,487,815

To compound the problem, the State Board of Education has recommended modification of the law to allow local school districts to order their books directly from the publisher. The Board has been advised by local officials that ordering state printed, warehoused and shipped instructional materials results in delays and that faster service at comparable cost is provided directly by the publisher. We believe the State Board findings should be part of a systematic review of the state textbook activities.

Problems associated with this process warrant an appraisal of the advantages and disadvantages of procuring textbooks through the state printer and allowing districts to purchase books directly from the publishers. This appraisal should consider the trade-offs involving cost, selection, timeli-

ness and management. We believe that a legislative staff office should manage this study. We also recommend that the Departments of Finance and Education review the design and scope of the study prior to the award of any contract. If additional funding is required, we recommend an appropriation from the Instructional Materials Fund.

Textbook Price Monitoring

Section 60061 of the Education Code requires a textbook publisher to charge California the lowest price for a book sold anywhere in the country. This code section is designed to ensure that California is charged no more than any other state. A recent study conducted by the Auditor General found that the department has done little to monitor this section of the code.

Based on our recommendation, the Legislature adopted supplementary language to the 1978 Budget Act requiring the department to implement a price review system.

The department has proposed a monitoring system that includes (a) a new requirement that all publishers of adopted materials submit their annual price catalog to the Department of Education, (b) modification of all appropriate statute, regulation, and contractual language to define more fully adherence to price restrictions required by Section 60061 of the Education Code, and (c) the establishment of a national consortium of centralized adoption states and decentralized adoption major districts to exchange price data annually for comparative and evaluative purposes.

We are in general agreement with the department's program and will continue to monitor its implementation.

6. STATE LIBRARY SERVICES (Items 314, 339 and 340)

A. OVERVIEW

The primary responsibilities of the Library Services program are to (1) furnish reference materials and library assistance to state government officials and employees, (2) maintain a library specializing in California history, (3) provide handicapped library services and (4) provide consultant, leadership and resource services to the 182 city and county public libraries in the state. In addition, the Sutro Library located in San Francisco is part of this program.

The program consists of four service elements and a component for the disbursement of local assistance. The budget proposes an increase in funding of \$612,042 (4.2 percent) while total budgeted positions are proposed to decrease from 200.6 to 183.9 (-8.3 percent). Table 86 describes program expenditures by element.

DEPARTMENT OF EDUCATION—Continued

Table 86

Expenditures and Funding of State Library Services

Element	Actual 1977-78	Estimated 1978-79	Proposed 1979-80	Change	
				Amount	Percent
Reference for Legislature.....	\$566,469	\$608,568	\$614,067	\$5,499	.9%
Statewide Library Support and Development.....	6,291,485	10,626,671	11,126,159	499,488	4.7
Special Services.....	877,789	771,416	961,450	190,034	24.6
Support Services.....	2,593,574	2,665,347	2,582,368	-82,979	-3.1
TOTAL.....	\$10,329,317	\$14,672,002	\$15,284,044	\$612,042	4.2%
<i>State Operations:</i>					
General Fund.....	\$4,466,096	\$4,697,895	\$5,301,198	\$603,303	12.8%
Federal funds.....	872,600	854,141	898,930	44,789	5.2
Reimbursements.....	377,771	318,604	13,000	-305,604	-95.1
SUBTOTAL.....	\$5,716,467	\$5,870,640	\$6,213,128	\$342,488	5.8%
<i>Local Assistance:</i>					
General Fund.....	\$1,000,000	\$4,590,000	\$4,628,369	\$38,369	.8%
Federal funds.....	3,612,850	4,211,362	4,442,547	231,185	5.5
SUBTOTAL.....	\$4,612,850	\$8,801,362	\$9,010,916	\$209,554	2.4%

Major changes in the Governor's 1979-80 Budget include (a) five new positions to address government publications backlog and increased workload, (b) \$132,000 for additional contract costs with the Braille Institute for southern California library services to the handicapped and (c) a contingency fund of \$200,000 for Sutro Library relocation costs.

