

## DEPARTMENT OF EDUCATION

Items 316-355 from various  
funds

Budget p. E 1

Requested 1980-81 .....	\$7,976,503,267
Estimated 1979-80 .....	7,397,414,610
Actual 1978-79 .....	6,085,125,148
Requested increase (excluding amount for salary increases) \$579,088,657 (+7.8 percent)	
Total recommended reduction .....	\$7,028,581

## 1980-81 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount	<i>Analysis page</i>
316	Department of Education, Main Support	General	\$26,534,183	1040
317	Nutrition Program Administration	General	863,790	1036
318	Driver Training (Farm)	General	106,143	1040
319	High School Proficiency Exam (contingency)	General	200,000	1061
320	School Facilities Planning	State School Building Aid	209,584	1041
321	Agency for Surplus Property	Surplus Property Revolving	33,880,311	1039
322	General Activities	Federal Trust	30,158,126	1040
323	Special Schools	General	27,472,064	1010
324	Special Schools	Federal Trust	188,164	1010
325	Division of Libraries	General	6,168,971	1076
326	Division of Libraries	Federal Trust	967,578	1076
327	School Improvement Program	General	157,215,342	992
328	Staff Development	General	2,055,950	1024
329	Environmental Education	California Envir. Protection	500,000	1070
330	Economic Impact Aid	General	162,015,803	977
331	Educationally Deprived Children	Federal Trust	249,331,833	977
332	Compensatory Education Programs	General	4,317,974	1024
333	Miller-Unruh Reading Program	General	15,265,796	998
334	Migrant Education	Federal Trust	43,210,360	980
335	Special Education	General	516,247,569	1001
336	Special Education	Federal Trust	102,808,330	1002
337	Vocational Education	Federal Trust	52,334,389	1019
338	Career Education	Federal Trust	1,537,838	1068
339	Career Guidance Centers	General	272,500	1069
340	Child Development	General	140,175,379	1030
341	Preschool	General	28,623,386	1034
342	Migrant Child Care	Federal Trust	457,000	1030
343	Indian Education Centers	General	707,656	989
344	Native American Indian Education Programs	General	300,416	989
345	Bilingual Teacher Corps	General	1,496,000	987
346	Instructional Materials	General	42,684,752	1074
347	Instructional Television	General	821,364	1070
348	Instructional Support	Federal Trust	31,474,685	976
349	Adult Basic Education	Federal Trust	9,287,237	1017
350	Child Nutrition	General	42,079,309	1036
351	Child Nutrition	Federal Trust	296,205,828	1036

**DEPARTMENT OF EDUCATION—Continued**

352	School Apportionments	General	5,897,238,170	967
353	Library Local Assistance	General	5,229,256	1076
354	Library Local Assistance	Federal Trust	4,694,652	1077
355	Legislative Mandates	General	41,165,579	1026
Total.....			\$7,976,503,267	

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS***Analysis  
page*

1. Capital Outlay. Recommend department submit report to the Legislature on a minimum needs capital outlay program. 973
2. Home-to-School Transportation. Recommend department review and recommend alternative allocation formulas for home-to-school transportation state aid. 975
3. Migrant Summer School Facilities. Recommend department report during budget hearings on school districts' compliance with mandate to make facilities available for migrant summer school programs. 982
4. Migrant Summer School Penalty. Recommend budget language requiring districts to make facilities available, at cost, for migrant summer school programs and penalties for noncompliance. 982
5. Migrant Education Report. Recommend department, during budget hearings, present its plan and timetable for implementing Migrant Education task force recommendations. 983
6. Bilingual Education. Recommend department review regulations, instructions and program review instruments for bilingual education to ensure that current law mandates are not exceeded. 984
7. Bilingual Education. Recommend legislation to eliminate current requirement of native language instruction to LES/NES children not in bilingual programs. 986
8. Bilingual Teacher Corps. Recommend legislation to combine the Bilingual Teacher Corps and the Bilingual Teacher Development Grant programs. 987
9. Bilingual Teacher Training. Recommend the Department of Education and the Commission for Teacher Preparation and Licensing investigate transferring oversight of ESEA Title VII programs in postsecondary education from the department to the commission. 988
- ⑩ Native American Indian Education. Recommend beginning 1981-82 (1) services for Native American children be made available through existing school programs, (2) separate funding for Indian Education Centers and the Native American Indian Program be terminated and (3) the State Board of Education integrate these education services into the consolidated application process. ⑨91

11. *School Improvement Program. Reduce Item 327 by \$2.5 million.* Recommend reduction in proposed secondary planning from 294,000 ADA to 237,000 ADA and a reduction in the planning grant. 996
12. Consolidated Programs Division. Recommend that department support budget Item 316 not be adopted until final zero based budget is reviewed by the Legislature. 1001
13. Special Education Apportionments. Recommend Department of Finance revise its proposed appropriation for special education apportionments, based on the 1979-80 pupil count. 1003
14. *Special Education Consultant. Reduce Item 316 by \$47,039.* Recommend elimination of one consultant position because responsibilities are transferred to personnel funded by contract. 1003
15. Special Classes for Handicapped Children. Recommend legislation to equalize revenue limits for county special classes. 1004
16. *Master Plan for Special Education. Reduce Item 355 by \$600,000.* Recommend Master Plan appropriation be reduced to correct an error in estimating district revenue limit funds. 1009
17. Special Schools Residential Policy. Recommend Department of Education adopt regulations to provide that special school students from nearby districts do not reside at the school unless granted a waiver. Recommend unspecified budgetary reductions due to the estimated reduction in the number of residential pupils. 1011
18. Special Schools Admission Policy. Recommend Department of Education modify admission procedures for the State Schools for the Deaf to ensure that admission is provided only for pupils who cannot obtain an appropriate program at the local district level. 1011
19. Driver Training Program Costs. Recommend Department of Education develop guidelines for reducing the cost of driver training programs. 1013
20. *Driver Training Equipment Replacement. Reduce Item 352 by \$179,000.* Recommend Department of Education revise its formula for calculating state reimbursements for driver training equipment replacement to conform with the Education Code. Recommend state reimbursements in excess of statutory authorization be deducted from driver training program reimbursements allocated in budget year. 1014
21. Competency-Based Test for Driver Training. Recommend legislation to permit pupils to receive credit for driver training by passing a competency-based test. 1015
22. Fees for Driver Training. Recommend Superintendent of Public Instruction direct any school district charging 1015

## DEPARTMENT OF EDUCATION—Continued

- fees for driver training to refund them, unless the district has been granted a waiver. Recommend state reimbursements be withheld from any district which fails to comply with this directive.
23. Mandatory Driver Training Program. Recommend Superintendent of Public Instruction direct all school districts maintaining high schools to provide driver training, as required by current law. 1015
  24. Driver Training Penalty Assessment Fund. Recommend Budget Control language to transfer to the General Fund any accumulated surplus in the Driver Training Penalty Assessment Fund. 1015
  25. Adult Education. Recommend the State Board of Education and the Board of Governors of the California Community Colleges jointly establish a commission for adult education policy. 1018
  26. *Vocational Education Staff. Reduce Item 316 by \$32,764.* Recommend eliminating state matching funds for 1.5 proposed new positions for sex equity. 1020
  27. Vocational Education. Recommend current sex equity position in vocational education be transferred to the Sex Equity in Education unit. 1021
  28. *Vocational Education Staff. Reduce Item 316 by \$36,196.* Recommend eliminating state matching funds for three proposed new staff services analyst positions. 1022
  29. *Vocational Education Staff. Reduce Item 316 by \$12,361.* Recommend eliminating state matching funds for one proposed new position for evaluation. 1023
  30. *Vocational Education Audits. Reduce Item 316 by \$30,000.* Recommend eliminating state matching funds for audits of local vocational education programs. 1023
  31. Regional Adult and Vocational Education Councils. Recommend legislation to change councils from being mandated to being permissive. 1024
  32. *Professional Development and Program Improvement Centers (PDPIC's). Reduce Item 332 by \$244,843.* Recommend deletion of proposed augmentation for the PDPIC's, except for an inflation allowance. 1025
  33. Legislative Mandates. Recommend control language to direct the State Controller to allocate, on a per ADA basis, the reimbursements for collective bargaining mandates. 1027
  34. Legislative Mandates. Recommend control language to transfer directly to the State Teachers' Retirement Fund mandated cost reimbursements for teacher sick leave credits. 1029
  35. Child Development Staffing. Recommend department reclassify professional positions to establish appropriate technical staff to accomplish specific tasks. 1032

36. Section 27.2 Savings. Recommend department provide justification for restoring Section 27.2 savings. 1044
37. Consultant and Professional Services. Recommend department review use of consultant and professional services to determine if functions can be completed by state staff at no increase in costs. 1047
38. One-time Expenditures. Recommend department establish a formal tracking system for one-time expenditures. 1049
39. *Consultant and Professional Services. Reduce Item 316 by \$168,000.* Recommend deleting state aid for conference attendance by local school staff, completed projects, and redirection of federal funds. 1051
40. *Consultant and Professional Services. Reduce Item 322 by \$903,430.* Recommend deleting certain federal funds for consultant and professional services unless justified by department during budget hearings. 1051
41. Short-term Consultant Contracts. Recommend department describe expenditure plan for \$255,000 budgeted for short-term consultant contracts. 1053
42. Consultant Contract Policy. Recommend department revise its policies related to contracts for consultant and professional services. 1053
43. In-State Travel. Recommend department report regarding in-state travel policy. 1056
44. Employee Location. Recommend department examine its policy of locating employees in Sacramento to determine if alternative locations would be more economical. 1056
45. Expenditure Control. Recommend language to require review of all transfers of budget allotments affecting consultant and professional services and in-state travel. 1056
46. Governor's Budget Presentation. Recommend Governor's Budget include personal services and operating expenses and equipment (OEE) expenditure displays for each program. Further recommend position and OEE funding by fund source be displayed for each program. 1057
47. *Program Evaluation. Reduce Item 316 by \$17,500.* Recommend Professional Development and Improvement Centers and Indian Education Centers evaluations not be performed. 1058
48. *Program Evaluation. Reduce Item 316 by \$200,000.* Recommend federal rather than General Fund support for the Master Plan for Special Education independent evaluation. 1059
49. Personnel Study. Recommend department compare effectiveness of utilizing aides and support personnel with the effectiveness of alternative educational approaches, such as an overall reduction in class size. 1061
50. Administrator to Teacher Ratios. Recommend department revise existing reporting procedures in order to insure more reliable proration between the administrative and classroom activities of teaching personnel. 1062

## DEPARTMENT OF EDUCATION—Continued

51. Report on Administrator to Teacher Ratios. Recommend legislation to require department to prepare an annual report on administrative ratios. 1062
52. School Attendance. Recommend department report on the results from implementing their school attendance recommendations. 1064
53. *Curriculum Services. Reduce Item 316 by \$33,342.* Recommend deletion of \$33,342 in operating expenses and equipment costs. 1065
54. *Curriculum Services. Reduce Item 316 by \$24,627.* Recommend deletion of new position in school health unit. 1067
55. Curriculum Services. Recommend limited-term authorization for Career Education Incentive Act positions in personnel and career development unit. 1069
56. *Career Guidance Centers. Reduce Item 339 by \$232,500.* Recommend elimination of funding for career guidance centers. 1069
57. *Instructional Television. Reduce Item 347 by \$821,364.* Recommend elimination of instructional television local assistance program. 1072
58. Instructional Television. Recommend department establish a cooperative system whereby the department will purchase ITV programs using funds from local regions. 1073
59. *Instructional Television. Reduce Item 316 by \$57,613.* Recommend elimination of consultant position funded through the instructional television unit, but working in unrelated unit. 1074
60. Zero Base Budget Reviews. Recommend department adopt a zero base budget review schedule for all state operations units. 1076
61. *State Library. Reduce Item 325 by \$176,960.* Recommend elimination of 6.3 librarian positions because of new computerized cataloging system. 1078
62. *State Library. Reduce Item 325 by \$183,449.* Recommend elimination of four consultant positions and two clerical positions, and recommend addition of one staff services analyst, to bring staffing into conformance with workload. 1079
63. *State Library. Reduce Item 353 by \$463,250.* Recommend that federal funds support the California Data Base for Monographs. 1082
64. *State Library. Reduce Item 325 by \$32,148.* Recommend elimination of 2.0 positions for maintenance of Union Catalog. 1083
65. State Library. Recommend that award of federal funds by the State Library to the California Library Authority for Systems and Services (CLASS) not exceed 30 percent of CLASS' total income. 1085

66. State Library. Recommend quarterly accounting by State Librarian to the California Library Services Board concerning the use of federal funds. 1085
67. State Library. *Reduce Item 325 by \$500.* Recommend elimination of Board of Library Examiners. 1085
68. State Library. *Reduce Item 325 by \$16,744.* Recommend elimination of one of two personal secretarial positions for State Librarian. 1086
69. State Library. Recommend development of collections policy that address (a) coordination of acquisitions with other state agency libraries and (b) the role of the library in collecting materials. 1086
70. State Library. *Reduce Item 325 by \$14,951.* Recommend deletion of funds to purchase new materials for Sutro Library. 1087
71. State Library. Recommend library justify restoration of funding reduced pursuant to Section 27.2. 1088
72. State Library. Recommend preparation of zero based budget in 1981-82. 1088

## K-12 EDUCATION

### GENERAL PROGRAM STATEMENT

#### K-12 Attendance

In 1980-81 approximately 4.2 million students will attend public elementary and secondary schools in 1,042 elementary, high and unified school districts. This attendance level represents a decrease of 0.7 percent from 1979-80 attendance, and 1.4 percent from 1978-79 attendance. Table 1 shows actual past, estimated current and budget year attendance figures. High school summer school shows a 6,300 ADA (105 percent) increase in the budget year. This increase is the result of AB 8, Chapter 282, Statutes of 1979 which allows summer school program state aid for students who do not meet district proficiency standards.

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

	<i>Actual</i> 1978-79	<i>Estimated</i> 1979-80	<i>Estimated</i> 1980-81	<i>Change</i>
Elementary:				
Kindergarten .....	270,468	289,000	294,500	1.9%
Grades 1-8 and Special Classes .....	2,469,824	2,418,300	2,395,700	-0.9
Summer School .....	3,269	4,500	5,000	11.1
Opportunity School .....	1,219	1,300	1,300	—
County School .....	17,006	18,000	17,800	-1.1
Subtotals .....	2,761,786	2,731,100	2,714,300	-0.6%
High School:				
Grades 9-12 and Special Classes .....	1,241,295	1,217,200	1,177,500	-3.4%
Regular in Adult Classes .....	5,511	6,000	6,600	10.0
Summer School .....	4,554	6,000	12,300	105.0

**K-12 EDUCATION—Continued**

Opportunity School .....	3,423	3,600	3,800	5.6
Continuation School .....	37,449	38,900	39,500	1.5
ROP/C .....	40,009	42,700	44,800	4.9
County School .....	13,788	14,300	14,800	3.5
Subtotals .....	1,346,029	1,328,700	1,299,300	-2.2%
Adult:				
Adult Classes .....	147,069	161,800	178,000	10.0%
ROP/C .....	16,297	17,300	18,200	5.2
Subtotals .....	163,366	179,100	196,200	9.5%
Nonpublic School Special Education .....	—	3,600	3,500	-2.8%
Totals .....	4,271,181	4,242,500	4,213,300	-0.7%

Source: Department of Finance mid-range projection of October 29, 1979.

**ANALYSIS AND RECOMMENDATIONS****K-12 Expenditures**

Table 2 presents a summary of K-12 education expenditures.

**Table 2**  
**Expenditures for K-12 Education**  
**(in millions)**

	<i>Estimated</i> <i>1978-79</i>	<i>Estimated</i> <i>1979-80</i>	<i>Proposed</i> <i>1980-81</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
A. Local Assistance					
1. General Education					
A. Revenue Limit					
State Apportionments .....	\$4,343.9	\$5,328.8	\$5,665.4	\$336.6	6.3%
Local Support .....	2,132.3	1,720.0	1,933.0	213.0	12.4
Subtotals .....	\$6,476.1	\$7,048.8	\$7,598.4	\$549.6	7.8%
B. Other Apportionments .....	1,310.3	1,464.6	1,458.2	-6.4	-0.4
Subtotals, General Education (See Table 6) .....	\$7,786.4	\$8,513.4	\$9,056.6	\$543.2	6.4%
2. Categorical Education Programs (See Table 11) .....	1,200.5	1,433.4	1,595.9	162.5	11.4
3. Child Development, Nutrition and Library Services (See Table 47) .....	456.4	545.9	585.0	39.1	7.2
Totals, Local Assistance .....	\$9,443.3	\$10,492.7	\$11,237.5	\$744.8	7.1%
B. State Operations (See Table 54) .....	79.4	121.1	128.1	7.0	5.8
Grand Totals .....	\$9,522.7	\$10,613.8	\$11,265.6	\$751.8	7.1%

**Significant Program Changes in 1980-81**

The budget proposes a total increase of \$751.8 million (7.1 percent) in the amount of K-12 education support. Of the increase \$744.8 million would go for local assistance and \$7.0 million would go for state operations.

Table 3 displays the components of the \$744.8 million net change in the local assistance. The most significant changes are: (1) secondary School Improvement Program planning grants (\$8.8 million) (2) expansion of Economic Impact Aid (\$6.0 million), (3) expansion of the Master Plan for Special Education (\$51.0 million), (4) elimination of funding for Urban Impact Aid (\$-53.4 million) and (5) a 9 percent cost-of-living adjustment for most categorical local assistance programs (\$73.3 million). The budget also includes the statutory increases in school finance funding provided in Chapter 282, Statutes of 1979 (AB 8).



**Table 3**  
**Proposed 1980-81 Budget Changes**  
**Local Assistance**  
**(in thousands)**

	<i>Cost</i>	<i>Total</i>
1979-80 Local Assistance, Adjusted .....		\$10,492,587
1. Base line changes:		
Apportionments <sup>a</sup> .....	\$589,707	
Legislation .....	-22,362	
Inflation (Categorical Aid) .....	73,327	
State mandates .....	33,239	
Subtotal .....		\$673,991
2. Program change proposals:		
Economic Impact Aid .....	\$6,032	
School Improvement Program Planning .....	8,800	
Special Education (MPSE) .....	51,028	
School Personnel Staff Development .....	325	
Resource Centers for Staff Development .....	725	
Professional Development Centers .....	304	
Preschool equalization <sup>b</sup> .....	2,363	
Urban Impact Aid .....	-53,414	
Subtotal .....		\$16,163
3. All Other .....		\$54,792
1980-81 Local Assistance .....		\$11,237,453
Total Change .....		\$744,866
General Fund .....		604,145
Other state funds .....		-25,733
Federal funds .....		22,454
Local funds .....		144,000

<sup>a</sup> Includes general inflation.

<sup>b</sup> Equals 9 percent inflation proposed to be used for equalization.

Table 4 shows the components of the \$6.9 million (5.7 percent) net change in state operations between the current and budget years. (Does not tie to Table 2 because of rounding in Table 2.) This amount will increase by the amount of any salary or staff benefit increase approved for the budget year. The most significant changes are: (1) statewide cost allocation support, (2) State Special School increases, (3) reduction in federal funds and (4) expansion of surplus property programs.

**Table 4**  
**Proposed 1980-81 Budget Changes**  
**State Operations**

	<i>Cost</i>	<i>Total</i>
1979-80 State Operations, Adjusted .....		\$129,822,558
1. General Fund base line changes:		
Population and price increases .....	\$1,737,779	
Workload changes .....	1,601,321	
Legislation .....	220,385	
Subtotal .....		\$3,559,485

**K-12 EDUCATION—Continued**

	<i>Cost</i>	<i>Total</i>
2. General Fund program change proposals:		
University and college opportunity program .....	\$77,111	
State Special Schools .....	2,218,933	
Vocational education .....	91,321	
Health education .....	24,084	
Career incentive program .....	22,800	
Crime and violence prevention .....	80,000	
Curriculum frameworks .....	50,000	
School personnel .....	17,454	
California Fiscal Information System (CFIS) .....	130,746	
Serrano legal fees .....	200,000	
State library .....	145,766	
Subtotal .....		\$3,058,215
3. Other fund changes:		
Change in federal funds .....	\$ -4,246,492	
Change in reimbursements .....	-205,822	
Change in support from local assistance appropriations .....	-126,190	
Change in Surplus Property Fund .....	4,558,126	
Change in State School Building Aid Fund .....	4,745	
Subtotal .....		\$ -15,633
Totals, State Operations .....		\$136,424,625
Less reimbursements .....		-7,623,020
Less support from local assistance appropriations .....		-654,338
Net Totals .....		\$128,147,267
Total Change .....		\$6,602,067
General Fund .....		6,491,510
Other state funds .....		4,562,871
Federal funds .....		-4,452,314

**K-12 Revenue**

Table 5 shows total state, federal and local revenue support for K-12 education. Total revenue is estimated to be \$11.365 billion for 1980-81. This is \$751.8 million (7.1 percent) higher than total revenues in 1979-80.

**Table 5**  
**Total Revenue for K-12 Education**  
(in millions)

	<i>Estimated</i> <i>1978-79</i>	<i>Estimated</i> <i>1979-80</i>	<i>Proposed</i> <i>1980-81</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
State:					
General Fund .....	\$5,818.1	\$7,063.2	\$7,673.8	\$610.6	8.6%
Other State Funds .....	33.2	79.6	58.5	-21.1	-26.5
Subtotals—State .....	\$5,851.3	\$7,142.8	\$7,732.3	\$589.5	8.2%
Federal <sup>a</sup> .....	\$851.0	\$993.0	\$1,011.3	\$18.3	1.8%
Local:					
Property tax levies .....	\$1,933.9	\$1,562.0	\$1,691.0	\$129.0	8.2%
Debt service .....	396.5	416.0	431.0	15.0	3.6
Miscellaneous <sup>b</sup> .....	490.0	500.0	500.0	—	—
Subtotals—Local .....	\$2,820.4	\$2,478.0	\$2,622.0	\$144.0	5.8%
Totals .....	\$9,522.7	\$10,613.8	\$11,365.6	\$751.8	7.1%

<sup>a</sup> Includes reimbursements.

<sup>b</sup> Includes food sales, sale of bonds and property, interest income and other.

The state will provide \$7,732.3 million for K-12 education in four components: (1) school finance apportionments (\$5,665.4 million), (2) categorical aides (\$1,666.1 million), (3) property tax subventions (\$304.0 million) and state operations (\$96.8 million). This is a \$589.5 million (8.2 percent) increase over 1979-80, and state aid will account for 68 percent of all revenue going to K-12 education.

Federal revenue, including reimbursements is estimated at \$1,011.3 million in 1980-81. This is a \$18.3 million (1.8 percent) increase over 1979-80. It is probable that additional federal funds will be available in 1980-81 due to carryovers from 1979-80 and increases in federal appropriations.

Local property tax revenues are expected to be \$1,691.0 million in 1980-81. This is a \$129.0 million (8.2 percent) increase, and reflects the shift of \$81 million in local revenues from the category of business inventory property taxes to state subventions, as provided by Chapter 1150, Statutes of 1979 (AB 66).

Miscellaneous local revenues of \$500 million from food sales, sale of property, sales of bonds, interest, fees and rentals are not expected to increase.

#### **Budget Presentation**

Our analysis of the Education budget is organized along the lines of the two major functions: local assistance and state operations. The major divisions within these functions are as follows:

##### **I. Local Assistance**

###### **A. General Education Program**

###### **B. Categorical Education Programs**

###### **1. Consolidated Categoricals**

###### **2. Special Education**

###### **3. Other Categoricals**

###### **C. Child Care, Preschool and Nutrition**

##### **II. State Operations**

###### **A. Department of Education**

###### **B. State Library**

#### **I. LOCAL ASSISTANCE A. GENERAL EDUCATION PROGRAM**

#### **Funding**

Table 6 displays total funding for general education for the past, current, and budget years. The general education state apportionment figures are from the Governor's Budget.

State apportionments for general education are projected to increase by \$336.6 million (6.3 percent), while local support is projected to increase by \$213.0 million (12.4 percent). The combined state and local increase of \$549.6 million represents a 7.8 percent increase in total funding, and a \$157 increase in funding per ADA (8.3 percent). State support for school district deferred maintenance and capital outlay is expected to decrease by \$44.8 million (45.0 percent). Direct state support for the State Teachers' Retirement Fund is projected to increase by \$27.3 million (18.9 percent).

## K-12 EDUCATION—Continued

**Table 6**  
**General Education Expenditures**  
 (in millions)

	<i>Actual</i> <i>1978-79</i>	<i>Estimated</i> <i>1979-80</i>	<i>Proposed</i> <i>1980-81</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
<b>A. Apportionments</b>					
State .....	\$4,343.9	\$5,328.8	\$5,665.4	\$336.6	6.3%
Local .....	2,132.2	1,720.0	1,933.0	213.0	12.4
Subtotals .....	\$6,476.1	\$7,048.8	\$7,598.4	\$549.6	7.8%
Per ADA .....	(\$1,577)	(\$1,735)	(\$1,892)	(\$157)	(8.3%)
<b>B. Other General Education</b>					
Federal PL 874 .....	\$97.9	\$97.9	\$97.9	—	—
Urban Impact .....	44.1	62.1	8.6	\$-53.5	-86.2%
Transportation .....	59.9	60.3	90.0	29.7	49.2
Direct State Transfer to the State Teachers' Retirement Fund .....	144.3	144.3	171.6	27.3	18.9
Debt Service on Public School Building Fund .....	-16.4	-35.3	—	35.3	NA
Support of Other District Deferred Maintenance and Capital Outlay <sup>a</sup> .....	—	99.5	54.7	-44.8	-45.0
State School Building Safety .....	-.1	—	-.3	NA	NA
Textbooks .....	43.1	65.8	42.7	-23.1	-35.1
Local Debt Service .....	447.5	470.0	493.0	23.0	4.9
Miscellaneous <sup>b</sup> .....	490.0	500.0	500.0	—	—
Subtotals .....	\$1,310.3	\$1,464.6	\$1,458.2	\$-6.4	-0.4%
<b>Totals</b> .....	<b>\$7,786.4</b>	<b>\$8,513.4</b>	<b>\$9,056.6</b>	<b>\$543.2</b>	<b>6.4%</b>
<i>General Fund</i> .....	<i>\$4,845.6</i>	<i>\$5,888.0</i>	<i>\$6,313.0</i>	<i>\$425.0</i>	<i>7.2%</i>
<i>Other state funds</i> .....	<i>22.5</i>	<i>49.5</i>	<i>23.7</i>	<i>-25.8</i>	<i>-52.1</i>
<i>Federal funds</i> .....	<i>97.9</i>	<i>97.9</i>	<i>97.9</i>	<i>—</i>	<i>—</i>
<i>Local funds</i> .....	<i>2,820.4</i>	<i>2,478.0</i>	<i>2,622.0</i>	<i>144.0</i>	<i>5.8</i>

<sup>a</sup> Includes funding for portables, school district deferred maintenance, and state funding of school facility construction from the State School Building Lease-Purchase Fund.

<sup>b</sup> Includes revenue from food sales, sale of bonds and property, interest, and lease income.

### GENERAL EDUCATION SUPPORT ISSUES

#### 1. Overview

The primary revenue for K-12 school districts and county offices of education is set forth in the general aid provisions of Chapter 282, Statutes of 1979 (AB 8). These provisions establish school finance appropriation and allocation formulas which seek to equalize school expenditures. In 1980-81 high expenditure districts will be allowed additional revenues of \$85 per ADA while low expenditure districts will be allowed an increase of \$150 per ADA. Median expenditure districts will be allowed an increase per ADA that is between \$150 and \$85. AB 8 also provides for a special \$25 per ADA increase for certain very low expenditure school districts.

AB 8 and the companion legislation, Chapter 1035, Statutes of 1979 (SB 186), continue to permit certain revenue limit adjustments, including those for declining ADA, court and federal mandates, meals for needy pupils, development centers for handicapped pupils, continuation high schools, and unemployment insurance. Excluding adult programs, the combined base revenue limits and adjustments (Table 6) are estimated to provide a \$549.6 million increase (7.8 percent) in 1980-81. The per ADA

increase is estimated to be \$157 (8.3 percent), resulting in an average expenditure of \$1,892.

In analyzing the general funding for schools, we have identified the following issues that warrant legislative review.

**A. AB 8 Sunset Provisions.** Under the provisions of AB 8, the rules and regulations of all state categorical aid programs (except Bilingual Teacher Corps and Child Nutrition) will be terminated on a certain date (commonly called "sunset"). Funding for these programs, however, will continue automatically, even though specific rules and regulations governing the use of funds will not be in effect. Moreover, school districts will still be required to continue providing services in accordance with the statutory purposes of these programs. Rules and regulations of the following programs are scheduled for sunset on June 30, 1981:

- Special education
- Driver training
- Instructional television
- Environmental education

Under AB 8, the effectiveness and appropriateness of each program must be reviewed prior to the date on which the program rules and regulations are scheduled for termination. Currently, there is no legislative committee or administrative unit responsible for completing sunset reviews. The Legislature should consider using existing funds already budgeted for (1) the School Improvement Program independent evaluation, (2) the Gifted and Talented program evaluation, and (3) the special studies staff in the Office of Program Evaluation and Research, to finance the sunset reviews.

**B. The Deflator.** AB 8 contains a provision that would reduce the amount of General Fund support provided to local governments and school districts in 1980-81 if the sum of 1980-81 General Fund revenues and carryover General Fund surplus is estimated to be less than \$20.5 billion. The revenue and surplus estimates for 1980-81 contained in the Governor's Budget add up to \$21.26 billion. Consequently, the Governor's Budget does not anticipate, under current revenue assumptions, that the AB 8 deflator provision will be in effect for 1980-81.

**C. Implementation of Article XIII B.** On November 6, 1979 the voters approved Proposition 4 which added Article XIII B to the California Constitution. This article limits the amount that most government entities may appropriate from the proceeds of taxes.

In implementing Article XIII B, the Legislature will have to resolve the following issues that specifically concern K-12 education agencies:

- definition of average daily attendance
- determination of appropriations to be included in local limits
- ability of the state and local education agencies to comply with the requirements set forth in the *Serrano v. Priest* decision
- calculation of appropriation limits for county offices of education.

Specific recommendations for legislative action are contained in our analysis of Proposition 4 (Report No. 79-20, December 1979).

## K-12 EDUCATION—Continued

*D. Urban Impact Aid and Chapter 323 General Aid.* The Governor's Budget proposes an 18 percent increase for Chapter 323 General Aid, but includes no funding for Urban Impact Aid (Chapter 894, Statutes of 1977, AB 65). The budget indicates that the absence of funding for Urban Impact Aid is due to the fact that statutory authority for the program terminates on June 30, 1980. As a result, the budget proposes a \$54.7 million decrease in general aid for 19 urban school districts in 1980-81. Table 7 displays the past, current and budget year funding for the Urban Impact and General Aid programs. Table 8 shows the 19 districts affected by the termination of Urban Impact Aid, and the amount of general aid each will lose.

**Table 7**  
**AB 65 Urban Impact Aid and Chapter 323 General Aid**

	<i>Actual</i>	<i>Estimated</i>	<i>Proposed</i>	<i>Change</i>	
	<i>1978-79</i>	<i>1979-80</i>	<i>1980-81</i>	<i>Amount</i>	<i>Percent</i>
Urban Impact Aid .....	\$36,720,000	\$54,720,000	—	\$ -54,720,000	-100.0%
Chapter 323 General Aid ....	7,345,800	7,345,800	8,652,000	1,306,200	17.8
Totals .....	\$44,065,800	\$62,065,800	\$8,652,000	\$ -53,413,800	-86.1%

**Table 8**  
**Urban Impact Aid Termination Fiscal Effect**  
**1980-81**

<i>District</i>	<i>Revenue Loss</i>
Berkeley.....	\$208,443
Oakland .....	3,677,475
Richmond .....	942,714
Fresno .....	1,916,449
Baldwin Park .....	453,705
Inglewood .....	607,620
Long Beach.....	1,521,645
Los Angeles.....	27,896,655
Montebello .....	1,384,604
Pasadena .....	881,324
Pomona .....	864,399
Compton .....	2,871,012
Santa Ana .....	685,924
Sacramento .....	1,523,967
San Bernardino .....	1,327,887
San Diego .....	1,882,754
San Francisco .....	3,958,333
Stockton .....	1,584,147
San Jose .....	530,943
Total .....	\$54,720,000

During enactment of AB 8, the Conference Committee indicated its intent to continue the Urban Impact Aid program until its rules and regulations are terminated by AB 8's sunset provisions (June 30, 1984). The AB 8 fiscal analysis reflected the costs of continuing this program. Consequently, this program could be continued without increasing the estimated costs of AB 8. Continuation could be provided for through either separate legislation or the budget bill.

E. *Capital Outlay.* Prior to the passage of Proposition 13, school districts could finance construction needs by issuing local bonds, borrowing construction funds from the state, and levying taxes to repay the obligations. Proposition 13 eliminated the authority of school districts to levy additional taxes to repay new bonded indebtedness. In addition, the voters failed to approve a statewide bond issue in June, 1978 to replenish the State Loan Fund. Thus traditional local and state sources of funds for school construction have not been available during the past two years.

#### New Programs

AB 8 authorizes funding for several school construction and maintenance programs, as follows:

##### 1. The State School Building Lease-Purchase Law of 1976

The Leroy F. Greene State School Building Lease-Purchase Law of 1976 authorized the state to issue general obligation bonds and use the proceeds to (a) reconstruct, remodel or replace existing school buildings which are inadequate or do not meet current structural safety requirements and (b) acquire new school sites and buildings. The new or remodeled facilities were to be rented to school districts on the basis of a lease with option to purchase. Prior to passage of AB 8, the 1976 law had not been implemented because the voters had failed to authorize the sale of state bonds.

AB 8 authorizes three new sources of revenue to fund the lease-purchase program:

(a) *Excess state school building aid repayments.* Commencing in 1980-81, any repayments of state loans made under the State School Building Aid Laws of 1949 and 1952 which are in excess of the amount required annually to meet the state's principal and interest obligations are appropriated for purposes of the lease-purchase law of 1976 and the new state school deferred maintenance program (see below). The allocation of funds to each program is to be determined by the State Allocation Board.

The State Allocation Board's Office of Local Assistance has estimated that the following excess amounts will be available for allocation to these programs:

	(million)
1980-81	\$55
1981-82	72
1982-83	92
1983-84	100

(b) *Reductions in state subventions due to "slippage".* Commencing in 1979-80, any savings in state subventions to school districts due to higher-than-anticipated growth in assessed valuation ("slippage") will be transferred to the State School Building Lease-Purchase Fund for allocation under the lease-purchase law of 1976. The estimated amount available in 1979-80 is \$86.5 million.

The Governor's Budget does not project any "slippage" in 1980-81. This is because (1) recent legislation removed the value of business inventories from the assessment base and (2) it is not clear that authority exists to continue 1979-80 slippage in 1980-81 and thereafter. We have requested a Legislative Counsel opinion as to whether the state can continue to transfer 1979-80 slippage to the lease-purchase fund.

**K-12 EDUCATION—Continued**

If an amount equal to 1979-80 slippage must be transferred annually, the Governor's Budget is understated by \$86.5 million.

(c) *Excess local sales and property taxes.* Commencing in 1980-81, certain "excess revenues" will be transferred to the lease-purchase program. Specifically, one-half of any revenue from the local 1 percent sales tax and one-fourth of any revenue from the local property tax revenue in excess of the amount that can be appropriated under Article XIII B of the State Constitution shall be deducted from state cigarette tax subventions and business inventory tax reimbursements to cities and counties. The amount deducted shall be transferred to the lease-purchase fund for construction of new school buildings for grades K-12. The amount of any revenues that will be derived from this source in 1980-81 are undetermined at this time.

**2. State School Deferred Maintenance Law of 1979**

Beginning in 1980-81, AB 8 establishes a new program to assist school districts to maintain school buildings. Any K-12 school district can participate in this maintenance program by establishing a "district deferred maintenance account" in their General Fund. This account can be used to finance major repair or replacement of plumbing, heating, air conditioning, electrical, roofing and floor systems and the exterior and interior painting of school buildings, or such other items of maintenance as may be approved by the State Allocation Board. In order to qualify for this program, a district must establish a five-year deferred maintenance plan approved by the State Allocation Board.

The State Allocation Board shall apportion to school districts, on the basis of greatest need, one dollar for each district dollar deposited in the district deferred maintenance account, up to a maximum of one-half percent of the district's total annual General Fund budget exclusive of capital outlay or debt service.

AB 8 establishes in the State Treasury a State School Deferred Maintenance Fund for this purpose. This fund will receive appropriations as designated by the State Allocation Board from the excess annual payments by school districts on state loans under the State School Building Aid Laws of 1949 and 1952 (described above).

**3. Emergency School Classroom Law of 1979**

AB 8 enacts the Emergency School Classroom Law of 1979, and appropriates \$13 million from the General Fund to finance it. The funds are to be transferred to the State School Building Aid Fund and utilized according to regulations adopted by the State Allocation Board.

The board, which currently administers other school building aid programs, is authorized to purchase portable classrooms and lease them to qualifying school districts at an annual rate of between \$1 and \$2,000 per classroom.

Revenues from the leases or other disposition of portable classrooms are to be deposited in the State School Building Aid Fund. Annual revenue from leases will range from an estimated \$450 to \$900,000.