While we concur with the first two augmentations, we do not agree with the amount proposed for the Sutro Library.

B. SUTRO LIBRARY

We recommend reducing the proposed \$200,000 in contingency funds for the Sutro Library to \$130,000 for a savings of \$70,000 to the General Fund. (Reduce Item 314 by \$70,000).

We further recommend that the State Librarian be directed to develop alternatives for identifying an appropriate governmental or educational agency to assume or contribute to the support of the Sutro Library, and report these alternatives to the Legislature by December 1, 1979.

The Sutro Library was donated to the Trustees of the State Library in 1915 on the condition that it remain within the city of San Francisco. The original bequest consisted of 100,000 volumes. However, additions have expanded the collection to an estimated 150,000 volumes. Currently, the library is located in rent free quarters at the University of San Francisco. Ongoing General Fund support of \$168,000 is proposed by the Governor's Budget for 6.3 positions and related operating expenses in 1979-80. In addition, the budget proposes \$200,000 for relocation expenses.

We have a number of concerns regarding the state's role in operating and maintaining this library.

First, the Sutro Library is a specialized rare book, Spanish/Mexican and geneological library. Given the primary responsibilities of the State Library noted above, we believe that Sutro might be better placed under the purview of another library system.

Second, the city of San Francisco should share in the financial responsibility for Sutro. Although the State Library has not compiled data on local use, the library's location is a cultural and educational enrichment to the residents of San Francisco. The city could remodel a closed public school to house Sutro as an inkind contribution while the state might contract with the city for management of the program. As an offset to the state's direct support, a portion of the interlibrary transactions with other public libraries would be reimbursable under the new California Library Services Act.

We believe the State Librarian should report to the Legislature on alternative state policies toward the Sutro Library. This should include a consideration of legal options that would allow locating the library outside the city of San Francisco.

The University of San Francisco (USF) has agreed to enter into a short-term lease which would cost the state approximately \$130,000 per year. We recommend entering into the lease with USF in order to allow the state more time to assess its options with regard to Sutro. This would permit a reduction of \$70,000 from Item 314.

If the Legislature decides to continue providing full support for the Sutro Library and space is not donated, permanent facilities should be obtained or constructed. Obtaining a state-owned permanent Sutro facility would result in long term savings to the state compared to the cost of leasing space.

C. CALIFORNIA LIBRARY SERVICES ACT

Chapter 1255, Statutes of 1977, revised the per capita grant system of local library assistance and substituted a support system based on the number of transactions performed by each participating library. The Governor's Budget has included continued local assistance support at \$4.6 million. The Budget also provides \$29,000 in General Fund support of local California Library Services Act advisory boards.

D. HANDICAPPED LIBRARY SERVICES

Chapter 880, Statutes of 1978, (SB 1565) appropriated \$166,000 in 1978-79 for support of the Braille Institute of America as the Southern California Regional Library for the blind, physically handicapped and reading disabled. The 1979-80 Governor's Budget includes an additional \$166,000 in support to the regional library, for a total of \$332,000. This augmentation constitutes the second year of a three year phase-in of state support. The 1979-80 budget also provides \$15,000 for toll free telephone service for the handicapped as authorized by Chapter 606, Statutes of 1978.

State funds had not supported a Southern California Regional Library until 1978 although the state has supplied complete support to the Northern California Regional Library operated by the State Library. We believe this stage of the phase-in is justified and recommend approval as budgeted.

**CALIFORNIA ADVISORY COUNCIL ON VOCATIONAL
EDUCATION**

Item 342 from the General
Fund

Budget p. 924

Requested 1979-80	\$88,241
Estimated 1978-79.....	84,989
Actual 1977-78	25,359
Requested increase \$3,252 (3.8 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The Advisory Council on Vocational Education and Technical Training was reconstituted by Chapter 1230, Statutes of 1977. With 25 members and a staff of five professional and 2 clerical positions, the council (1) advises the State Board of Education and the Board of Governors of the Community Colleges in the development and administration of state vocational plans, (2) prepares an annual evaluation report of vocational education programs statewide, and (3) investigates important elements of vocational education in the state and makes recommendations for improvement.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

Table 1 presents a summary of funding for the council.