#### 4. Nonprofit Corporation Facilities Lease

AB 8 authorizes school districts to lease school facilities from nonprofit corporations organized for this purpose. To qualify, the school district governing board is required to (1) establish a school facilities plan describing the facilities to be included, (2) develop a map outlining the boundaries of the territory to benefit from the plan, and a schematic of the proposed facilities, and (3) cause to be formed a nonprofit corporation to issue revenue bonds to finance the construction and lease the facilities to the school district. All property owners within the boundaries must approve the plan, and an owner's development lien must be imposed on all property described in the map for repayment of the bonded indebtedness plus interest. The revenue bonds would finance the cost of land and construction, engineering, capitalized interest, architect fees, State Treasurer and State Allocation Board services, legal and consulting fees, bond issuance costs, and reserve funds. State Treasurer and State Allocation Board services are to be reimbursed by the nonprofit corporations.

#### Unmet Need

In 1977, the State Department of Education conducted a school facilities needs survey of all K-12 school districts in the state. The department recently updated this survey, and reported the results at a legislative hearing on November 14, 1979. The survey results are shown in Table 9.

**Table 9**  
**Projected School Facilities Needs Based on Department of Education Survey**  
(in millions)

	1979-80 <sup>a</sup>	1980-81	1981-82	1982-83
New facilities needs.....	\$2,211	\$1,749	\$1,475	\$1,439
New sites needs .....	152	73	96	96
Major maintenance needs .....	322	184	199	185
Deficiency needs <sup>b</sup> .....	209	83	77	59
Totals .....	\$2,894	\$2,089	\$1,847	\$1,779

<sup>a</sup> Includes carryover of 1978-79 estimated needs.

<sup>b</sup> Fire protection, security, energy conservation, OSHA requirements, and alterations and equipment to meet federal specifications for handicapped.

#### Unrealistic Estimate

*We recommend that the Department of Education review projected facilities construction and maintenance needs on the basis of minimum essential requirements, and submit to the Legislature a minimum needs program that ranks projects on a priority basis.*

Table 9 indicates an aggregate unmet need of \$2.9 billion in 1979-80 and \$2.1 billion in 1980-81, for new sites, facilities, maintenance and deficiency needs.

Given the amount of funds available from AB 8 programs, over 95 percent of the estimated need cannot be funded.

Because it is probable that the department's survey reflects needs which, although desirable from a school district's viewpoint, are not absolutely essential, we recommend that the estimates be refined to include only minimum essential requirements.

**K-12 EDUCATION—Continued**

Historically, K-12 school district capital outlay has been primarily funded through bonded indebtedness. The passage of Proposition 13 eliminated the ability of local agencies to increase property tax levies for new voter approved bonded debt.

We recommend that the Legislature pass Senate Constitutional Amendment 26 or similar legislation which would allow increases in property tax levies for voter approved bonded indebtedness. (The legislation, however, should contain Serrano wealth equalization provisions for K-12 school districts.) The determination of capital outlay priorities for local agencies, such as school districts, counties or cities, should be made by the agencies. Passage of SCA 26 or similar legislation will allow local determination of capital outlay needs and funding.

*F. Federal and Court Mandates.* Chapter 1135, Statutes of 1977 (SB 90), allowed school districts to add the costs of any federal or court mandate to their revenue limits. This authority is continued in AB 8.

Thirty-eight districts have used this authority to increase their revenue limits. The increases have ranged from \$238 to \$121,000,000, and are expected to require reimbursement funding from the state amounting to \$139.4 million in 1979-80. The 1980-81 budget requests reimbursement funding of \$145.4 million.

The provisions of AB 8 cause the state to be automatically liable for all costs imposed by new federal and court mandates. This presents two sets of problems from the state's standpoint. First, there is no process which allows the Legislature to review claims submitted for reimbursement in order to determine the appropriate amount of reimbursement or to disclaim reimbursement for particular claims. To give the Legislature some control over these claims, a review process similar to what now exists for state-mandated cost reimbursement should be implemented.

Second, the reimbursement of court mandates raises the issue of whether the state is providing an incentive for school districts to not comply with current and future laws—(1) if a school district chooses to not comply with the law, (2) is brought to court and found guilty of noncompliance, (3) is then mandated by the court to comply, the district is rewarded with additional state aid. The school district that voluntarily complied would not receive additional aid.

We are concerned that reimbursing court mandated costs can become a moral hazard wherein we reward those who obstruct rather than those who comply with the law.

*G. Pupil Transportation.* The state provides reimbursement to schools for the approved cost of home-to-school transportation. Table 10 displays the past, current, and proposed funding for this program.

**Table 10**  
**Home-to-School Transportation**  
(in millions)

	<i>Actual</i> 1978-79	<i>Estimated</i> 1979-80	<i>Proposed</i> 1980-81	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
Transportation reimbursement .....	\$59.9	\$60.3	\$90.0	\$29.7	49.2%

**1. 1979-80 Deficit**

The appropriation for reimbursing home-to-school transportation costs is fixed at \$60.3 million for 1979-80. Because the formula used for calculating the reimbursement amount for eligible districts would have required funding of \$67.2 million in 1979-80, reimbursements had to be prorated to eliminate the \$6.9 million deficit. No deficit is estimated for 1980-81.

**2. Transportation Reimbursement Formula Problems**

The transportation formula determines the amount of state reimbursement by applying computational tax rates to school district assessed valuation. This causes two problems: First, when district assessed valuation increases, state aid decreases without regard to the district's ability to receive replacement property tax revenues from the county.

Second, if there is an increase in property tax revenue and an increase in district assessed valuation, there is a double reduction: (1) state aid for the district's revenue limit is reduced by the increased property tax revenues and (2) the state transportation reimbursement is reduced.

**3. Special Small District Transportation Reimbursement**

Under AB 8, small school districts with approved transportation costs exceeding 3 percent of their expenditures for education that are financed by their general fund are eligible to receive state reimbursement for the excess costs. This provision of AB 8 has an appropriation limited to \$14.6 million for 1980-81.

**Report on Transportation Reimbursement Formula**

*We recommend that the Department of Education review and recommend alternative allocation formulas for reimbursement of approved home-to-school transportation costs, and report to the legislative fiscal committees by December 15, 1980.*

Given the problems with the current reimbursement formula, an analysis of alternative reimbursement formulas is needed. Among the alternatives that should be reviewed are: (a) fixed or variable percent of approved costs, (b) fixed or variable rate per 100 pupil miles, and (c) full reimbursement after General Fund-financed education expenditures exceed a fixed percent. The review should consider (a) the fiscal effects of alternative formulas, (b) how rural, urban, and suburban districts would be affected by alternative formulas, (c) the allowable use of fee revenue in addition to state aid and (d) the determination of approved transportation costs. The findings and recommendations should be submitted to the legislative fiscal committees by December 15, 1980. Once it has been determined whether transportation is to be included in the state or local base for the purpose of establishing appropriation limits under Article XIII B of the State Constitution (Proposition 4), this information will enable the Legislature to determine the effect of a formula change on school districts.

**H. Serrano.** The California Supreme Court's decision on the Serrano case requires wealth-related per pupil expenditure differences to be con-

**K-12 EDUCATION—Continued**

siderably less than \$100 by August 1980. The Department of Finance estimated that, if base revenue limit income continues to be a measure of wealth-related expenditures, the Serrano equity goal will be achieved for over 70 percent of the unified school district ADA in 1980-81. The goal will be met for over 90 percent of the unified school district ADA by 1984-85.

Plaintiffs in the Serrano suit may challenge the AB 8 provisions as being inadequate to meet the court's mandate.

**I. Summer Session.** The 1979 Budget Act (Item 338) required summer sessions in 1980 (1) for students not meeting district proficiency standards and (2) for students with low academic achievement in those districts which have not applied proficiency standards. AB 8 eliminated these requirements. It provides funding for permissive summer sessions only for students in grades 7-12 who have not met district proficiency standards. Funding is not provided for summer session students below grade 7 who have not met district proficiency standards, or for students with low academic achievement in districts without applied proficiency standards.

**B. CATEGORICAL EDUCATION PROGRAMS****Budget Presentation—Categorical Education Programs**

For purposes of our analysis, categorical education programs have been divided into three groups. The first group consists of consolidated categoricals, which are generally those programs such as Economic Impact Aid and the School Improvement Program that are administered by the Department of Education through the consolidated application process. The second group includes special education programs including the Master Plan for Special Education and regular special education apportionments. Those categoricals that generally are individually administered by the department, are included in the third group.

Table 11 displays categorical education expenditures for the past, current and budget years.

**Table 11**  
**Categorical Education Expenditures**  
(in thousands)

	<i>Actual 1978-79</i>	<i>Estimated 1979-80</i>	<i>Proposed 1980-81</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
<b>1. Consolidated Categoricals</b>					
Economic Impact Aid <sup>s</sup> .....	\$123,748	\$145,104	\$162,016	\$16,912	11.6%
Title VII Bilingual (Basic Grant) <sup>f</sup> .....	25,929	25,929	25,929	—	—
Educationally Deprived Children <sup>f</sup> .....	228,105	252,316	249,332	-2,984	-1.2
Bilingual Teacher Corps <sup>s</sup> .....	1,492	2,510	1,496	-1,014	-40.4
Migrant Education <sup>f</sup> .....	33,153	46,724	43,210	-3,514	-7.5
American Indian Education Centers <sup>s</sup> .....	607	649	708	59	9.1
American Indian Education Programs <sup>s</sup> .....	258	276	300	24	8.7
Demonstration Programs in Reading and Mathematics <sup>s</sup> .....	3,057	3,080	3,357	277	9.0
School Improvement Program <sup>s</sup> .....	123,278	135,434	157,215	21,781	16.1
Miller-Unruh Reading Program <sup>s</sup> ..	14,005	14,005	15,266	1,261	9.0
Subtotals, Consolidated .....	\$553,632	\$626,027	\$658,829	\$32,802	5.2%

## 2. Special Education

Non-Master Plan for Special Education <sup>s</sup> .....	\$236,915	\$236,700	\$198,600	\$-38,100	-16.1%
Master Plan for Special Education <sup>s</sup> .....	101,424	200,804	308,004	107,200	53.4
Educational Improvement for the Handicapped <sup>f</sup> .....	47,772	82,865	102,808	19,943	24.1
Sheltered Workshops <sup>s</sup> .....	180	191	208	17	8.9
Development Centers for the Handicapped <sup>s</sup> .....	14,523	10,956	9,436	-1,520	-13.9
Subtotals, Special .....	\$400,814	\$531,516	\$619,056	\$87,540	16.5%

## 3. Other Categorical Aids

Instructional Television <sup>s</sup> .....	\$768	\$821	\$821	-	-
Driver Training <sup>s</sup> .....	19,800	17,153	19,800	\$2,647	15.4%
Mentally Gifted Minors Program <sup>s</sup> .....	13,379	14,574	15,885	1,311	9.0
Adult Education Apportionments <sup>s</sup> .....	128,601	136,965	144,365	7,400	5.4
Adult Basic Education <sup>f</sup> .....	6,737	7,387	9,287	1,900	25.7
Vocational Education <sup>f</sup> .....	49,388	54,821	52,334	-2,487	-4.5
Vocational Education Reimbursements <sup>f</sup> .....	11,345	13,471	13,325	-146	-1.1
Supplementary Centers and Services (innovative programs) <sup>f</sup> .....	13,143	17,243	14,524	-2,719	-15.8
School Personnel Staff Development and Resource Centers <sup>s</sup> .....	936	1,445	2,056	611	42.3
Career Guidance Centers <sup>s</sup> .....	250	250	272	22	8.8
Professional Development Centers <sup>s</sup> .....	603	657	961	304	46.3
Conservation Education <sup>s</sup> .....	329	483	500	17	3.5
Legislative Mandates <sup>s</sup> .....	198	8,024	41,263	33,239	414.2
All Other <sup>s,f</sup> .....	597	2,529	2,608	79	3.1
Totals .....	\$1,200,520	\$1,433,366	\$1,595,886	\$162,520	11.3%

General Fund .....	\$784,077	\$929,652	\$1,082,029	\$152,377	16.4%
Other State funds .....	329	595	722	127	21.3
Federal Funds .....	416,114	503,119	513,135	10,016	2.0

<sup>s</sup> Indicates state supported.<sup>f</sup> Indicates federally supported.

Table does not include approximately \$6.5 million in federal follow-through aid for 1978-79 and 1979-80 or \$6.8 million for 1980-81.

# 1. CONSOLIDATED CATEGORICALS IMPACT AID

This section discusses the State Economic Impact Aid (EIA) program, and includes the previously-separate state Bilingual Program and the federal ESEA, Title I programs. We first review the compensatory education provisions of these programs, and then discuss the federal migrant program.

## ECONOMIC IMPACT AID AND TITLE I (Items 330 and 331)

### Overview

Two major education programs provide services to educationally disadvantaged students: the federal Elementary and Secondary Education Act (ESEA), Title I and the state Economic Impact Aid (EIA) program. The Economic Impact Aid (EIA) program includes the previously-separate Educationally Disadvantaged Youth and bilingual programs.

**K-12 EDUCATION—Continued**

These education programs provide supplemental services, particularly in basic skills, to children with problems in reading, language development and mathematics who attend schools which (a) are located in high-poverty areas and/or (b) have an excessive number of children with poor academic skills. Last year we estimated that in 1977-78 1,557,000 children scoring below average attended such schools including 902,000 who were in the lowest quartile (bottom 25 percent). (These figures include all LES/NES children irrespective of their academic performance.)

**Children Served**

The budget reports that in 1979-80, approximately 512,000 full-time equivalent children in preschool through grade 12 are being served through the ESEA, Title I program, and at least 304,000 are being served through Economic Impact Aid.

**Funding**

Table 12 displays the expenditures for these programs.

**Table 12**  
**ESEA, Title I and Economic Impact Aid Expenditures**  
(in thousands)

	<i>Actual</i> 1978-79	<i>Estimated</i> 1979-80	<i>Proposed</i> 1980-81	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
<b>State Operations:</b>					
ESEA, Title I, Part A.....	\$2,986	\$3,552	\$3,602	\$50	1.4%
State Bilingual.....	615	-	-	-	-
Educationally Disadvantaged Youth .....	860	-	-	-	-
Economic Impact Aid .....	-	1,941	1,923	-18	-0.9
Totals .....	\$4,461	\$5,493	\$5,525	\$32	0.6%
<b>Local Assistance:</b>					
ESEA, Title I, Part A.....	\$221,455	\$246,717	\$244,325	\$-2,392 <sup>a</sup>	-1.0%
State Bilingual.....	112,716	-	-	-	-
Educationally Disadvantaged Youth .....	11,033	-	-	-	-
Economic Impact Aid .....	-	145,105	162,016	16,911	11.7
Totals .....	\$345,204	\$391,822	\$406,341	\$14,519	3.7%
<b>Grand Totals .....</b>	<b>\$349,665</b>	<b>\$397,315</b>	<b>\$411,866</b>	<b>\$14,551</b>	<b>3.7%</b>

<sup>a</sup> Federal funds show a decrease because all carryover funds are assumed to be spent in the current year. No carryover funds are budgeted in 1980-81.

Local assistance funding for the EIA program is proposed at \$162.0 million for 1980-81, an increase of \$16.9 million (11.7 percent) over 1979-80. The increase of \$16.9 million consists of (a) \$12.9 million for a 9 percent inflation adjustment, (b) \$6,032,000 for expansion funding to 467 districts with low economic impact aid factors, and (c) removal of \$2 million provided in 1979-80 for local mandated costs associated with bilingual programs.

ESEA, Title I funding, budgeted at \$246.7 million in the current year, is budgeted at \$244.3 million for 1980-81. (The 1979-80 amount includes carryover funds, while the 1980-81 amount contains neither carryover funding nor increased aid above current year funding.)

**Federal Audit Results**

The U.S. Office of Education (OE) informed the Department of Education in November of 1979 that the department would be requested to refund \$28,682,142 in Title I funds. This request is based on a court finding that school districts used ESEA Title I funds to "supplant" state compensatory education funds. The school districts, following instructions from the State Department of Education, allocated ESEA, Title I funds *before* allocating EDY funds. In the *Alexander v. Califano* case, the court ruled that these practices result in federal funds being used to supplant state funds, and that state compensatory funds must be allocated before Title I funds.

Our analysis indicates that it is particularly difficult to allocate federal dollars last in California, where there are often several categorical aid programs in a single school. The department will be prepared to discuss this audit finding during budget hearings.

**Joint Legislative Audit Committee's Study of the Uses of Title I/EIA Categorical Program Funds**

Supplementary language to the 1979 Budget Act requests the Joint Legislative Audit Committee to review the uses of Title I and EIA program funds by March 1, 1980. This review is to consider: (1) how these funds are distributed among schools within districts, (2) how these funds and services are allocated among students within the schools, (3) uses of these funds for direct and indirect expenditures, including amounts of funds used for administrative and related purposes, (4) how district and school resource allocation decisions are made, and (5) the kinds of special services provided to meet the needs of the students.

The Auditor General's staff will be prepared to report on their findings during budget hearings.

**Department's Economic Impact Aid Formula Study**

Last year, the Legislature adopted supplemental language directing the department to examine the EIA formula. The language reads as follows:

The Department of Education shall review the Economic Impact Aid formula and how it relates to the relative cost of providing educational services to disadvantaged students throughout the state. The department shall involve appropriate legislative and Department of Finance staff in the development of a revised Economic Impact Aid (EIA) formula. The department shall submit a report to the legislative budget committees containing either one or more proposed formulas and their impact on California school districts in comparison to the then current EIA formula, including their impact on the population to be served. The report shall compare available funding, proposed funding under each option, the cost of providing services, and the size of the needy population in a sample of urban, rural and suburban school districts. This report shall be submitted by November 1, 1979.

The first meeting of the department and legislative staff took place in October. When this analysis was prepared, the results of the department's study were not available. The department will report its findings and recommend needed changes in the EIA formula, if any, during budget hearings.

**K-12 EDUCATION—Continued****Proposed EIA Funding Increase**

The Governor's Budget provides a 9 percent inflation adjustment of \$12.9 million and \$6,032,000 for additional aid to districts with low EIA factors. We withhold recommendation on these proposed augmentations, pending receipt of the department's report.

**Program Overlap and Funding at the School Site**

During last year's budget hearing, we were requested to determine whether schools receiving EIA or ESEA, Title I funds also received other funds. We found this was often the case. Schools receiving EIA funds also tend to receive Demonstration Program, Migrant, or School Improvement Program funds. We also found that some schools received EIA or Title I funding for more students than were eligible for program participation. One school received compensatory education funding for 1,820 children although only 1,660 children were being served. (This school received \$612,000 in EIA and ESEA Title I funding, \$114,000 in SIP funding, plus \$113,000 in Demonstration Program funding.) This issue should be addressed as part of the AB 8—required sunset review of these programs.

**ESEA TITLE I, MIGRANT (Item 334)****Overview**

The federal ESEA Title I, Migrant program was established in 1965 to provide supplementary services to children of migrant parents. California has nine regional offices which are responsible for program administration. In addition, three school districts receive funds directly. In 1978-79, 1,355 schools in 328 districts enrolled approximately 93,012 migrant children.

Funding for migrant programs has increased markedly in 1979-80. In 1966, California received \$1.4 million in migrant funds. In 1980-81, \$43.2 million will be available for local programs. (Fewer funds appear to be available in 1980-81 because of program carryovers estimated to be spent in 1979-80.)

**Table 13**  
**Federal ESEA Title I, Migrant Funds**

<i>Purpose</i>	<i>Actual</i>	<i>Estimated</i>	<i>Proposed</i>	<i>Change</i>	
	<i>1978-79</i>	<i>1979-80<sup>a</sup></i>	<i>1980-81</i>	<i>Amount</i>	<i>Percent</i>
State Operations .....	\$1,272,183	\$1,461,801	\$1,482,505	\$20,704	1.4%
Local Assistance .....	33,153,341	46,724,292	43,210,360	-3,513,932	-7.5
Totals .....	\$34,425,524	\$48,186,093	\$44,692,865	\$-3,493,228	-7.2%

<sup>a</sup> Assumes all carryover funds will be spent in the current year and no funds will carryover into 1980-81. This assumption is not realistic because there are almost always carryover funds between fiscal years.



**Program Evaluation**

(1) *Migration.* A study of migrant student moves over a three-year period reported that 70 percent of all migrant students did not change schools at all during the year. Further, of those that did move, 85 percent did not leave their county of residence.

A follow-up study of grade two and three children conducted by the department's Office of Program Evaluation and Research (OPER), supports the study's findings. OPER reported that 88 percent of these migrant children did not move during the 1975-76 year. (For the two-year 1974-1976 interval, 75 percent of migrant children moved at least once, compared to 50 percent of nonmigrant children.)

(2) *Migrant Student Drop-Out.* Historically, most migrant children have withdrawn from school before high school graduation. In response to this problem, the migrant program has established a program called Portable Assisted Study Sequence (PASS), designed to decrease the number of high school drop-outs. The department's most recent evaluation reports that the number of migrant children withdrawing from school prior to high school graduation has decreased markedly between 1974 and 1977.

(3) *Language Fluency.* Many migrant students are limited- or non-English speaking (LES/NES). One study showed that 42 percent of second and third grade migrant children were LES/NES. Table 14 displays the language fluency of the children in the study.

**Table 14**  
**Language Fluency of Second and Third Grade Migrant Children<sup>a</sup>**

<i>Category</i>	<i>Number</i>	<i>Percent</i>
Fluent bilingual .....	3,626	46%
English only .....	978	12
Limited-English speaking .....	3,008	38
Non-English speaking .....	342	4
Totals .....	7,954	100%

<sup>a</sup> From 1976-77 migrant program evaluation. Based on teacher ratings.

Because the proportion of limited- and non-English speaking children in a grade decreases as the children get older, fewer than 42 percent of all migrant children are limited-English speaking.

**Use of School Facilities for Migrant Summer School.**

Many districts did not offer summer school during the summer of 1978 because of the fiscal uncertainty surrounding Proposition 13. Some of these districts were reluctant to allow migrant staff to use school facilities when programs were not available for nonmigrant children.

In response to this problem, the Legislature included language in the 1979 Budget Act requiring school districts, county offices of education and community colleges to make facilities available for migrant summer programs. In addition, Chapter 1035, Statutes of 1979 (SB 186) requires the Superintendent of Public Instruction to fine school districts refusing to provide these facilities in 1979. The fine is the greater of (a) \$5,000 or (b) four times the operation cost of alternative facilities.

**K-12 EDUCATION—Continued****Migrant Summer School**

*We recommend that the department report during budget hearings on compliance with the Legislature's mandate that school districts make facilities available for migrant summer school.*

Of the 160 local education agencies whose facilities were needed for migrant summer school programs in 1979, 43 (27 percent) refused to make their facilities available.

Information was not available in January, however, about the penalties which had been imposed on these school districts. We recommend the department provide this information and report on the implementation of this legislative requirement during budget hearings.

**Continuation of Penalty**

*We recommend that language be included in the Budget Bill mandating that school districts continue to make their facilities available for summer migrant programs. We further recommend continuation of the penalties imposed by Chapter 1035, Statutes of 1979 (SB 186) for noncompliance.*

Past experience suggests that school districts may continue to resist migrant summer programs. Therefore, we recommend the mandate imposed by the 1979 Budget Act be continued, with penalties for noncompliance.

**Regulations Governing Migrant Funds**

Last year we recommended that regulations be established governing the distribution of migrant funds. This recommendation was adopted by the Legislature in supplementary language to the 1979 Budget Act.

To date the State Board of Education has not adopted regulations. The absence of regulations results in a number of problems.

- No formula determines the level of state operations funding. The department, with federal approval, has the ability to establish whatever level it feels appropriate.
- The absence of a formula for funding local services results in a wide variation in the funding level per child. In the district and regional funding applications we reviewed, the per-child costs for administration varied from \$77 to \$198. Budgets for services per child reportedly varied from \$359 to \$3,197.
- There is an inadequate procedure for awarding major contracts for statewide services (\$2,200,000 in 1978-79). There is no competitive bidding for these contracts, which have always been awarded to the same region.
- No regular procedures exist for the within-region distribution of funds to districts. There is no program for migrant children in all of Los Angeles County, although many migrant children live there.

**Department of Education Task Force on Migrant Education**

Last spring the department convened a task force to evaluate the operation of the migrant program and to recommend changes in the management of the program.

The task force report contains numerous findings and recommendations which include:

1. The state-level staffing structure is inadequate, not sufficiently integrated with the rest of the department, and "not able to carry out effectively the necessary monitoring and reviewing activities statewide." The report recommends the staff be reorganized and placed in the Curriculum and Support Services Division.

2. The fiscal allocation and control system has functioned "unsystematically and unobjectively". The report recommends the development of a funding formula and the implementation of improved fiscal control procedures.

3. The nine regions operate their own programs, and are not equal in size of the migrant population, geographical area, or migrant education funding received. The report recommends the establishment of a new substate delivery system.

4. At present, there is confusion about whether former migrant children are eligible to participate in migrant programs. Written policies need to be developed regarding eligibility.

5. The national Migrant Student Record Transfer System, for which California spends \$700,000 annually in federal grant funds, does not meet the needs of the program, particularly because so few students migrate. An improved system needs to be developed.

6. Access to summer school programs has become an issue since the passage of Proposition 13, because in many districts it is not available to most students. The migrant program offers summer school for migrant children. The report recommends that a statewide policy be developed regarding summer school.

7. There is a "woeful lack of coordination" among various social, medical and dental service systems. The report recommends continuation of these services but urges that the use of migrant funds for these services be subject to statewide standards relating to eligibility.

#### **Implementation of Task Force Report**

*We recommend that during budget hearings, the Department of Education present its plan and timetable to implement the Migrant Education task force recommendations.*

Both the task force report and our analysis indicate that program operation and management are unsatisfactory. Therefore, before Item 334 is approved, we recommend the Legislature review the department's plan for improving program operations and management, including its plans for implementing the task force's recommendations.

### **BILINGUAL EDUCATION**

#### **Overview**

As indicated earlier, state funding for bilingual programs is included in the Economic Impact Aid program. This section presents information regarding (1) programs for limited and non-English speaking (LES/NES) children and (2) bilingual teacher training.

**K-12 EDUCATION—Continued****Programs for Limited and Non-English Speaking Children**

Table 15 shows the actual and projected numbers of limited and non-English speaking children in California.

**Table 15**  
**Actual and Projected Number of**  
**Limited and Non-English Speaking Children**  
**1973-1990**

	<i>Number of Children</i>
Spring 1973 .....	188,200
Spring 1974 .....	203,100
Fall 1975 .....	233,500
Fall 1977 .....	233,100
Fall 1978 .....	288,400
Fall 1982 (projected) .....	400,000
Fall 1990 (projected) .....	500,000

Between fall 1977 and fall 1978, the latest year for which statewide data are available, the number of limited and non-English speaking children in California increased by 24 percent, to 288,400. Major increases occurred in the number of Spanish (up 39,400, or 20 percent) and Asian language children (up 7,737, or 31 percent). The major language group, Spanish, is the home language of 80 percent of LES/NES children. The second major home language group is Vietnamese.

**Funding for Limited and Non-English Speaking Children**

State program mandates for all LES/NES children are contained in statute and school districts are required to comply regardless of whether the districts receive funding. The Governor's Budget proposed \$183.6 million for services to LES/NES students in 1980-81. The funds would come from various sources, primarily ESEA, Title I and EIA. The \$183.6 million figure excludes (1) federal ESEA, Title VII program funded at \$25.9 million in 1980-81, (2) Indochinese Refugee Act funding for which approximately \$6 million is anticipated in 1980-81, and (3) the ESEA Title I, Migrant Program, funded at \$43.2 million in 1979-80.

**Review Needed**

*We recommend the department revise its regulations, instructions to schools and program review instruments for bilingual education to limit the requirements imposed on local districts to those mandated by law. They should report to the Legislature on the changes made by January 1, 1981.*

The department has established guidelines for districts to follow in setting up bilingual learning plans. Some of these guidelines are as follows:

- Schools must develop and submit plans on bilingual education, including reasons why children are not performing better.
- Each child must receive at least 20 minutes of instruction in his primary language per day.
- Children must be offered instruction in their primary language even if their parents withdraw them from bilingual programs.

These requirements appear to go beyond federal mandates and those mandates imposed by the Legislature with regard to limited- and non-English speaking children. Moreover, during our site visits, we were told that these requirements necessitate that schools devote excessive amounts of time to planning, and inhibit the ability of local personnel to respond to the needs of children.

On this basis, we recommend that departmental requirements be limited to those required by law.

#### **Independent Evaluation of Bilingual Education**

Chapter 894, Statutes of 1977 (AB 65) required our office to contract for an independent evaluation of bilingual education programs, and provided \$300,000 over a three-year period for the evaluation. This evaluation was not intended to judge the effectiveness of bilingual versus no bilingual education. Rather, the evaluation was aimed at assessing the relative effectiveness of different bilingual educational approaches.

The evaluator has submitted four interim reports. The fifth interim report is due in June 1980, and the final report is due in November 1980. We have asked the evaluator to be present during budget hearings to comment on the evaluation.

#### **Auditor General's Report on Bilingual Education**

The Joint Legislative Audit Committee is preparing a report on bilingual program implementation. It will include information regarding (a) the extent to which bilingual education programs have been implemented; (b) whether funding allocations conform to Legislative intent; (c) entrance and exit criteria for fluent English speaking children enrolled in bilingual programs; and (d) data on school attendance for limited-, non-, and fluent-English speaking children.

The Auditor General's staff informs us that this report will be completed about mid-February.

#### **Bilingual Teacher Training**

Current law requires credentialed bilingual teachers in all bilingual classes, unless waivers have been granted. In addition LES/NES children who are not enrolled in bilingual classes must have access to credentialed bilingual teachers and aides.

1. *Supply.* The February, 1979 Status Report on Bilingual Teacher Preparation submitted by the Commission for Teacher Preparation and Licensing estimated that about 7,300 bilingual teachers would be available by September 1979; 9,500 by September 1980; and 11,700 by September 1981. Only 6,115 teachers, however, had been credentialed as of October 1979, 16 percent fewer than projected.

2. *Demand.* In 1978, the Commission estimated that 13,100-17,900 bilingual teachers would be needed in 1979-80, with corresponding increases in subsequent years as the number of LES/NES children increases. Based on this estimate, only one-third to one-half of the required bilingual teachers are available.

The Commission's projection of bilingual teacher demand is based on two components: (1) the number of teachers needed for bilingual classes

**K-12 EDUCATION—Continued**

and (2) the number of teachers needed for children on individual learning plans. The Commission's rough estimate is that 4,700-6,400 teachers will be needed to serve LES/NES students enrolled in individual learning programs and between 8,400 and 11,500 teachers will be needed for bilingual classes.

3. *Reconciling supply and demand.* Table 16 shows the four programs which provide funds for training bilingual teachers. The largest of these, the federal ESEA, Title VII, program provides an estimated \$8.8 million in 1979-80 to train bilingual teachers.

**Table 16**  
**State and Federal Funds for Training Bilingual Teachers**  
**Local Assistance**

Program	Actual 1978-79	Estimated 1979-80	Proposed 1980-81	Change	
				Amount	Percent
ESEA, Title VII.....	\$6,574,210	\$8,811,815	\$8,811,815 <sup>a</sup>	—	—
Bilingual Teacher Corps.....	1,392,747	2,510,185	1,496,000	\$-1,014,185	-40.4%
Bilingual Teacher Development Grant Program.....	412,581	1,040,000	1,039,700	-300	0.0
Staff Development Resource Centers .....	—	500,000	500,000	—	—
Totals .....	\$8,379,538	\$12,862,000	\$11,847,515	\$-1,014,485	-7.9%

<sup>a</sup> Estimated.

The Legislature provided substantial augmentation to the three state programs in 1979-80. Funding for the Bilingual Teacher Corps was increased from \$1.4 million to \$2.5 million, and the Bilingual Teacher Development Grant Program was increased from \$412,581 to \$1.0 million. Funding amounting to \$500,000 was provided to the staff development resource centers in 1979-80. The Governor's Budget proposes to continue these funding levels in 1980-81 for development grants and resource centers. Funding for the Bilingual Teacher Corps would be reduced by \$1 million.

**Change in Legislation**

*We recommend that current laws regarding programs for limited- and non-English speaking children be amended so that school districts are not required to offer native language instruction to LES/NES children not enrolled in bilingual programs.*

Districts are required to establish bilingual programs in all schools that have ten or more LES/NES children with the same language background at the same grade level in grades K-6. LES/NES children who are not enrolled in a bilingual program must be served with a bilingual individual learning program (ILP).

Current law requires districts to have bilingual teachers and aides available to serve LES/NES children not enrolled in bilingual programs. We do not dispute the potential benefits of bilingual education, nor of bilingual teachers. However, there are not enough teachers to staff bilingual classes either now or in the foreseeable future. Moreover, school districts

find this requirement very difficult to meet when there is a diversity of language backgrounds among children in their schools. One school we visited has 13 different home languages represented in its LES/NES student body. Our analysis indicates that it is financially and programmatically impossible for schools such as this one to obey the law in any meaningful fashion, particularly inasmuch as a sufficient number of credentialed bilingual teachers does not exist even to staff bilingual programs.

For these reasons we recommend that the Legislature amend the requirements that children on individual learning plans (1) have access to bilingual teachers and aides and (2) receive instruction in their native language.

**Bilingual Teacher Corps (Item 345)**

*We recommend that legislation be enacted to combine the Bilingual Teacher Corps and the Bilingual Teacher Development Grant program into a single grant program to be administered by the Student Aid Commission.*

The Legislature adopted supplemental language to the 1979 Budget Act directing the Department of Education, with the assistance of the Student Aid Commission, to study the feasibility of combining the Bilingual Teacher Corps (BTC) and the Bilingual Teacher Development Grant Program. Based on this study, the department and the commission have recommended that the programs be merged. Management responsibilities would be assigned to the Student Aid Commission. In exercising these responsibilities, the commission would cooperate with the Commission for Teacher Preparation and Licensing and the postsecondary educational institutions. New legislation must be enacted to implement this recommendation.

Our analysis indicates that these recommendations should be implemented because:

- Generally, the two programs serve the same students.
- Eligibility requirements could be widened, enabling BTC students to attend school full time for part of the year.
- Combining the two programs would facilitate improved articulation between segments.
- Reduced program overhead could result from combined administration and the elimination of some or all of the local administrative costs associated with the Bilingual Teaching Corps.

Legislation to implement these recommendations should include provisions to ensure that there is effective articulation between community colleges and four-year colleges so that prospective bilingual teachers will not lose credits when they transfer after two years of community college education.

If legislation is enacted, we recommend that administration funds be redirected into grants and the Student Aid Commission be funded to conduct an independent evaluation of the consolidated program.

**K-12 EDUCATION—Continued****ESEA, Title VII Funds for Bilingual Teacher Training**

*We recommend that the Department of Education and the Commission for Teacher Preparation and Licensing investigate the possibility of transferring oversight of ESEA, Title VII bilingual programs in institutions of higher education from the Department of Education to the Commission for Teacher Preparation and Licensing. They should report their findings and recommendations to the Legislature by November 1, 1980.*

During 1979-80, \$8.8 million in federal ESEA, Title VII funds is being spent in California for training bilingual teachers in institutions of higher education. At the same time, \$25.9 million, available from the same source, is being used to provide for bilingual programs in grades K-12. Responsibility for monitoring and overseeing both programs is vested in the Department of Education, at a cost of \$1.2 million in 1979-80 and \$1.4 million for 1980-81.

We recommend that a study be done of the advisability of transferring responsibility for oversight of Title VII programs in institutions of higher education to CTPL because:

- Requirements for bilingual teacher training programs are established by the CTPL, rather than by the SDE. Oversight of all credentialing programs (including bilingual programs) is vested in the CTPL.
- The Department of Education has limited contact with teacher training programs. (This is one of the reasons we recommend that management of the Bilingual Teacher Corps program be shifted to the Student Aid Commission.) Oversight of the ESEA, Title VII programs would be accomplished more efficiently if it were carried out through the CTPL.
- Monitoring bilingual training efforts in institutions of higher education appears to be a low-priority activity in the SDE bilingual unit. For example, \$53,000 (4 percent) in state operations funds was budgeted by the department for monitoring institutions of higher education (IHE's) and coordinating efforts between IHE's and other educational institutions during the current year.

At the present time, oversight of ESEA, Title VII programs is conducted pursuant to a plan submitted by the Department of Education to the federal government. Thus, transfer to the CTPL of responsibilities associated with credentialing programs in institutions of higher education would require careful planning. We recommend, therefore, that the department and CTPL investigate the possibility and advisability of making such a transfer and report their findings to the Legislature by November 1, 1980. If, after examining the matter, the Legislature wishes to make the transfer, it would do so during the 1981-82 budgetary process.

**Interagency Task Force on Bilingual Teacher Preparation**

Supplemental language to the 1979 Budget Act continued the Interagency Task Force on Bilingual Teacher Preparation. This task force is chaired by the Department of Education and includes representatives from the Student Aid Commission, the Commission for Teacher Prepara-



tion and Licensing, Chancellor's Office of the California Community Colleges, the University of California, the California State University and Colleges, the California Postsecondary Education Commission, and the Association of Independent Colleges and Universities.

The task force was assigned the responsibility of reporting to the legislative budget committee on the status of bilingual-crosscultural teacher preparation programs in California. This report was to include (a) comments on the demand and supply study for bilingual-crosscultural teachers; (b) an assessment of how the 1979-80 budget augmentations have affected the preparation of bilingual teachers; and (c) an inventory of existing state and federal resources available for the preparation of bilingual teachers.

The task force report has been received. It does not, however, include information regarding federal resources available for training bilingual teachers, nor does it include estimates of the total number of new teachers projected to receive credentials in 1979-80 and 1980-81. Representatives of the task force will be available to comment more fully on their findings during budget hearings.