Table 1
Funding for Advisory Council on Vocational Education and Technical Training

	<i>Actual</i> 1977-78	<i>Estimated</i> 1978-79	<i>Proposed</i> 1979-80	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
Federal funds	\$187,805	\$167,642	\$177,085	\$9,443	5.6%
General Fund	25,359	84,989	88,241	3,252	3.8
Total	\$213,164	\$252,631	\$265,326	\$12,695	5.0%

In the current year, the council published a variety of special reports in addition to the annual evaluation required by law. These reports included (1) the effects of Proposition 13 on Vocational Education, (2) the status of vocational apprenticeships, and (3) an assessment of handicapped programs.

CONTRIBUTIONS TO TEACHERS' RETIREMENT FUND

Item 343 from the General
Fund

Budget p. 925

Requested 1979-80	\$144,300,000
Estimated 1978-79	144,300,000
Actual 1977-78	144,300,000
Requested increase—None	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

A General Fund contribution of \$144.3 million, payable annually through fiscal years 2002-03, funds the long-term, actuarial cost of certain benefits for retirees of the State Teachers' Retirement System (STRS) for which the state accepted funding responsibility. It is composed of \$135 million to pay the retirement benefits for STRS members on the retired roll as of July 1, 1972, and \$9.3 million to fund a one-time cost-of-living improvement in STRS pensions provided by legislation enacted in 1976.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

This appropriation is essential for the actuarial funding of specified benefits, as mandated by legislation.

Rapid Growth in Unfunded Liability

The STRS unfunded liability (accrued retirement benefit costs for which there are no assets) has been increasing rapidly in recent years. It grew from \$4 billion in 1971 to \$5.3 billion in 1975. By 1977, the date of the latest actuarial valuation, the unfunded liability had increased to an estimated \$8.5 billion, and the next actuarial valuation, due in 1979, is expected to indicate an unfunded liability in excess of \$9 billion.

History of the Unfunded Liability and Reasons for Its Growth

At its inception in 1913, the Teachers' Retirement Fund was financed on a "pay-as-you-go" or year-to-year basis. Employers' and employees' contributions provided sufficient cash flow to pay the ongoing annual retirement costs. These contributions, however, were grossly inadequate to cover the accruing costs of future benefits earned by the system's membership.

In 1972, the Legislature enacted a funding program which was intended to place the system's future benefit costs on a reserve-funding basis. By this time, the unfunded liability had grown to \$4.3 billion. The 1972 funding program was designed only to stabilize, not reduce, the amount of this unfunded liability. The state's direct General Fund contribution at that time was established at \$135 million.

However, salary increases, declining mortality rates for retired teachers and an increasing number of early retirements have caused long-term benefit costs to rise faster than anticipated by the 1972 funding program. As a result, the contribution levels contained in that funding program have

CONTRIBUTIONS TO TEACHERS' RETIREMENT FUND—Continued

proved to be insufficient to cover the increasing long-term benefit costs, and the unfunded liability has continued to grow.

Proposed Stop-Gap Funding Still in Limbo

In 1977, the administration proposed a minimum funding program designed to slow the growth in the unfunded liability to a constant percentage of members' payroll. It proposed a 5 percent increase in the combined STRS contribution rate, phased in over a five-year period beginning in 1979-80. The 5 percent increase consisted of a 3 percent state and 2 percent school district (employer) contribution rate. The employees' contribution was not increased. The 3 percent state contribution would be a direct General Fund appropriation to the Teachers' Retirement Fund. Although this minimum funding program was enacted as part of Chapter 894, Statutes of 1977 (AB 65), it will not take effect unless approved by the Legislature prior to July 1, 1979.