#### INDIAN EDUCATION (Items 343 and 344)

##### Overview

The Indian Education unit in the Department of Education administers two separate programs intended to improve the academic performance and self-concept of Native American students. The unit consists of four positions (three professional and one clerical).

##### Indian Education Centers (Item 343)

Chapter 1425, Statutes of 1974, authorized the establishment of up to 10 Indian Education Centers to provide a variety of services to K-12 pupils and adults. Because of joint funding arrangements among some centers, 12 separate projects are now funded at an average of \$54,000 per project. The centers are administered by boards of directors and encompass many school districts. Over 3,000 students and adults are served by the centers.

State funds typically finance tutorial services to Indian school children. Other fund sources, such as Comprehensive Employment and Training Act programs, the Bureau of Indian Affairs, and federal Indian Education Act programs, are used to finance an array of educational, employment and cultural services.

Table 17 shows state administration and local assistance expenditures for the Indian Education Centers.

**Table 17**  
**Expenditures for Indian Education Centers**

	<i>Actual</i> <i>1978-79</i>	<i>Estimated</i> <i>1979-80</i>	<i>Proposed</i> <i>1980-81</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
State Operations .....	\$115,976	\$138,339	\$141,217	\$2,878	2.1%
Local Assistance.....	606,753	649,226	707,656	58,430	9.0
Totals .....	\$722,729	\$787,565	\$848,873	\$61,308	7.8%

**K-12 EDUCATION—Continued****Native American Indian Education Program (Item 344)**

Chapter 903, Statutes of 1977, continued the Indian Early Childhood Education program under the new title of Native American Indian Education program. The program provides supplemental educational services in basic skills to about 800 children in grades kindergarten through four. Funds are allotted to 10 rural districts, which implement the program at 23 schools. The average grant to a district is approximately \$27,500.

Table 18 shows state administrative and local assistance expenditures for the program.

**Table 18**  
**Expenditures for Native American Indian Education Program**

	<i>Actual</i> 1978-79	<i>Estimated</i> 1979-80	<i>Proposed</i> 1980-81	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
State Operations .....	\$23,923	\$29,307	\$29,914	\$607	2.1%
Local Assistance .....	257,580	275,611	300,416	24,805	9.0
Totals .....	\$281,503	\$304,918	\$330,330	\$25,412	8.3%

**Problems Identified**

Pursuant to supplemental language to the Budget Act of 1979, the State Department of Education prepared a zero-based budget for the Indian Education programs. Our review of information supplied by the department, together with visits to Indian centers and program sites, indicates that the current system of delivering educational services to Indians has the following problems:

1. *Limited impact.* Less than 7 percent of the estimated 50,000 Indian students in California's public schools are served by the Indian education programs.

2. *Unrealistic goals.* The legislation creating the Indian Education Centers specifies 12 objectives. Most centers have chosen to focus on one—providing tutorial services to school children. It is unrealistic, however, to expect to finance the delivery of tutorial services to all eligible students from the state allocation. Centers have been unable to hire enough tutors and provide transportation to serve all students who want tutorial service within their broad geographic areas.

3. *Administration.* Indian Education Centers have experienced extremely high turnover among center directors. Seven of the twelve centers have changed directors since the beginning of the 1979-80 fiscal year. This undoubtedly lowers administrative expertise, thereby reducing the centers' ability to generate outside funds and affecting the operation of the educational programs.

4. *Lack of coordination with school programs.* The intent of the legislation that established the Indian Centers—to strengthen the instructional program within the public schools—has not been met. Centers have had little impact on the regular school program. Some center staff indicate that they attempt to provide services outside of the schools partly because the schools are not serving Indian children through the existing programs. It may be, however, that the availability of the Indian programs and centers is causing the schools to underserve the Indian population.

**Need for Delivering Services Through the Schools**

The problems identified above could be alleviated if Indian education services were delivered through the regular school system rather than through separate centers and programs. While we recognize that schools have not tended to be highly responsive to the needs of Indian students, the state is more likely to strengthen educational opportunities for Indians by improving the responsiveness of the schools, than by attempting to rely on a separate delivery system. The schools have the funds, the programs, and the administrative support, as well as the responsibility, to meet the needs of Indian children.

**Consolidation With School Programs**

*We recommend that (1) 1980-81 be the final year in which Indian Education Centers and the Native American Indian Education Program are funded separately, (2) educational services now provided under those programs be made available through existing school programs beginning in 1981-82, and (3) the State Board of Education adopt a plan by December 1, 1980 for integrating Indian education services into the consolidated application programs.*

The School Improvement Program (SIP), ESEA Title I, and Economic Impact Aid programs (EIA) offer supplemental educational services similar to the tutorial services provided by the Indian centers and programs. Table 19 shows that in all but four of the 23 schools in the Native American Indian Education Program, one or more of these other supplementary programs are available. Thus, these programs could serve 87.7 percent of the students now served by the separate Indian programs.

**Table 19**  
**Availability of Compensatory Education Programs in**  
**Schools Receiving Indian Education Program Funds in 1978-79**

Program	Number of Schools	Indian Enrollment	
		Number	Percent
SIP <sup>a</sup> only .....	6	149	18.3%
Title I only .....	3	100	12.3
SIP and Title I .....	1	29	3.6
SIP and EIA <sup>b</sup> .....	2	23	2.8
Title I and EIA .....	1	58	7.1
SIP, Title I, EIA .....	6	355	43.6
Subtotal .....	19	714	87.7%
None .....	4	100	12.3%
Totals .....	23	814	100.0%

<sup>a</sup> School Improvement Program

<sup>b</sup> Economic Impact Aid

Although no comparable data is available for students served by Indian Education Centers, it is likely that most of the schools in which these students are enrolled also receive funds under one or more of the other compensatory programs. Because these programs are intended to meet the special needs of students, they should be providing tutorial services to eligible Indian students.

**K-12 EDUCATION—Continued**

We recommend that the department develop a plan with respect to using School Improvement Program (SIP), Title I and Economic Impact Aid (EIA) funds to serve Indian students. The following factors should be considered in developing this plan.

1. The extent to which Indian students served by Indian Centers and Programs are eligible to receive services under SIP, Title I, and EIA.
2. The extent to which Indian students are *actually served* by SIP, Title I, and EIA, in addition to being served by the separate Indian programs.
3. The means by which (1) service to Indian students could be integrated into the consolidated application process and (2) department field staff could be trained to provide assistance to schools in obtaining outside funding to enhance their Indian educational services.

We suggest that the districts now receiving Native American Indian Education Program funds and those within the service area of Indian Education Centers become the pilot sites for integrating Indian education into the consolidated application process.

**DEMONSTRATION PROGRAMS IN READING AND MATHEMATICS****Overview**

Chapter 1596, Statutes of 1969, as amended by Chapter 507, Statutes of 1977 (AB 1594), 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. Under existing law, authorization for the program will expire September 1, 1981.

In 1978-79, the program served 6,881 students in 23 schools with original demonstration programs and 2,285 students in seven schools with replication projects.

The Budget proposes a 1980-81 spending level of \$3,356,668, which includes a \$277,156 (9 percent) increase for inflation. Table 20 shows the past, current and budget year funding for this program.

**Table 20**  
**Demonstration Programs in Reading and Mathematics**

	<i>Actual</i> 1978-79	<i>Estimated</i> 1979-80	<i>Proposed</i> 1980-81	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
State Operations .....	\$79,540	\$87,929	\$88,931	\$1,002	1.1%
Local Assistance .....	3,056,291	3,079,512	3,356,668	277,156	9.0
Totals .....	\$3,135,831	\$3,167,441	\$3,445,599	\$278,158	8.8%

**Analyst's Review**

Last year in our analysis of the 1979-80 Budget Bill, we raised several questions about the demonstration programs, and stated that we would review the program in detail and report our findings and recommendations in our analysis of the 1980-81 budget bill.

Our analysis of the demonstration programs indicates that:

- *They are exemplary programs.* Programs which do not succeed are no longer funded.
- *They provide leadership to other schools with compensatory educa-*

*tion program funding.* Each year, several conferences are conducted by the demonstration program schools and attended by compensatory education people from around the state.

- *They appear to result in improved student performance.* According to evaluation data, the children enrolled in demonstration programs grow substantially towards the average for children their age. In many of the schools, the average student performs at or above grade level by year end. These results contrast sharply with those of traditional compensatory education programs in grades 7, 8 and 9 where the average student is performing at about the 24th percentile, or about 2½ years below grade level.
- *Funding often duplicates that which is available to the school from other compensatory education programs.* When the demonstration programs were enacted in 1969, no other state money was provided for educationally disadvantaged children. Since then, a number of programs for educationally disadvantaged youth have been enacted at the state level, and federal funding for ESEA Title I has grown substantially. Schools eligible for demonstration program funding are located in high poverty areas and are normally eligible to receive additional compensatory education funding.

Because of federal rules, however, it is not possible to require schools having demonstration programs to forego having other compensatory education programs. Such a requirement would lead to supplanting.

*We recommend approval.*

#### SCHOOL IMPROVEMENT PROGRAM (Item 327)

##### Overview

The School Improvement Program (SIP) authorized by Chapter 894, Statutes of 1977 (AB 65), revised and expanded the Early Childhood Education (ECE) program. SIP is aimed at restructuring education in grades K-12, whereas the ECE program served only grades K-3.

##### Funding

Table 21 shows program expenditures for the prior, current, and budget years.

**Table 21**  
**School Improvement Program Expenditures**

	<i>Actual 1978-79</i>	<i>Estimated 1979-80</i>	<i>Proposed 1980-81</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
State Operations.....	\$1,963,202	\$2,022,503	\$2,088,158 <sup>a</sup>	\$65,655	3.2%
Local Assistance .....	123,277,978	135,434,259	157,215,342 <sup>b</sup>	21,781,083	16.1
Totals.....	\$125,241,180	\$137,456,762	\$159,303,500	\$21,846,738	15.9%

<sup>a</sup> Included in Budget Bill Item 316.

<sup>b</sup> Included in Budget Bill Item 327.

As Table 21 indicates, the budget proposes that \$157.2 million be appropriated for local assistance in 1980-81. This is a \$21.8 million (16.1 percent) increase over the current year. The increase consists of a 9 percent inflation adjustment to the 1979-80 program level (\$12.2 million) and \$9.6 million to provide 1980-81 planning grants for 294,000 additional students in grades 7-12. This represents a grant of \$32.63 per student.

**Table 22**  
**School Improvement Program Participation and Local Assistance Funding by Grade Level**

	1973-74 <sup>a</sup>	1974-75 <sup>a</sup>	1975-76 <sup>b</sup>	1976-77 <sup>b</sup>	1977-78 <sup>c</sup>	1978-79 <sup>c</sup>	1979-80 <sup>c</sup>	Proposed 1980-81
<b>Grades K-3</b>								
Appropriation								
Planning .....	—	—	—	—	\$800,000	\$2,205,479	—	—
Implementation .....	\$25,000,000	\$40,000,000	\$63,200,000	\$97,450,000	113,280,000	105,893,994	\$104,596,929	\$114,010,652
Totals .....	\$25,000,000	\$40,000,000	\$63,200,000	\$97,450,000	\$114,080,000	\$108,099,473	\$104,596,929	\$114,010,652
Pupils served (ADA) .....	172,073	280,000	427,000	657,005	747,000 <sup>d</sup>	822,370 <sup>d</sup>	794,085	794,085
Percent of statewide ADA .....	14%	23%	34%	55%	62%	72%	72%	72%
<b>Grades 4-6</b>								
Appropriation								
Planning .....	—	—	—	—	\$1,200,000	\$3,853,400	—	—
Implementation .....	—	—	—	—	—	2,840,468	\$15,440,477	\$16,830,120
Totals .....	—	—	—	—	\$1,200,000	\$6,693,868	\$15,440,477	\$16,830,120
Pupils served (ADA) .....	—	—	—	—	61,000	184,942 <sup>d</sup>	192,765	192,765
Percent of statewide ADA .....	—	—	—	—	7%	21%	22%	22%
<b>Grades 7-8</b>								
Appropriation								
Planning .....	—	—	—	—	\$600,000	\$1,829,481	—	\$3,197,333
Implementation .....	—	—	—	—	—	1,271,041	\$6,007,740	6,548,437
Totals .....	—	—	—	—	\$600,000	\$3,100,522	\$6,007,740	\$9,745,770

Pupils served (ADA) .....	—	—	—	—	10,000	88,564 <sup>d</sup>	75,003	173,003 <sup>d</sup>
Percent of Statewide ADA .....	—	—	—	—	2%	15%	13%	30%
<b>Grades 9-12</b>								
Appropriation								
Planning .....	—	—	—	—	\$900,000	\$2,861,705	—	\$6,394,667
Implementation .....	—	—	—	—	—	2,155,632	\$9,389,113	10,234,133
Totals .....	—	—	—	—	\$900,000	\$5,017,337	\$9,389,113	\$16,628,800
Pupils served (ADA) .....	—	—	—	—	38,000	159,977 <sup>d</sup>	162,301	358,301 <sup>d</sup>
Percent of statewide ADA .....	—	—	—	—	3%	13%	13%	30%
<b>Combined K-12</b>								
Appropriation								
Planning .....	—	—	—	—	\$3,500,000	\$10,750,065	—	\$9,592,000
Implementation .....	\$25,000,000	\$40,000,000	\$63,200,000	\$97,450,000	113,300,000	112,161,135	\$135,434,259	147,623,342
Grand Totals .....	\$25,000,000	\$40,000,000	\$63,200,000	\$97,450,000	\$116,780,000	\$122,911,200	\$135,434,259	\$157,215,342

<sup>a</sup> Chapter 1147, Statutes of 1972 (SB 1302) authorized the Early Childhood Education (ECE) program for grades K-3 and appropriated local assistance funding for 1973-74 and 1974-75.

<sup>b</sup> The Budget Acts of 1975 and 1976 appropriated continuation funding for the ECE program.

<sup>c</sup> Chapter 894, Statutes of 1977 (AB 65) revised and expanded the ECE program to grades K-12 and appropriated funds for 1977-78, 1978-79, and 1979-80. The 1979-80 appropriation was reduced by the Budget Act of 1979.

<sup>d</sup> Includes both planning and implementation ADA.

### Participation

Table 22 shows participation and local assistance funding under SIP, by grade level.

Table 22 shows that 72 percent of grade K-3, 22 percent of grade 4-6, 30 percent of grade 7-8, and 30 percent of grade 9-12 statewide ADA are proposed to be SIP-funded in 1980-81.

Table 23 summarizes allowances per ADA from the inception of the program.

**Table 23**  
**School Improvement Program**  
**Allowances Per ADA**

	K-3		Grades			All Grades Planning
	All	EDY <sup>a</sup>	4-6	7-8	9-12	
1973-74 <sup>b</sup>	\$130	\$65	—	—	—	—
1974-75 <sup>b</sup>	130	65	—	—	—	—
1975-76 <sup>c</sup>	140	70	—	—	—	—
1976-77	140	70	—	—	—	—
1977-78 <sup>d</sup>	148	74	\$90	\$90	\$65	\$30
1978-79 <sup>e</sup>	136.75	68.38	83.16	83.16	60.06	27.32
1979-80 <sup>f</sup>	131.72	—	80.10	80.10	57.85	—
1980-81 <sup>g</sup> (proposed)	143.57	—	87.31	87.31	63.06	32.63

<sup>a</sup> Additional allowance for educationally disadvantaged K-3 pupils. This allowance is not authorized after 1978-79.

<sup>b</sup> Early childhood education program was authorized by Chapter 1147, Statutes of 1972 (SB 1302). It established these K-3 allowances per ADA.

<sup>c</sup> Budget Act of 1975 increased the K-3 allowances per ADA by 8 percent.

<sup>d</sup> Chapter 894, Statutes of 1977 (AB 65) authorized the School Improvement Program (SIP) and increased the K-3 allowances per ADA by 6 percent.

<sup>e</sup> Chapter 292, Statutes of 1978 (SB 154) reduced the AB 65 SIP appropriation by 10 percent. Statutory allowances per ADA were reduced proportionately.

<sup>f</sup> 1979-80 rates are lower than 1978-79 rates primarily because of elimination of Miller-Unruh offset.

<sup>g</sup> 1980-81 rates with exception of planning rate are proposed at 109 percent of 1979-80 rates. Proposed planning rate increase is 19.4 percent over 1978-79 rate.

### Reduce Augmentation

*We recommend that the augmentation of \$9.6 million proposed by the Governor's Budget for 1980-81 planning grants in grades 7-12 be reduced to \$7.1 million, for a savings of \$2.5 million. We recommend that this be accomplished by reducing the proposed new planning ADA of 294,000 to 237,000 (—\$1.9 million) and by reducing the allowance per ADA from \$32.63 to \$30 (—\$.6 million). (Reduce Item 327 by \$2.5 million.)*

The proposed augmentation to provide new planning grants for 294,000 grade 7-12 students represents an expansion of 124 percent over the number of grade 7-12 students in SIP in 1979-80.

Many secondary school administrators and teachers indicated that they have experienced considerable difficulty in implementing the program in their schools. The secondary school curriculum is complex, and the school environment is different from that in elementary schools. Secondary students are taught by teachers with specialties in diverse subject matters. Although it is difficult to develop a program of school improvement in this environment, planning was achieved for the 237,000 ADA initially approved for grade 7-12 SIP.

Despite these problems, secondary school administrators, teachers, stu-



dents and parents in the participating school districts we have visited are generally supportive of the SIP program. We were impressed with the intensive planning coordination efforts being exerted. The programs which we reviewed are designed to meet the objectives of AB 65. Based on impressions from field reviews, some expansion appears justified.

Because there is no evaluation data for the secondary program, there is no analytical basis on which to determine the appropriate size of any expansion. Our analysis indicates, however, that expansion in the budget year should not exceed 100 percent. This would involve the same amount of planning that was approved when the program was first extended to grades 7-12. This planning was achieved with some difficulty. A 100 percent expansion of the program in these grades in 1980-81 would provide new planning grants for 237,000 additional grade 7-12 students. Our recommendation to reduce planning represents a General Fund savings of \$1.9 million from the amount proposed by the Governor's Budget.

#### **1981-82 SIP Costs**

A decision to provide new planning funds in 1980-81 will, in effect, commit the state to further increase in the appropriation for SIP in 1981-82. The 1981-82 cost of implementation of the proposed 1980-81 planning grants would be approximately \$20.9 million. By reducing the number of grade 7-12 students from 294,000 to 237,000, the 1981-82 implementation cost would be approximately \$16.8 million. This would result in a 1981-82 savings of \$4.1 million.

#### **Reduce Allowance Per ADA**

The proposed expansion in 1980-81 would provide a planning allowance per ADA of \$32.63. This is a 19.4 percent increase over the 1978-79 allowance of \$27.32.

We were advised by some SIP secondary school administrators that the 1978-79 planning allowance per ADA of \$27.32 was more than adequate to finance the necessary planning. This appears to be the case statewide. We are therefore recommending that the 1980-81 planning allowance be reduced to \$30.00. This would be an increase of \$2.46 (9.8 percent) over the 1978-79 allowance. While this is below the rate of inflation, it is reasonable based on our evaluation.