Unfunded Liability Should Be Amortized

The minimum funding program proposes to increase the combined STRS contribution rate from the current 16 percent to 21 percent.

However, the 1977 actuarial valuation of STRS estimated that keeping the unfunded liability at a constant percentage of payroll with no amortization of the liability principal (that is, infinite funding) would require a combined total contribution rate of 21.26 percent of payroll. This means, that the 21 percent contribution rate proposed by the minimum funding program would not accomplish its funding goal. The 1977 valuation also estimated that a contribution rate of 24.69 percent of payroll would amortize the unfunded obligation over a 40-year period.

We believe that the magnitude of the unfunded liability calls for a program which will begin amortizing the system's unfunded liability.

In addressing the STRS unfunded liability problem, we believe that:

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

The primary funding responsibility for benefits in excess of employee contributions belongs to the school districts as employers. These benefits are part of the total compensation granted by the districts to employees and should be funded from the same sources which fund salaries.

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

Any substantial increase in employer contributions may require some additional financial assistance from the state beyond the \$129 million it will provide in 1979-80 to local school districts through the apportionment process. 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 favor higher salary districts at the expense of lower salary districts in providing additional financial assistance to school districts.

COMMISSION FOR TEACHER PREPARATION AND LICENSING

Item 344 from the Teacher Credentials Fund

Budget p. 931

Requested 1979-80	\$3,314,614
Estimated 1978-79	3,029,341
Actual 1977-78	2,849,965
Requested increase \$285,273 (9.4 percent)	
Total recommended reduction	\$369,914

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONSAnalysis
page

- | | |
|---|-----|
| 1. Professional Standards. Recommend commission establish strict standards for credential revocation and report to Joint Legislative Budget Committee and respective fiscal committees. | 985 |
| 2. External Assessment. Recommend Legislature freeze funding until commission completes adequate plan for improvement. | 987 |
| 3. <i>Overall Budget. Recommend deletion of \$369,914.</i> Recommend deletion because commission cannot document need for proposed increases. | 988 |
| 4. Credentials Fund. Recommend review of fee structure. | 989 |

GENERAL PROGRAM STATEMENT

The Commission for Teacher Preparation and Licensing (CTPL) was established by Chapter 557, Statutes of 1970 (the Ryan Act). Activities of the commission include (a) developing standards and procedures for credentialing; (b) issuing credentials; (c) developing and recommending alternative ways to demonstrate qualifications for earning a credential; (d) developing objective standards of measurement and evaluation of teaching competence; and (e) monitoring and reviewing the performance of teachers licensed under the Ryan Act. The Governor's Budget indicates that 132,200 credentials were issued by the commission in 1977-78. The estimated annual credential level for 1978-79 and 1979-80 is 113,500.

Changes in Commission Membership

Chapter 1316, Statutes of 1978 (SB 1051), altered the composition of the 15 member commission by increasing the number of public members from three to six and decreasing the number of higher education faculty members from four to one. Furthermore, it provides that ex-officio members of the commission (the State Superintendent of Public Instruction and representatives of the Regents of the University of California, Trustees of the California State University and Colleges, the Board of Governors of the California Community Colleges, the Postsecondary Education Commission, and the Association of Independent California Colleges) have no vote on the commission.

As a result, public members will have a much larger impact on the

COMMISSION FOR TEACHER PREPARATION AND LICENSING—Continued

design and evaluation of California's teacher preparation programs.

FUNDING ANALYSIS AND RECOMMENDATIONS

The program budget of the commission is shown in Table 1. The total 1979-80 budget request is for \$3,484,614, a \$45,273 or 1.3 percent increase over the current year. Of this amount, \$3,314,614 is appropriated from the Teacher Credentials Fund, an increase of \$285,273 or 9.4 percent over the 1978-79 level. The remaining \$170,000 are federal funds for the Beginning Teacher Evaluation Study.

Table 1
Commission for Teacher Preparation and Licensing
1979-80 Proposed Budget

	<i>Actual</i> 1977-78	<i>Estimated</i> 1978-79	<i>Proposed</i> 1979-80	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
I. Approved Programs	\$539,003	\$576,829	\$724,729	\$147,900	25.6%
II. Examinations and Evaluations	478,803	383,081	383,823	742	0.2
III. Licensing	1,648,748	1,738,127	1,750,746	12,619	0.7
IV. Professional Standards	400,717	432,518	455,316	22,798	5.3
V. Beginning Teacher Evaluation Study	578,697	410,000	170,000	-240,000	-58.5
VI. Administration—distributed to other programs	(850,960)	(826,445)	(952,438)	(125,993)	(15.2)
TOTALS, PROGRAMS	\$3,645,968	\$3,540,555	\$3,484,614	\$-55,941	-1.6%
Reimbursements	-122,571	-101,214	—	101,214	-100.0
NET TOTALS, PROGRAMS	\$3,523,397	\$3,439,341	\$3,484,614	\$45,273	1.3%
General Fund	\$94,735	—	—	—	—
Teacher credentials	2,849,965	\$3,029,341	\$3,314,614	\$285,273	9.4%
Federal funds	578,697	410,000	170,000	-240,000	-58.5
Personnel Years	119.2	129.05	113	-16.05	-12.4%

The Governor's Budget presents administrative costs as a part of each program rather than separately. To fully understand the proportion of total cost going to each program area, we reallocated expenditures from the Teacher Credentials Fund across programs for the 1977-78 year. The results are given in Table 2.

Table 2
Commission for Teacher Preparation and Licensing
1977-78 Expenditures^a

<i>Program</i>	<i>Actual</i> 1977-78	<i>Percent</i>
I. Approved Program	\$398,273	14%
II. Examinations and Evaluations	369,578	13
III. Licensing	1,013,223	34
IV. Professional Standards	332,109	11
V. Administration	831,517	28
Total	\$2,944,700 ^a	100%

^a Excludes federal funding for the Beginning Teacher Evaluation Study.

In 1977-78, only \$1 million or 34 percent of the total commission budget was directly expended in the task of issuing teaching credentials. The remainder was spent on developing, approving and evaluating teacher credentialing and certificate programs and in reviewing reported cases of teacher arrests or unprofessional conduct.

Activities

Table 3 presents a comparison of commission activities in 1977-78 with those proposed in 1979-80.

Table 3
Commission for Teacher Preparation and Licensing Activities

<i>Activities</i>	<i>Actual 1977-78</i>	<i>Proposed 1979-80</i>	<i>Percent Change</i>
I. Approved programs			
a. Institutions	46	25	-45.7%
b. Programs	56	50	-10.7
II. Examinations and Evaluations			
External Assessment:			
a. Institutions	16	10	-37.5
b. Programs	83	45	-45.8
Number of different exams administered.....	16	16	—
III. Licensing			
Number of credential applications processed	134,700	115,000	-14.6
Number of credentials issued.....	132,200	113,500	-14.1
Average cost of processing credential	\$14	\$15	+7.1
IV. Professional Standards			
Number of cases processed.....	6,500	6,700	+3.1

In 1977-78, the commission conducted its activities using a staff of 115.6 (exclusive of staff employed in the Beginning Teacher Evaluation Study) at a budget level of \$2.9 million. The Governor's 1979-80 Budget proposes that \$3.3 million in Teacher Credentials Funds be utilized to fund 108 positions.

A. Professional Standards

We recommend that the Commission for Teacher Preparation and Licensing establish strict guidelines for the Committee on Credentials and the commission to follow in revoking teacher credentials which fully implement the intent of the Ryan Act. Further, we recommend that the commission report to the Joint Legislative Budget Committee and to the respective fiscal committees by December 1, 1979, regarding the establishment and implementation of the new guidelines.