A planning grant allowance per ADA of \$30.00 would result in an additional General Fund savings of \$.6 million.

#### **Department Evaluation**

The Department of Education's 1978-79 Evaluation Report on Consolidated Application Programs assesses the scholastic achievement of SIP pupils in grade 3 but does not provide any achievement information on SIP pupils in grades 7-12. The Department of Education plans to issue a report during 1979-80 on the "Characteristics of Secondary Schools Participating in School Improvement Programs."

The department's most significant findings with regard to the scholastic achievement of SIP pupils in grade 3, based on 1978-79 California Assessment Program test results, are as follows:

- Third grade student reading achievement in SIP schools is generally

**K-12 EDUCATION—Continued**

higher than it was in the baseline year before these schools entered SIP.

- Students in SIP schools made greater progress in reading achievement from grade 2 to grade 3 than students in comparable non-SIP schools.
- A comparison of 1978-79 residual scores for SIP students (the difference between actual and predicted scores based on first grade entry level tests and other background information) with the residual scores for these students in the baseline year before they entered SIP shows that most schools have improved their achievement.
- The extent of improvement must be questioned, however, because over 700 (31 percent) SIP schools performed worse than predicted from the baseline year to 1978-79.

**Independent Evaluation**

Chapter 894, Statutes of 1977 required the Department of Education to conduct an independent evaluation of the School Improvement Program (SIP), and provided \$1 million over a five-year period for the evaluation. The department awarded a contract to conduct the evaluation to the UCLA Center for the Study of Evaluation.

The 1979 Budget Act directed the department to end the contract with UCLA under terms of mutual convenience. Pursuant to the termination agreement, UCLA submitted three reports on the work conducted between November 1978 and September 1979. UCLA received \$217,000 for this work.

The 1979 Budget Act also directed the department to contract with a new independent firm for an evaluation of SIP. A total of \$783,000 is available for the new contract.

The sunset provisions of AB 8 schedule SIP for termination on June 30, 1983. It is possible that a new evaluation contract could be developed to provide the information needed to meet the sunset requirements. We will report further on this issue during budget hearings.

**MILLER-UNRUH READING PROGRAM (Item 333)****Overview**

The Miller-Unruh Reading Program is designed to upgrade the reading achievement of low performing K-3 or alternatively 4-6 pupils. The program provides state funds to school districts that are mainly used to employ reading specialists.

Table 24 shows Miller-Unruh program participation and funding since 1977-78.

As Table 24 shows, the Governor's Budget requests an appropriation of \$15.3 million for local assistance in 1980-81. This is a \$1.3 million (9 percent) increase over the 1979-80 funding.

Table 24 also indicates that an estimated 1,100 Miller-Unruh teachers are being funded in 1979-80. This is an increase of 112 (11.3 percent) over the number funded in 1978-79. Funding for the same number is proposed for 1980-81.

**Table 24**  
**Miller-Unruh Reading Program**  
**Participation and Local Assistance Funding Since 1977-78**

Factor	Actual 1977-78	Actual 1978-79	Estimated 1979-80	Proposed 1980-81	Change	
					Amount	Percent
Appropriation (General Fund) .....	\$14,680,625	\$14,005,317	\$14,005,317	\$15,265,796 <sup>a</sup>	\$1,260,479	9.0%
Number of districts ..	191	170	190	190	-	-
Number of teachers ..	1,204	988	1,100	1,100	-	-
Estimated statewide average elementary teacher's salary .....	\$15,520	\$16,350	\$17,370	\$18,933 <sup>b</sup>	\$1,563	9.0
Average amount paid per full year position <sup>c</sup> .....	\$11,640	\$15,450	\$13,000	\$14,170	\$1,170	9.0
Percent of statewide average elementary teacher's salary paid .....	75%	94%	75%	75%	-	-

<sup>a</sup> Budget Bill Item 333.

<sup>b</sup> Assumes 9 percent statewide average elementary teacher's salary increase.

<sup>c</sup> Some Miller-Unruh teachers qualify for only part year subsidies.

#### **Miller-Unruh Offset**

The primary reason for the increase in Miller-Unruh teachers is that the 1979 Budget Act eliminated the Miller-Unruh offset during 1979-80. Previously, the SIP grant to a school was reduced ("offset") by the amount of the Miller-Unruh grant. The budget proposes eliminating the offset for 1980-81. This will permit Miller-Unruh schools to receive full funding for both Miller-Unruh and SIP.

The increase in the number of Miller-Unruh teachers in 1980-81 was accomplished with no increase in the General Fund appropriation because the state subsidy per teacher was reduced from 94 percent of the statewide average elementary teacher salary in 1978-79 to 75 percent in 1979-80. This support level is also projected for 1980-81.

*We recommend approval.*

#### **CONSOLIDATED PROGRAMS DIVISION**

The department reorganized its elementary and secondary field services units into the Consolidated Programs Division, effective January 1, 1980. The division is responsible for administrative support of elementary and secondary categorical programs.

#### **Funding**

Consolidated Programs Division funding for 1980-81 totals \$7,775,179, of which \$3,464,389 (44.6 percent) is state and \$4,310,790 (55.6 percent) is federal. Of the \$4.3 million in federal funds, \$731,660 is ESEA Title V-B, general federal aid for strengthening the management of the Department of Education. Table 25 shows the proposed sources of funding for the 1980-81 budget program.

## K-12 EDUCATION—Continued

**Table 25**  
**Consolidated Programs Division**  
**1980-81 Funding**

<i>Source</i>	<i>Amount</i>	<i>Percent</i>
State .....	\$3,464,389	44.6%
Federal:		
Title I .....	\$3,142,696	40.4%
Title IV-B .....	436,434	5.6
Title V-B .....	731,660	9.4
Subtotals .....	\$4,310,790	55.4%
Totals .....	\$7,775,179	100.0%

**Staffing**

The budget proposes to fund 142 positions in the Consolidated Programs Division, as presented in Table 26.

**Table 26**  
**Consolidated Programs Division**  
**1980-81 Staffing**

<i>Position</i>	<i>Number of Positions</i>	<i>Percent of Total</i>
Administrators .....	12	9%
Consultants .....	63	44
Analysts .....	16	11
Clerical .....	51	36
Totals .....	142	100%

**Organization**

The Consolidated Programs Division is subdivided into nine separate units, each of which has its own function. A total of \$4.1 million (52 percent) is budgeted for personal services and \$3.7 million (48 percent) is budgeted for operating expenses and equipment (OEE). The central management of the Consolidated Programs Division is budgeted at \$410,504. These funds are generated via indirect costs charged to the other units. Table 27 shows the division's units and proposed expenditures.

**Zero Based Budget Analysis**

*We recommend that the department support budget, Item 316, not be approved until a final zero based budget is reviewed by the Legislature.*

Supplemental language in the 1979 Budget Act directed the Department of Education to submit by November 1, 1979, a zero base budget for its elementary and secondary field services units in 1980-81. Prior to January 22, 1980, we had received two "drafts" but no final report. The final report was submitted on January 22. Consequently, we were unable to analyze the proposed funding level.

We recommend that the department support budget Item 316 not be approved until a final zero based budget is reviewed by the Legislature. We withhold recommendation on Item 316 pending review of the final report. We will submit recommendations during budget hearings.

**Table 27**  
**Consolidated Program Division Unit**  
**Organization and Expenditures**  
**1980-81**

	<i>Personal Services</i>	<i>OEE</i>	<i>Total</i>
<b>A. Field Services:</b>			
District Services Unit .....	\$725,462	\$445,620	\$1,171,082
Elementary and Secondary School Services Units (3) ..	1,347,899	940,146	2,288,045
Consortia Services Unit .....	338,925	265,880	604,805
Subtotals .....	\$2,412,286	\$1,651,646	\$4,063,932
<b>B. Support Services:</b>			
Development and Training Unit .....	\$608,117	\$1,379,694	\$1,987,811
Resources Center Unit .....	140,642	116,359	257,001
Centralized Services Unit .....	273,359	192,397	465,756
Management Development and Compliance Monitor- ing Unit.....	502,117	498,562	1,000,679
Subtotals .....	\$1,524,235	\$2,187,012	\$3,711,247
<b>Totals .....</b>	<b>\$3,936,521</b>	<b>\$3,838,658</b>	<b>\$7,775,179</b>

## 2. SPECIAL EDUCATION

### Overview

Special Education includes (1) apportionments for regular program special education, (2) support for the Master Plan for Special Education, and (3) support for the Special Schools. Special education services are provided to students who are blind, deaf, orthopedically handicapped, multi-handicapped, educationally handicapped, and educable and trainable mentally retarded.

### Enrollment

In 1978-79 approximately 349,000 disabled students received services in special education programs, as shown in Table 28. Students with speech impairments and specific learning disabilities comprise 66 percent of those served.

**Table 28**  
**Unduplicated Count of Pupils Served**  
**by Special Education**  
**(February 1, 1979)**

	<i>Pupils</i>	<i>Percent</i>
Mentally Retarded.....	36,537	10.5%
Hard of Hearing.....	3,018	0.9
Deaf.....	3,410	1.0
Deaf-Blind .....	207	0.1
Speech Impaired .....	109,809	31.4
Visually Handicapped .....	2,856	0.8
Emotionally Disturbed .....	25,717	7.4
Orthopedically Impaired .....	8,198	2.3
Other Health Impaired .....	35,672	10.2
Specific Learning Disability .....	120,840	34.6
Pregnant and Drug Dependent Minors.....	2,965	0.8
<b>Totals <sup>a</sup> .....</b>	<b>349,229</b>	<b>100.0%</b>

<sup>a</sup> Totals do not include approximately 1,200 children in state special schools.

## K-12 EDUCATION—Continued

## Expenditures

Table 29 shows state and federal expenditures for special education. It shows that total expenditures for special education will increase by approximately \$90 million, or 15.9 percent, in 1980-81, of which \$70 million will come from the General Fund. The increase is due primarily to (1) the expansion of the Master Plan for Special Education and (2) the relocation of the Schools for the Deaf and Blind, Berkeley.

The budget anticipates that California will receive \$103.4 million in federal PL 94-142 funds in 1980-81. More recently, however, the department estimated that the state would receive approximately \$76 million. The Budget Bill contains language to adjust the General Fund appropriation for the Master Plan if federal funds are less than the budgeted amount.

**Table 29**  
**Special Education Program Expenditures**  
**and Funding**

	<i>Actual</i> <i>1978-79</i>	<i>Estimated</i> <i>1979-80</i>	<i>Proposed</i> <i>1980-81</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
1. State Operations:					
A. State Administration .....	\$3,452,028	\$5,434,744	\$5,374,284	\$-60,460	-1.1%
B. Clearinghouse Depository .....	335,308	393,745	342,887	-50,858	-12.9
C. Southwest Deaf-Blind Center .....	1,204,770	1,235,000	1,173,250	-61,750	-5.0
D. Special Schools .....	22,296,113	27,609,202	30,611,291	3,002,089	10.9
Subtotals .....	\$27,288,219	\$34,672,691	\$37,501,712	\$2,829,021	8.2%
2. Local Assistance:					
A. Apportionments .....	\$236,915,187	\$236,700,000	\$198,600,000	\$-38,100,000	-16.1%
B. Master Plan .....	101,424,174	200,804,143	308,004,143	107,200,000	53.9
C. Sheltered Workshops .....	180,000	190,800	207,972	17,172	9.0
D. Development Centers .....	14,523,400	10,956,380	9,435,454	-1,520,926	-13.9
E. Education for All Handicapped (PL 94-142) .....	48,058,514	83,456,357	103,400,203	19,943,846	23.9
Subtotals .....	\$401,101,275	\$532,107,680	\$619,647,772	\$87,540,092	16.5%
Totals .....	\$428,389,494	\$566,780,371	\$657,149,484	\$90,369,113	15.9%
General Fund .....	\$374,094,649	\$475,657,659	\$546,221,310	\$70,563,651	14.8%
Federal funds .....	50,975,340	88,419,754	108,089,147	19,669,393	22.2
Reimbursements .....	3,319,505	2,702,958	2,839,027	136,069	5.0
Positions .....	1,067.9	1,148.8	1,188.3	39.5	3.4%

## APPORTIONMENTS FOR SPECIAL EDUCATION

## Overview

Table 30 shows the regular apportionments for special education that are allocated to districts not operating Master Plan programs. These funds are distributed according to formulas in law. The budget shows a reduction of \$38.1 million in these apportionments. This does not indicate any reductions in services to special education participants; it is due to the expansion of Master Plan and the corresponding reduction in the number of pupils to be served in non-Master Plan programs.

**Table 30**  
**General Fund Apportionments for Special Education**

Category	Actual 1978-79	Estimated 1979-80	Proposed 1980-81	Change	
				Amount	Percent
Sedgwick Act <sup>a</sup> .....	\$9,592,256	\$11,300,000	\$9,800,000	\$-1,500,000	-13.3%
Physically Handicapped ..	112,977,289	112,300,000	94,300,000	-18,000,000	-16.0
Mentally Retarded .....	20,284,925	19,100,000	15,900,000	-3,200,000	-16.8
Special Transportation ....	17,081,838	17,000,000	14,300,000	-2,700,000	-15.9
Educationally Handi- capped .....	76,978,879	77,000,000	64,300,000	-12,700,000	-16.5
Totals .....	\$236,915,187	\$236,700,000	\$198,600,000	\$-38,100,000	-16.1%

<sup>a</sup> State support for students in private special schools.

#### Revised Estimate Needed

*We recommend that the Department of Finance revise its proposed appropriation for special education apportionments. The revision should be based on the 1979-80 pupil count.*

The budget includes \$198,600,000 for special education apportionments. This is based on the projected number of handicapped pupils who will be enrolled in non-Master Plan districts in 1980-81. The Department of Finance currently estimates that special education enrollment will grow 4 percent in these districts, but the budget estimate for apportionments does not reflect the enrollment increase.

To fund an enrollment increase of 4 percent, special education apportionments would have to be augmented by \$9.5 million. The specific amount required, however, will depend on analysis of the 1979-80 pupil count, which will be available prior to the budget hearings. We recommend that the Department of Finance submit a revised appropriation request based on the actual pupil count, once it is available. A similar revision should be made in the master plan appropriation.

#### Program Termination

Chapter 282, Statutes of 1979 (AB 8), terminates all special education programs on June 30, 1981 unless legislation is enacted to continue them.

#### State Administration

*We recommend that one special education consultant position be eliminated, for a General Fund savings of \$47,039 (Reduce Item 316 by \$47,039).*

Chapter 1143, Statutes of 1979 (SB 1149), provides that those special education fair hearings which are appealed to the State Department of Education must be conducted by a hearing officer who is under contract to the department. Previously, two consultants in the department's Office of Special Education conducted these hearings.

Because Chapter 1143 contains provisions which will increase the number of fair hearings appealed to the state, the department assigned one of the two consultants to coordinate the hearing process. The other consultant position, however, is no longer necessary and we recommend that it be eliminated.

**K-12 EDUCATION—Continued****Eligibility Criteria Not Developed**

Chapter 1247, Statutes of 1977 (AB 1250), directed the State Board of Education to develop, by January 1, 1979, specific criteria for identifying pupils eligible for special education services. As of January 1980, the Department of Education had not submitted such criteria for approval by the Board.

Special education administrators have acknowledged that, in the absence of clear standards for identifying handicapped pupils, there is a tendency to classify as "handicapped" children who are "low achievers". Pupils requiring remedial reading assistance, for example, are sometimes placed in special education programs because an appropriate alternative, such as the Miller-Unruh program, is unavailable.

The absence of specific identification criteria has apparently led to improper placements and accelerated the increase in special education costs. Consequently, it is imperative that the department develop these criteria promptly. We will address this issue during the budget hearings if criteria have not been adopted by that time.

**Equalization**

*We recommend that legislation be introduced to apply an equalization factor to revenue limits for county special classes for handicapped children.*

Special classes for handicapped children are operated by school districts and county offices of education. Revenue limits for county-run classes are based on expenditures for these classes in 1972-73. Since then, the limits have been adjusted for inflation but have not been equalized. Special class expenditures varied considerably in 1972-73, and the percentage adjustments have exacerbated these differences. As a result, some counties have high cost special classes, whereas others operate relatively low cost programs, even though both serve children with comparable handicaps. This is shown in Table 31.

**Table 31**  
**Expenditures of Selected County Special Classes**  
**for Handicapped Pupils, 1977-78**

<i>County</i>	<i>Type of Class and Expenditures Per Class</i>		
	<i>Hearing</i>	<i>Orthopedic</i>	<i>Trainable Mentally Retarded</i>
Los Angeles .....	\$58,659	\$63,897	\$55,899
Marin .....	43,784	60,164	49,224
Mendocino .....	21,981	18,127	39,273
Napa .....	22,735	35,961	33,906
San Bernardino .....	28,321	30,551	36,197
San Mateo .....	82,291	82,910	75,465
Sonoma .....	11,458	-	33,189

Source of data: Department of Education

These county-run classes are funded primarily by the state and should be supported in a manner consistent with the financing of classes operated by the districts. Consequently, we recommend that legislation be enacted



to equalize county special education revenues and expenditures. Because Master Plan programs are already equalized, this legislation would be applicable only to non-Master Plan counties.

### MASTER PLAN FOR SPECIAL EDUCATION

#### Overview

Chapter 1532, Statutes of 1974 (AB 4040), 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 in fiscal years 1975-76, 1976-77, and 1977-78.

Chapter 1247, Statutes of 1977 (AB 1250) authorized the continuation of the existing ten programs and the full statewide expansion of the MPSE. Funding appropriated in Chapter 894, Statutes of 1977 (AB 65), provided for seven additional programs in 1978-79 and five new ones (designated "Special Education Service Regions") in 1979-80.

The existing 22 Special Education Service Regions are listed in Table 32.

**Table 32**  
**Master Plan Special Education Service Regions, 1979-80**

	<i>Enrollment (est.)</i>
Contra Costa .....	7,253
Humboldt/Del Norte .....	3,147
Los Angeles (Area 4) .....	5,027
Sacramento .....	5,081
San Juan .....	4,880
Santa Barbara .....	5,100
Santa Monica .....	1,360
Stanislaus .....	5,843
Tulare .....	5,752
Whittier .....	4,923
Glenn .....	622
Fresno .....	4,120
Merced .....	3,725
Riverside .....	12,045
Santa Clara (Zone 1) .....	3,141
Santa Cruz .....	2,891
San Diego .....	11,653
Los Angeles (Area 1) .....	6,000
Orange Unified .....	3,204
Santa Clara (Zones 2,7) .....	5,519
W. Orange .....	7,000
W. San Bernardino .....	4,518
Total .....	112,804

#### Master Plan Enrollment and Placement

Table 33 shows the enrollment, by type of disability and instructional placement, in 17 Special Education Service Regions as of February 1, 1979. Comparable data for the 1979-80 year, which would cover 22 Master Plan service regions, are not available at this time.

## K-12 EDUCATION—Continued

Table 33  
Master Plan Enrollment  
February 1, 1979  
(17 Service Regions)

<i>Type of Disability</i>	<i>Number of Pupils</i>	<i>Percent</i>
Communicatively Handicapped.....	20,729	26.7%
Learning Handicapped.....	45,648	58.7
Physically Handicapped.....	6,785	8.7
Severely Handicapped.....	4,575	5.9
Totals.....	77,737	100.0%
<i>Instructional Placement</i>		
Special Class.....	19,867	25.6%
Resource Specialist.....	27,867	35.9
Designated Instruction and Services.....	29,423	37.8
Nonpublic School.....	580	0.7
Totals.....	77,737	100.0%

**Master Plan Implementation in 1979-80**

In 1979-80, eight Special Education Service Regions were scheduled to implement the Master Plan. Three chose not to. The principal reason given by administrators in these three regions (West San Gabriel, Marin County, and Butte County) is that they expect to receive more state funding by remaining in the non-Master Plan program. This is due to differences in the distribution of funds.

In AB 8, state funds are provided to non-Master Plan counties to guarantee revenue limit amounts for county-run special classes. A separate allocation is provided for Master Plan counties, but these funds are appropriated to the Department of Education and subsequently allocated to Master Plan service regions on a basis that guarantees equal funding per pupil.

Because of this situation, non-Master Plan counties with a high proportion of their handicapped children enrolled in county-run special classes, and with relatively high cost (high revenue limit) classes, will receive greater state allocations in the non-Master Plan program than in the Master Plan program. Marin and Butte counties fit this description.

Administrative officials in West San Gabriel explain that they would have implemented the Master Plan if guaranteed the same funding level as existing Master Plan regions. Such funding, however, is dependent upon a sufficient amount of surplus funds being transferred from special education apportionments to Master Plan funding. It is now estimated that this additional funding will be made available to the Master Plan in the current year, but it is too late for West San Gabriel to change its decision.

**Expansion of the Master Plan**

AB 65 included an expression of legislative intent that the Master Plan be expanded to include 55 percent of all special education enrollments in 1980-81 and implemented statewide in 1981-82. Table 34 shows the expansion of the Master Plan since its implementation in 1976-77, and the Department of Education's projections for 1980-81 and 1981-82. The department requested funding to expand the Master Plan to the 55 percent enrollment level in 1980-81 (207,800). The budget proposes expansion to the 45 percent enrollment level (169,965).

**Table 34**  
**Department of Education Projection**  
**Special Education Enrollments**  
**and Master Plan Expansion**

	<i>Actual</i> <i>1976-77</i>	<i>Actual</i> <i>1977-78</i>	<i>Actual</i> <i>1978-79</i>	<i>Estimated</i> <i>1979-80</i>	<i>Proposed</i> <i>1980-81</i>	<i>Projected</i> <i>1981-82</i>
Master Plan .....	41,641	43,711	78,137	112,800	207,800 <sup>a</sup>	420,000
Nonmaster Plan .....	302,925	291,711	271,176	250,400	169,900	—
Totals .....	344,566	335,422	349,349	363,200	377,700	420,000
Percent in Master Plan .....	12.1%	13.0%	22.4%	31.0%	55.0% <sup>a</sup>	100.0%

<sup>a</sup> Governor's Budget funds 169,965 (45 percent).

Source of date: Department of Education

In deciding how much to expand the Master Plan, the Legislature should consider the following:

- The 55 percent level is consistent with the phase-in schedule assumed when AB 1250 and AB 65 were enacted.
- As shown in Table 35, the estimated net state savings that would result from limiting expansion to 45 percent is \$23 million. This would be a one-year saving.
- Because the cost of Master Plan expansion is primarily due to state-funded relief of local district support, most of the savings that the state would realize by limiting expansion would be offset by costs to those districts which would be precluded from adopting the Master Plan program. In other words, limiting Master Plan expansion does not significantly reduce government costs; it primarily allows the state, rather than local districts, to realize savings.

**Table 35**  
**State Cost of Master Plan Implementation**  
**(in millions)**

	<i>Master-Plan</i> <i>Implementation</i>		
	<i>45%</i>	<i>55%</i>	<i>Difference</i>
Master Plan appropriation .....	\$307.4 <sup>a</sup>	\$365.2	\$57.8
Non-Master Plan apportionments .....	198.6	165.5	-33.1
DCH .....	9.4	7.7	-1.7
Sheltered Workshops .....	0.2	0.2	0
Totals .....	\$515.6	\$538.6	\$23.0

<sup>a</sup> Budget proposal is adjusted by \$600,000 per estimate of Legislative Analyst. This is discussed in the review of the Master Plan.

#### **Level of Local Support**

Special education legislation has, in the past, been based on the assumption that the state should fund a significant portion of the "excess costs" of serving handicapped pupils (that is, costs in excess of what can be covered by federal aid and district revenue limits). Most districts have found it necessary to use local general fund money to support special education. There is a significant difference, however, between the amount of local support provided by Master Plan and non-Master Plan districts. According to the department, the average local general fund transfer to

**K-12 EDUCATION—Continued**

special education programs in the current year is estimated at \$101 per pupil in Master Plan districts, compared to \$581 per pupil in non-Master Plan districts.

The Governor's Budget is based on the assumption that the local contribution per pupil in the new Master Plan districts will be reduced to the level provided in existing Master Plan service regions (\$101). The state cost of providing this "local relief" is about \$20 million, and is included in the budget appropriation for the Master Plan.

The "fiscal relief" component of the Master Plan is consistent with legislative intent. The Legislature, however, may wish to consider eliminating it through a maintenance of effort requirement if, in the future, state expenditures need to be reduced.

**Allocation of Master Plan Funds**

Under AB 1250, Master Plan funds were to be allocated to cover the cost of services. For example, \$24,460 was to be provided for each resource specialist program. Currently, however, the department allocates state funds so that each Special Education Service Region is guaranteed the same amount of total funds (federal, state and local revenue limits) per pupil. The current year funding level is \$2,296 per pupil.

This allocation system has the following adverse effects:

- It provides a fiscal, rather than programmatic, incentive to identify mildly handicapped children, because such children can be served at a cost which is below the per pupil funding level.
- It does not reflect cost differentials among the service regions. Agencies with low cost programs may be overfunded, whereas those with high cost programs tend to be underfunded.

**Cost-of-Service Based Funding Model**

To ensure that Master Plan funds are allocated as intended by AB 1250, the Budget Bill contains control language which will require the Department of Education to use a cost-of-service based allocation model. The allocation model selected will have to be approved by the Department of Finance and submitted to the Joint Legislative Budget Committee before it is implemented.

**Table 36**  
**Master Plan Funding Alternative<sup>a</sup>**

<i>Service Component</i>	<i>1980-81 Allowance</i>
1. Special classes and centers .....	\$31,143/class
2. Resource specialist program .....	30,172/program
3. Designated instruction and services (DIS) .....	26/hour
4. Nonpublic schools .....	7,148/pupil
5. Special transportation .....	820/ADA
6. Identification, assessment, and planning .....	160/pupil
7. Management and support .....	667/pupil

<sup>a</sup> Staffing assumptions:

10 pupils per special class

24 pupils per resource specialist program

DIS hours = 2 hours/week/pupil in groups of four.

Source: State Department of Education.

Our analysis suggests that a cost-of-service based model is preferable to the current system. We have reviewed two cost-of-service based funding models developed by the department. Our review indicates that one of these models is preferable. This model includes allowances for seven service components and is shown in Table 36.

The first four cost allowances in this model are based on statewide average costs, adjusted for inflation. The last three categories are based on allowances specified in AB 1250, also adjusted for inflation.

Under this allocation system, funds would be allocated in the following order of priority: direct instructional costs (components 1-4), transportation, identification and assessment, and management and support. If available funds are not sufficient to cover projected costs, adjustments would be made in the lowest priority components.

Our analysis indicates that the following refinements to this funding model would help to avoid problems which have arisen in recent years:

- Direct instructional cost allocations to existing Master Plan regions should be differentiated according to prior year costs (regional, rather than statewide averages).
- Similarly, year-end adjustments should be made for new Master Plan regions to reflect actual costs incurred.
- Data should be collected to derive actual costs for transportation, identification and assessment, and management and support. The AB 1250 allowances for these components are not based on cost analysis.

#### **Master Plan Appropriation**

*We recommend that the Master Plan appropriation be reduced by \$600,000 (General Fund) to correct a technical error in estimating the required level of funding. (Reduce Item 335 by \$600,000.)*

The budget proposes a \$308 million appropriation for the Master Plan. In deriving this figure, district and county resources are deducted from total funding requirements. The Department of Finance estimated that Master Plan districts will receive \$70.7 million in revenue limit funds for special class and nonpublic school pupils in 1980-81. Our analysis indicates that, due to an error in estimating the number of pupils who will be in special classes, this amount is understated by \$600,000. This results in a corresponding overestimate of the required Master Plan appropriation.

#### **Auditor General Report**

In response to supplemental language accompanying the Budget Act of 1979, the Auditor General is preparing a study of potential economies which can be effected in the Master Plan program. The report is expected in February.

#### **Federal Health Program Funds**

In December 1979, our office was asked to examine the availability of federal health program resources to finance educationally-related services for handicapped children. We are currently investigating the matter, and will discuss this issue during the budget hearings.

**K-12 EDUCATION—Continued****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. Chapter 894, Statutes of 1977 (AB 65), provided \$1 million over a five-year period for the contract. SRI was selected as the contractor.

SRI has submitted one major and five smaller interim reports. Its final report is due in January 1982. We have requested the department to ask SRI to be present during budget hearings to comment on its evaluation.

**SPECIAL SCHOOLS (Item 323)****Overview**

The state operates six special schools for handicapped minors (deaf, blind, neurologically handicapped, and multihandicapped) who reside in school districts that do not offer adequate special education services. Funds to support the schools are shown in the state operations section of the Governor's Budget but are discussed here in order to provide continuity of program discussion.

Table 37 summarizes the enrollment and the cost per full time equivalent (FTE) pupil in the special schools. Costs per residential pupil at the diagnostic schools are divided into educational and residential components.

**Table 37**  
**Enrollment and Cost per Student in Special Schools<sup>a</sup>**

	<i>Actual 1978-79</i>		<i>Estimated 1979-80</i>		<i>Proposed 1980-81</i>	
	<i>FTE Enrollment</i>	<i>Cost Per Student</i>	<i>FTE Enrollment</i>	<i>Cost Per Student</i>	<i>FTE Enrollment</i>	<i>Cost Per Student</i>
School for the Blind <sup>b</sup> .....	116	\$19,772	116	\$25,821	130 <sup>c</sup>	\$24,389
School for the Deaf—						
Berkeley <sup>b</sup> .....	517	10,822	523	14,604	550 <sup>c</sup>	14,837
School for the Deaf—Riverside	524	12,775	520	16,464	522	16,861
Diagnostic School—North						
Assessment .....	141	1,852	170	1,671	170	1,751
Education .....	40	9,943	40	14,154	40	14,839
Residential .....	40	20,628	40	24,553	40	25,740
Diagnostic School—Central						
Assessment .....	155	1,576	170	1,576	170	1,662
Education .....	40	9,300	40	13,357	40	14,078
Residential .....	40	19,295	40	23,169	40	24,420
Diagnostic School—South						
Assessment .....	152	1,716	170	1,694	170	1,728
Education .....	40	9,933	40	14,353	40	14,644
Residential .....	40	20,606	40	24,897	40	25,402

<sup>a</sup> Does not include federal projects.

<sup>b</sup> Does not include one-time relocation costs for 1980-81.

<sup>c</sup> Reflects expansion related to space in new facilities.

**Budget Augmentations**

The budget proposes a General Fund appropriation of \$27,472,064 for the special schools in 1980-81, an increase of \$2,858,394 (11.6 percent) over the current year. This increase is due primarily to relocation costs and increased staffing requirements at the new facilities housing the Schools for the Deaf and Blind at Fremont.

Budget augmentations include \$518,933 for 33.5 new positions and \$1,700,000 for the cost of moving equipment and personnel to the Fremont site. The new positions consist of the following:

School for the Deaf, Berkeley: five night attendants, eight counselors, two laborers, 2.5 food service workers, three teachers, one work experience coordinator, and one speech therapist (\$334,680).

School for the Blind, Berkeley: two night attendants, three counselors, three orientation-mobility instructors, and one teacher (\$144,211).

School for the Deaf, Riverside: two speech therapists (\$40,042).

**Review of Staffing**

The Department of Finance is conducting a study of staffing needs at the special schools. Results of this review are expected in March. We withhold recommendation on the budget augmentations, pending receipt of the staffing study.

**Section 27.2 Budget Reductions**

Included in the department's budget reductions made pursuant to Section 27.2 of the Budget Act of 1979 are five positions in the special schools. These reductions permit a savings of \$78,160. The five positions have been automatically restored in the 1980-81 budget and should be reviewed by the Department of Finance in its staffing study.

**Residential Policy**

*We recommend that the Department of Education adopt regulations whereby special school students from nearby districts will not be permitted to reside at the school unless granted a waiver by the department.*

Data collected by the Department of Finance reveal that many residential pupils at the state schools for the deaf and blind are from districts which also send day pupils to these schools. The department intends to implement a new residential policy whereby pupils residing within a specified distance or transportation time from the schools will have to attend as day students.

We have asked the department to develop the new residential policy prior to the budget hearings, and to submit to the Legislature an estimate of the number of pupils affected and the reductions in residential care staff and operating expenses that will result from implementing the new policy. The department expects to respond in February.

**Admission Policy**

*We recommend that admission procedures for the State Schools for the Deaf be modified to ensure that admission is provided only for pupils who cannot obtain an appropriate program at the local district level.*

Admission procedures for the California State Schools for the Deaf do not require the pupil's local education agency to specify whether an ap-

**K-12 EDUCATION—Continued**

propriate educational program is available at the local level. This is contrary to the Education Code, which specifies that the state schools shall be for those pupils who "cannot be provided an appropriate educational program and related services in the regular school program".

The Department of Finance, in its January 1979 report on the special schools, maintains that the current procedure has led to improper placements. Although the Department of Education intends to revise the admission procedures, it has not done so to date. We recommend that the Legislature review the matter.

### 3. OTHER CATEGORICAL AID PROGRAMS DRIVER TRAINING/TRAFFIC SAFETY EDUCATION

**Overview**

The driver training program consists of behind the wheel driver training (laboratory phase) and classroom driver education. In addition, the department administers various state and federal traffic safety programs.

There are 4.8 positions budgeted in 1980-81 to perform state operations associated with driver training, at a cost of \$276,053 to the Driver Training Penalty Assessment Fund (DTPAF). Reimbursements to school districts for regular and handicapped driver training are limited to \$60 and \$200 per ADA, respectively, and are paid from the DTPAF. In 1978-79, there were 259,190 regular students and 4,619 handicapped pupils in the program. Classroom driver education is funded through regular state apportionments and local revenue.

Table 38 shows the total allocation made to school districts for driver training in the past, current and budget years.

**Table 38**  
**Allocations for Driver Training**

	<i>Actual</i> <i>1978-79</i>	<i>Actual</i> <i>1979-80</i>	<i>Proposed</i> <i>1980-81</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
Regular .....	\$18,897,736	\$16,269,323 <sup>a</sup>	\$18,898,000	\$2,628,677	16.2%
Handicapped .....	901,918	858,586	902,000	43,414	5.1
Totals .....	\$19,799,654	\$17,127,909	\$19,800,000	\$2,672,091	15.6%

<sup>a</sup> Decrease due to elimination of summer school programs (Proposition 13 impact).

**Program Elimination**

Last year we recommended (1) elimination of the driver training program for nonhandicapped students and (2) repeal of the code provision requiring that persons under 18 years of age must complete driver training before they are eligible to obtain a license. The program was funded by the Legislature, but the Budget Act included language which would have precluded expenditure of the funds if legislation to repeal the licensing requirement were enacted by September 1, 1979. Such legislation was not enacted. Consequently, the program was funded in 1979-80.



### Evaluation

Chapter 282, Statutes of 1979 (AB 8) lists driver training as one of the programs which will be terminated on June 30, 1981, unless legislation is enacted to continue it. Chapter 282 also calls for a study of each program scheduled for termination. This study, however, has not yet begun. Previous studies of driver training have not substantiated the effectiveness of the program in achieving the objective of decreasing the number of automobile accidents.

Although we continue to be concerned about the lack of evidence showing that the program is effective, we are not recommending elimination of the program at this time, given the scheduled termination at the end of the budget year.

### Federal Study

A federal study of driver education and training, funded by the National Highway Traffic Safety Administration, is in progress in DeKalb County, Georgia. It is analyzing the effectiveness of a particular type of program delivery system—the "Safe Performance Curriculum". This program combines the use of a multiple car driving range, electromechanical simulator, and behind-the-wheel training in traffic. The curriculum consists of considerably more hours of training than are required in the various types of programs offered in California.

Although conclusive results are not available, some data have been collected and analyzed on a preliminary basis. The group completing the Safe Performance Curriculum had 16 percent fewer *traffic violations* than the control group offered no public school driver education or training program. However, the preliminary data indicate no statistically significant difference between the two groups in the incidence of *traffic accidents*. Completion of this study is not expected until 1982.

### Cost of Local Programs

*We recommend that the Department of Education develop and disseminate guidelines to local school districts for reducing the cost of driver training programs.*

As mentioned above, districts are reimbursed from DTPAF for the cost of driver training programs (laboratory phase). Reimbursements of up to \$60 per pupil are provided for the regular program, and \$200 per pupil is provided for the handicapped program. Additional allowances are provided for equipment replacement. In most districts, however, the actual program cost is considerably higher than these amounts. According to district reports, the average cost of the regular programs in 1978-79 was \$97.60 per pupil (including equipment replacement costs). State reimbursements covered 64 percent of these costs.

Table 39 shows the considerable variation in driver training program costs among districts.

## K-12 EDUCATION—Continued

**Table 39**  
**Driver Training Program Costs**  
**in Selected School Districts, 1978-79<sup>a</sup>**

<i>District</i>	<i>Cost Per Pupil</i>
Fremont Union H.S. ....	\$53.80
Fullerton Union H.S. ....	57.13
Orange Unified .....	60.30
Santa Barbara H.S. ....	60.85
San Jose City Unified .....	104.02
Oakland City Unified .....	109.69
Fortuna Union H.S. ....	158.17
Torrance Unified .....	174.38
Anaheim Union H.S. ....	175.75
Inglewood Unified .....	260.07
Delano Jt. Union H.S. ....	276.09

<sup>a</sup> Regular program.

Although some of this variation is attributable to factors which are not easily controlled, savings can often be effected by changing program delivery. Practices which have reduced costs in several districts include the following:

- Operating the program during after-school hours, with lower salary schedules.
- Using simulators or driving ranges.
- Contracting with private commercial driving schools.