Under the Ryan Act, teacher credentials may be revoked by the commission for certain specified causes. These include: (a) immoral or unprofessional conduct; (b) persistent refusal to obey school laws or rules; (c) conviction of certain Penal Code offenses; (d) conviction of certain defined sex offenses; (e) addiction to intoxicating beverages or to narcotics or habit-forming drugs; or (f) the commission of "any act involving moral turpitude".

COMMISSION FOR TEACHER PREPARATION AND LICENSING—Continued

Under the Ryan Act, a Committee on Credentials, consisting of seven members who serve for two terms each, is appointed by the commission. Formerly, a majority of members on the Committee on Credentials were teachers. However, under Chapter 1310, Statutes of 1978 (SB 1051), the membership was changed, and there is now a majority of public members.

The Committee on Credentials hears professional standards cases after they are screened by the commission staff. If the committee finds the facts surrounding a given case warrant the suspension or revocation of a credential, they recommend such action to the commission itself, which takes final action.

The commission receives over 6,000 communications per year regarding offenses which credential holders are alleged to have committed. However, only about 50 of these are received via letters. The remainder are law enforcement notifications of arrests or convictions for illegal acts. Consequently, only a small number of cases relate to behavior which occurs during teaching.

According to the commission (see Table 4), an average of approximately 4,800 cases per year are "handled by staff" (that is, they are resolved without a formal hearing). Only 2,620 cases over four years have been reviewed by the Credentials Committee. Of these, 362 have been sent to the commission for action and 226 credentials were actually revoked. Consequently, based on the commission's estimate that there are as many as a million active credentials in California, the number of credentials revoked is very small.

Table 4
Credential Revocations in California
1974-75 through 1976-77

	<i>New Cases</i>	<i>Cases Handled By Staff</i>	<i>Cases Handled By Committee on Credentials</i>	<i>Cases Handled By Commission</i>	<i>Revocations</i>
1974-75	4,529	3,677	852	74	54
1975-76	5,195	5,693	664	83	47
1976-77	4,257	5,143	543	99	64
1977-78	<u>3,825</u>	<u>4,532</u>	<u>561</u>	<u>106</u>	<u>61</u>
Total	17,806	19,045	2,620	362	226
Average	4,452	4,761	655	91	57

Indeed, the likelihood of a license revocation for teachers is much less than for doctors, lawyers, barbers, or any other licensed group for which data are readily available.

This indicates that the commission may not be fully implementing existing statutes pertaining to credential revocation. Therefore, we recommend the commission (a) establish stricter regulations, (b) implement procedures to carry out these regulations and (c) report to the Joint Legislative Budget Committee and the respective fiscal committees concerning their accomplishments.

B. Evaluation

We recommend the Legislature adopt budget language stipulating that the \$219,000 proposed for evaluation not be expended until (1) the CTPL prepares an adequate plan for evaluating approved programs and the performance of persons credentialed by it, (2) an adequate budget has been developed for the program and (3) this plan has been formally approved by the Joint Legislative Budget Committee and the Department of Finance.

External assessment is the process used by the commission to monitor and evaluate teacher preparation programs and teachers who have been licensed by it. The budget includes \$219,000 for external assessment in 1979-80.

As presently designed, external assessment is a time-consuming procedure. A typical assessment of one institution of higher education involves about six people per "program" for five days. Each institution has several credential programs. In an institution with 8 programs, the number of assessors would number nearly 50.

Last year we criticized the external assessment process in our Analysis, explaining that it was inadequate for several reasons: (a) it produces no findings or conclusions regarding program effectiveness; (b) comparisons cannot be made between institutions; (c) studies have not been made of the performance of individuals who received their credentials directly from the commission rather than through institutions of higher education, and (d) the commission has no method for comparing the performance of teachers who have completed their training as opposed to those who are only partially trained.

Subsequently, the Legislature adopted supplemental language to the 1978 Budget Act recommending that by October 1, 1978, the commission submit an adequate plan to evaluate approved preparation plans and the performance of persons credentialed by the commission.

In response to the Legislature's mandate, the commission submitted a report on the required date. The report, however, does not contain any plan. Instead, it contains a series of tasks, or "modules," which the commission plans to undertake which will in turn help it to redesign the process. It appears the redesign will not be completed until after July 1979.

The commission's annual report for 1977-78 indicates that external assessment expenditures exceeded the budgeted amounts by \$60,478. However, according to the commission's year-end budget report, evaluations were budgeted at \$184,046, while expenses totalled \$269,264, for a cost overrun of \$85,218 (46 percent of budget). The major source of the overrun is in travel. While travel was budgeted at \$12,000, actual expenditures were \$99,937.

COMMISSION FOR TEACHER PREPARATION AND LICENSING—Continued

External assessment costs to institutions are also substantial. Institutions which have gone through the assessment process reveal that sizable costs are reported by program managers and deans. One dean informed us that about *four person-years* of time were required to plan for, conduct, and follow-up the external assessment process.

Given the serious and long-standing problems with external assessment, we are disappointed that the commission failed to revise its assessment process. Accordingly, we recommend that the Legislature restrict the expenditure of proposed budget year funds until the commission has completed its redesign of the system.

C. Inadequate Administration

We recommend that the budget for the Commission for Teacher Preparation and Licensing be reduced to the 1977-78 actual level of \$2,944,700, for a savings to the teacher credentials fund of \$369,914. (Item 344)

Our recommendation that the commission's budget be reduced to 1977-78 actual level is based upon three considerations: (1) the absence of budget documentation, (2) the commission's routine utilization of program people outside the area for which they were justified and (3) the commission's apparent inability to monitor program costs.

A. Absence of Budget Documentation. Regulations governing the preparation of department budgets are described in the State Administrative Manual (SAM). According to Section 6120, budgets for each program area should be prepared based on Supplementary Schedules 9 and 11, for Operating Expenses and Equipment respectively. In addition, departments are required to provide supporting information, if required, to the Department of Finance.

The commission did not complete these necessary documents. Further, it was unable to provide us with satisfactory information regarding the methods used to develop budget figures.

Because of the lack of documentation, we have not been able to analyze the proposed budget increases.

B. Utilizing Personnel Outside Assigned Areas. The commission routinely uses staff outside the program area to which they are assigned in the budget. For example, although only three professionals were assigned to External Assessment in 1977-78, 11 persons actually worked on external assessment activities. In addition, the person hired to work on bilingual programs last year devoted time to external assessment activities.

While this practice allows the commission flexibility in utilizing staff, it makes it difficult to assess the actual level of effort devoted to each of the commission's program areas because budget expenditures do not reflect actual program costs.

C. Inadequate Cost Control. As mentioned earlier, the commission incurred a \$85,937 cost overrun in 1977-78 for travel in connection with the external assessment program. More importantly, the year-end report prepared by the Department of General Services indicates that the actual amount of the overrun significantly exceeded the amount reported by the commission for the external assessment.

These factors indicate the commission needs to improve the quality of its budgeting and fiscal management activities.

D. Fund Structure Needs Adjustment

We recommend that the Commission for Teacher Preparation and Licensing review its fee structure and advise the Legislature of adjustments which should be implemented statutorily so that sufficient Teacher Credentials Fund revenue is generated to cover the commission's costs.

The Commission for Teacher Preparation and Licensing is supported through teacher credential fees, which were set at a maximum of \$20 in 1970 by the Ryan Act. These fees cannot be raised without "expressed legislative approval."

According to the Governor's Budget, expenditures are proposed at \$3.3 million while anticipated revenues total only \$2.6 million, leaving a deficit of approximately \$700,000.

Table 5 shows that the surplus available for appropriation has declined from a high of \$2.3 million in 1976-77 to \$1.1 million in 1979-80. If expenditures continue at their current rate it is likely that the surplus will be depleted by the end of the 1981-82 fiscal year.

Table 5
Teacher Credential Fund Condition

<i>Year</i>	<i>Surplus Available For Appropriation</i>
1974-75.....	\$1,571,243
1975-76.....	1,994,634
1976-77.....	2,343,561
1977-78 (actual)	2,156,635
1978-79 (estimated)	1,761,005
1979-80 (proposed)	1,056,868

This situation is potentially critical because fewer teacher credentials are expected to be issued in 1979-80 than in recent years. In 1979-80, the commission expects to issue approximately 113,500 credentials, the same number as in the current year. This, however is significantly below the 132,200 credentials issued in 1977-78 and the 139,000 issued in 1976-77.

We therefore believe that the commission needs to reconsider the level of its credential fee and recommend appropriate changes in the fee to the Legislature.

E. Data Collection

The Legislature approved \$15,000 in the 1978 Budget Act for the commission to use in developing an improved data collection capability. These funds were used to finance a feasibility study.

The commission has completed its review of the study and has concluded that (a) the variety of data collected is limited; (b) available data are not as accurate as possible; (c) data are not available in an adequate format or are not timely; (d) some requested data are not available; (e) data from the California Postsecondary Education Commission, the Department of Education, and the State Teachers' Retirement System are not always compatible; and (f) data collection across agencies is not adequately coordinated.

COMMISSION FOR TEACHER PREPARATION AND LICENSING—Continued

Several options which address these problems have been identified. However, cost estimates associated with these options have not been developed. Therefore, we cannot recommend legislative action to implement an improved data collection capability at this time. We will report more fully on this during budget hearings.

F. Special Education Training for New Teachers

Section 67.5 of Chapter 1247, Statutes of 1977 (AB 1250), requires that the Commission for Teacher Preparation and Licensing and the Department of Education develop requirements ensuring that "all individuals receiving a clear teaching credential, except a designated subjects teaching credential or an administrative services credential after July 1, 1979, shall have received training in the needs of, and methods of providing educational opportunities to, individuals with exceptional needs." During the 1978-79 budget hearings, the Legislature directed the commission to comply with a prescribed timeline regarding the adoption of guidelines and the implementation of this provision, and report to the Joint Legislative Budget Committee and to the fiscal committees of each house regarding the extent of compliance.

The commission has complied with the statutory provision and the supplementary language. Specifically:

(a) All deans and heads of education and directors of teacher and administrator education programs in the state were notified of the new provision in April 1978. They were asked to review their programs and to plan for revision of credentialing programs in response to the mandate in AB 1250.

(b) In June 1978, the commission adopted proposed guidelines to implement the statute. Institutions were notified of these proposed guidelines and were given the opportunity to comment on them and on October 17, 1978, the commission adopted the amended guidelines.

(c) Finally, the commission has initiated a series of workshops to assist institutions of higher education in implementing these guidelines.

G. Children Centers Permits

In response to legislative concerns, the commission held several hearings regarding children's center permits and has revised its regulations. Specifically:

(1) The old regulations required 16 units (including field work) in early childhood education/child development. New regulations require 24 units of coursework in this area, exclusive of field work.

(2) Under the old regulations there was no requirement for experience. The new regulations offer several options, including:

(a) Two years of experience in an instructional capacity as a paid aide or assistant in a child development program; or

- (b) A certificate from a commission-approved field-based assessment system; or
 - (c) Three years experience as a volunteer in an instructional capacity in a child development program; or
 - (d) A supervised field work course from an accredited institution plus one year of experience in an instructional capacity in a child development program.
- (3) The former regulations required a bachelor's degree. New regulations require 16 units in general education, in addition to coursework given in (1) or (2), above.

These revisions reorient the permit by (a) providing more credit for experience, (b) offering several options, (c) increasing the requirements for coursework in child development and early childhood education, and (d) decreasing general education units.