While such cost-saving devices may not be appropriate in every school district, our review indicates that many districts have not considered alternatives to the traditional behind-the-wheel program. Our recommendation would require consultants in the department's Traffic Safety Unit to visit a sample of low- and high-cost districts and, based on their findings, develop and disseminate a report containing guidelines and suggestions for reducing the cost of driver training programs.

#### Reimbursement for Equipment Replacement

*We recommend that the Department of Education revise its formula for calculating state reimbursements for driver training equipment replacement to conform with the Education Code.*

*We further recommend that state reimbursements for costs incurred in 1978-79 which were in excess of the amount authorized by statute be deducted from districts' regular driver training reimbursements for the 1979-80 year, for a savings of \$179,000 in the Driver Training Penalty Assessment Fund (Reduce Item 352 by \$179,000).*

The Education Code provides for state reimbursement of the cost incurred in replacing vehicles and simulators utilized in driver training. Reimbursement may not exceed 75 percent of the portion of such expenses which is in excess of the regular allowance (\$60 per pupil) received from the state. The Department of Education, however, is utilizing a formula which provides most districts with 100 percent reimbursement. As a result, districts which have claimed reimbursement for equipment replacement have been overfunded by the state. This has been occurring annually since 1977.

We estimate that unauthorized reimbursements for costs incurred in

1978-79 amounted to \$179,000. Our recommendation would require the Superintendent of Public Instruction to deduct the overpayments from the districts' regular driver training allowances for costs incurred in 1979-80.

#### **Competency-Based Training**

*We recommend legislation to permit pupils to receive credit for driver training (laboratory phase) by passing a competency-based test.*

Pupils enrolled in driver training are required to complete a prescribed number of hours of instruction even if they have learned to drive prior to taking the course. The state-mandated minimum number of hours of instruction ranges from 12 to 24, depending on the type of program.

We recommend that pupils be permitted to receive credit for driver training by passing a competency test. Minimum criteria should be equal to the Department of Motor Vehicles test for obtaining a license. Implementation of this proposal would reduce program costs, thereby resulting in state and/or local savings.

#### **Fees for Driver Training**

*We recommend that the Superintendent of Public Instruction direct all school districts charging fees for driver training to refund them by September 30, 1980, unless the district has been granted a waiver under Section 41910 of the Education Code. We further recommend that state reimbursements for driver training programs be withheld from any district which fails to comply with this directive.*

The Education Code states that "driver training shall be available without tuition to all eligible students commencing on July 1, 1969." This requirement may be waived by the Department of Education for districts implementing an "experimental program."

At least two school districts are charging fees for driver training to cover program costs which are not reimbursed by the state. One of these districts (ABC Unified) has not obtained a waiver from the Department of Education. Our recommendation would require that any fees imposed in violation of the law be refunded, under penalty of loss of state reimbursements.

#### **Mandatory Program**

*We recommend that the Superintendent of Public Instruction direct all school districts maintaining high schools to provide driver training as required by current law.*

At least one school district (Victory Valley Joint Union High School) is not offering driver training in the current year on the basis that the law is permissive. The Legislative Counsel, however, has interpreted the Education Code as mandating the governing boards of all school districts maintaining high schools to provide driver training. The Superintendent of Public Instruction should notify Victory Valley and all other districts of the legal opinion.

#### **Surplus Transfer**

*We recommend that language be included in the budget to transfer to the General Fund any accumulated surplus in the Driver Training Penalty Assessment Fund.*

**K-12 EDUCATION—Continued**

The Budget Act of 1979 includes control language which requires that the year-end accumulated surplus in the Driver Training Penalty Assessment Fund be transferred to the General Fund. This control language is not contained in the 1980 Budget Bill.

The budget projects a surplus of \$742,659 in the Driver Training Penalty Assessment Fund. The actual surplus in 1980-81 could be much higher if reimbursements for driver training are lower than anticipated.

Given the possibility of a significant year-end surplus, and the need for additional General Fund revenue in 1981-82, we recommend control language to ensure that unexpended balances be transferred to the General Fund.

**GIFTED AND TALENTED PUPIL PROGRAM****Overview**

Chapter 774, Statutes of 1979 (AB 1040), established the Gifted and Talented Pupil Program to supersede the Mentally Gifted Minor Program. The program was reconstituted in response to concerns that (1) economically disadvantaged and minority students were underrepresented in the program and (2) the method of funding led to wide disparities in funding among districts.

The Gifted and Talented Pupil Program, which becomes effective June 30, 1980, broadens the pupil eligibility criteria and bases distribution of program funds on district average daily attendance (ADA), rather than on the number of students identified and served.

Under the new program, each school district is allowed to choose the most appropriate criteria for selecting students, including intellectual, creative, specific academic, or leadership ability.

Under the new funding formula, districts' allocations will be increasingly a function of ADA and decreasingly a function of the number of students served in the past. Currently, the amount participating districts receive per ADA ranges from \$0.63 to \$34.49. This disparity will be decreased in four increments, and in 1983-84 the allocation will range from \$4.39 to \$26.15 per ADA.

Chapter 774 stipulates that the Gifted and Talented Pupil Program is repealed on June 30, 1985 unless extended by statute. It also requires the Department of Education to contract for an independent evaluation of the program, which is to be submitted to the Legislature on January 5, 1984.

**Budget**

The Governor's Budget proposes to spend \$16,316,935 for the Gifted and Talented Pupil Program. This is an increase of 8.3 percent over 1979-80. Of the total, \$431,765 is for state staff (four professional and two clerical positions). The remainder, \$15,885,170 is for local assistance.

The program is expected to serve 148,600 students at 346 school districts. Table 40 shows expenditures and funding for the program.

*We recommend approval.*

**Table 40**  
**Gifted and Talented Pupil Program Funding**

	<i>Actual</i> 1978-79	<i>Estimated</i> 1979-80	<i>Proposed</i> 1980-81	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
State Operations:					
General Fund .....	\$175,378	\$224,808	\$173,694	\$-51,114	-22.7%
Federal funds .....	135,668	273,221	258,071	-15,150	-5.5
Subtotals .....	\$311,046	\$498,029	\$431,765	\$-66,264	-13.3%
Local Assistance:					
General Fund .....	\$13,739,390	\$14,573,550	\$15,885,170	\$1,311,620	9.0%
Totals .....	\$14,050,436	\$15,071,579	\$16,316,935	\$1,245,356	8.3%

### ADULT EDUCATION

#### Overview

The Adult Education Unit is responsible for management of state and federally funded programs for adults and general education development (GED) testing. There are 24.3 positions budgeted for these functions during 1980-81.

The Governor's Budget estimates that ADA will total 196,200 in 1980-81 of which 157,600 will be in adult programs mandated by AB 8. General Fund apportionments for 1980-81 are budgeted at \$144.4 million, which is a \$7.4 million, or 5.4 percent, increase over 1979-80. On a per ADA basis, the increase amounts to 3.4 percent.

#### Funding

Table 41 shows the state operations and local assistance funding for the past, current and budget years.

**Table 41**  
**K-12 Adult Education Funding**

	<i>Actual</i> 1978-79	<i>Estimated</i> 1979-80	<i>Proposed</i> 1980-81	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
State Operations:					
General Fund .....	\$329,195	\$303,378	\$316,446	\$13,068	4.1%
Federal funds .....	618,969	775,336	787,769	12,433	1.6
Reimbursements .....	69,395	68,339	71,698	3,359	4.9
Subtotals .....	\$1,017,559	\$1,147,053	\$1,175,913	\$28,860	2.5%
Local Assistance:					
General Fund .....	\$128,601,420	\$137,002,000	\$144,365,000	\$7,363,000	5.4%
Federal funds .....	6,736,910	7,387,237	9,287,237	1,900,000	25.7
Subtotals .....	\$135,338,330	\$144,389,237	\$153,652,237	\$9,263,000	6.4%
Totals .....	\$136,355,889	\$145,536,290	\$154,828,150	\$9,291,860	6.4%

#### Issues in Adult Education

Adult education programs were reduced by Chapter 292, Statutes of 1978 (SB 154) as a response to Proposition 13. Current funding for K-12 adult education covers only programs mandated by AB 8 while community colleges may be funded for all adult programs. The differences in funding and program mandates between K-12 and community colleges raise the following adult education issues:

- What should be the delineation of functions among secondary and

**K-12 EDUCATION—Continued**

postsecondary institutions?

- How much revenue and expenditure equalization should be achieved among secondary and postsecondary institutions?

**Policy Consensus Needed**

*We recommend that the Legislature direct the State Board of Education, in conjunction with the Board of Governors of the California Community Colleges, to establish a commission for adult education policy. We further recommend that the commission prepare policy recommendations on delineation of functions and revenue equalization for adult education. The commission's recommendations should be presented to the Legislature by March 1, 1981.*

The previous approach to determining revenue equalization and delineating functions is no longer relevant because of legislative action following Proposition 13. A new policy is needed and that policy should involve a consensus of the local and state education agencies providing adult education.

Because K-12 schools are primarily responsible for adult education, the State Board of Education should have the primary responsibility for developing this policy. We recommend that the State Board of Education and the Board of Trustees of the Community Colleges convene a commission with membership representing the Legislature, secondary schools, public and private postsecondary schools, the Department of Education, the Chancellor's Office of the California Community Colleges, and the California Postsecondary Education Commission to (a) review the matter, (b) develop a new policy and (c) report to the Legislature by March 1, 1981.

**OFFICE OF PRIVATE POSTSECONDARY EDUCATION (OPPE)**

The Office of Private Postsecondary Education (1) approves courses for training veterans, (2) approves and authorizes private institutions not accredited by a national or regional accrediting agency, and (3) manages the Student Tuition Recovery Fund.

The Governor's Budget proposes a total 1980-81 funding for OPPE of \$1,996,037, which is a \$135,327 (7.3 percent) increase over 1979-80. Table 42 displays the funding for this office.

**Table 42**  
**Office of Private Postsecondary Education Funding**

	<i>Actual</i> <i>1978-79</i>	<i>Estimated</i> <i>1979-80</i>	<i>Proposed</i> <i>1980-81</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
State Operations:					
General Fund.....	\$18,110	\$122,000	\$130,000	\$8,000	6.6%
Federal funds.....	1,004,329	1,206,202	1,214,080	7,878	0.6
Reimbursements .....	419,957	420,000	430,349	10,349	2.5
Subtotals .....	\$1,442,396	\$1,748,202	\$1,774,429	\$26,227	1.5%
Student Tuition Recovery Fund .....	—	112,508	221,608	109,100	97.0
Totals .....	\$1,442,396	\$1,860,710	\$1,996,037	\$135,327	7.3%

**Private Postsecondary Education Report**

Chapter 1202, Statutes of 1977 (Private Postsecondary Education Act of 1977), requires CPEC and the Joint Legislative Budget Committee to review and evaluate the chapter's implementation. The report is due January 1, 1981.

**VOCATIONAL EDUCATION****Overview**

The vocational education unit in the Department of Education assists local education agencies in providing vocational training and guidance to approximately 1.2 million secondary students. Vocational education programs are provided through the regular secondary school curriculum and by regional occupational centers and programs (ROC/P).

**Enrollment**

Table 43 shows actual and projected enrollment by category of vocational education program. Approximately 17 percent of secondary vocational education enrollment is in ROC/P programs.

**Table 43**  
**Secondary School Vocational Enrollment \***

<i>Vocational Education Programs</i>	<i>Actual 1978-79</i>	<i>Estimated 1979-80</i>	<i>Projected 1980-81</i>
Agriculture .....	62,051	62,435	62,827
Distributive.....	41,181	42,856	44,539
Health Occupational .....	23,326	23,437	23,556
Home Economics—Occupational Prep. ....	23,919	21,163	23,490
Business—Office Occupational .....	349,227	355,582	361,940
Technical.....	72	—	—
Trade and Industrial .....	196,114	188,856	181,649
Consumer and Homemaking.....	221,047	217,826	220,036
Industrial Arts .....	217,738	267,313	316,886
Totals .....	1,134,675	1,179,468	1,234,923

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

**Funding**

As shown in Table 44, federal funds support all local assistance programs administered by the vocational education unit. General Fund support is required only to match federal funds reserved for administration of the Vocational Education Act (VEA) of 1976.

**Task Force on VEA Funding Formula**

Local assistance under the Vocational Education Act is allocated on a formula basis. Supplementary language to Item 326 of the 1979 Budget Act directed the Department of Education to establish a task force on the federal vocational education funding formula. The task force was to review alternatives prior to the submission of a proposed funding formula to the legislative budget committees. The task force, composed of local school district representatives and legislative staff, held its final meeting in mid-January.

Following action by the State Board of Education in March 1980, the department will submit its proposed formula to the Legislature. We will comment on it at that time.

## K-12 EDUCATION—Continued

**Table 44**  
**Vocational Education Funding**

	<i>Actual</i> 1978-79	<i>Estimated</i> 1979-80	<i>Proposed</i> 1980-81	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
State Operations					
General Fund.....	\$1,893,168	\$3,226,458	\$3,367,179	\$140,721	4.4%
Federal funds <sup>a</sup> .....	4,219,351	4,667,571	4,821,540	153,969	3.3
Reimbursements <sup>b</sup> .....	827,780	1,377,987	1,394,631	16,644	1.2
Subtotals.....	\$6,940,299	\$9,272,016	\$9,583,350	\$311,334	3.4%
Local Assistance					
Federal funds <sup>a</sup> .....	\$49,388,317	\$54,967,321	\$52,334,389	\$-2,632,932	-4.8% <sup>c</sup>
Reimbursements <sup>b</sup> .....	11,345,231	13,324,772	13,324,772	—	—
Subtotals.....	\$60,733,548	\$68,292,093	\$65,659,161	\$-2,632,932	-3.9%
Totals.....	\$67,673,847	\$77,564,109	\$75,242,511	\$-2,321,598	-3.0%

<sup>a</sup> Includes amounts transferred to the Chancellor's Office of the California Community Colleges for postsecondary vocational education programs.

<sup>b</sup> Includes reimbursements from Employment Development Department for CETA program.

<sup>c</sup> Decrease in federal funds due to the assumption that all carryovers will be expended in the current year and there will be no carryover funds available in 1980-81.

**Sex Equity**

The Department of Education maintains two separate sex equity programs:

1. In response to Title IX of the Education Amendments of 1972, the department established a unit called Sex Equity in Education (Project SEE). Project SEE is responsible for implementing Title IX sex equity requirements throughout all education programs. This unit consists of three professionals and is supported by federal Title IX funds at a proposed level of \$335,334 in 1980-81.

2. In response to the Vocational Education Act of 1976, the department has designated a vocational education consultant as a full-time sex equity coordinator. The coordinator's objective is to promote equal opportunity and eliminate sex discrimination in vocational education programs. The consultant is supported by \$50,000 in federal funds.

To supplement these expenditures, the State Board of Education has declared sex equity as a priority for the use of Vocational Education grants awarded for program improvement and supportive services. In 1979-80, \$250,000 has been allocated to sex equity projects under Subpart 3 of the Vocational Education Act. In addition, local education agencies' activities to eliminate sex discrimination in vocational education programs are supported by the federal basic grant, which will be about \$17 million in 1980-81.

**Deletion of Proposed Augmentation Recommended**

*We recommend that the 50 percent required state match for 1.5 new sex equity positions be deleted, for a General Fund savings of \$32,764. (Reduce Item 316 by \$32,764.)*



The budget proposes to use \$32,764 from the General Fund to pay half of the cost (\$65,528) of one new staff services analyst and related clerical support for the vocational education unit's sex equity activities. Federal funds would provide the balance. Vocational education staff maintain that the augmentation is necessary to ensure compliance with federal requirements. The new positions will concentrate primarily on data analysis.

While we support departmental efforts in sex equity, we recommend deletion of the new positions in the vocational education unit for the following reasons:

1. *Duplication.* Much of the necessary activity to perform the functions specified in the Vocational Education Act is or can be performed by the Sex Equity unit funded under Title IX (Project SEE). Specific functions cited in the Vocational Education Act that are performed by Project SEE staff include: creating an awareness of the problem, disseminating information on sex bias and sex equity, assisting local education agencies with corrective actions, and reviewing programs for sex bias. Beginning in 1980-81, Project SEE will be reviewing the Title IX self-evaluations submitted by districts and will report to districts on specific steps they can take to insure compliance in all programs including vocational education.

2. *Adequate staffing for nonduplicative activities.* The functions that are not performed by Project SEE can be carried out with existing vocational education staff. Currently, all programs are reviewed for sex bias through the regular vocational education program compliance and evaluation process. The necessary data is collected through existing vocational education activities. Analysis and use of this data by the existing sex equity coordinator would be facilitated if the activities performed by Project SEE were not duplicated by the coordinator.

3. *Availability of nonmatching funds.* There are sources other than the General Fund available to support sex equity activities. The vocational education unit may use federal Subpart 3 funds to supplement its own activities in sex equity. In addition, funds available pursuant to Section 102(d) of the Vocational Education Act may be used to support the necessary data collection and evaluation for complying with the sex equity provisions of the act. There is no state matching requirement associated with these funds.

#### **Staff Transfer to Project SEE Recommended**

*We recommend that the sex equity coordinator position in the vocational education unit along with the federal funds to support it be transferred to the Sex Equity in Education unit (Project SEE).*

As previously stated, Project SEE performs many of the sex equity functions required under the Vocational Education Act. The act's regulations specify that staff mandated to perform sex equity activities need not be employed in the vocational education unit. It is inefficient to have a separate sex equity consultant in the vocational education unit because much of the activity in the two units is overlapping. Sex equity assistance for vocational education programs could be made more efficient and effective if the vocational education sex equity coordinator were to work full-time on vocational education issues within the larger Sex Equity in Education unit.

**K-12 EDUCATION—Continued****Data Collection**

The Vocational Education Act of 1976 requires that states collect certain types of data in order to fulfill reporting and evaluation requirements of the act. Specifically, the act requires that states (1) account for funds appropriated under the act, (2) collect data on enrollment and staffing for vocational education programs, (3) evaluate all programs over a five-year period, and (4) submit specified follow-up data on vocational education students. To meet this requirement, the vocational education unit collects standardized data from local education agencies and administers an accountability system which includes compliance reviews, audits, program evaluations and follow-up surveys.

**Deletion of Augmentation Recommended**

*We recommend that the three staff services analyst positions proposed for the regional offices be deleted, for a General Fund savings of \$36,196 (Reduce Item 316 by \$36,196).*

The Governor's Budget proposes a General Fund increase of \$36,196 to provide the 50 percent match required to establish three staff services analyst positions at a total cost of \$72,392. One analyst would be added to each of the three regional offices to process increased workload related to data collection and analysis. The department maintains that the new positions would allow the vocational education consultants to drop this activity so they would have more time to devote to program improvement.

Our analysis of the federal requirements indicates that an augmentation is not needed for the following reasons:

(1) *No workload increase.* Our review has determined that there has been no increase in federal data collection and reporting requirements. While better data analysis can aid in program improvement, our analysis indicates that this can be accomplished with existing staff by eliminating unnecessary activities.

(2) *Performance of unnecessary activities.* The Vocational Education Act requires the state to evaluate each "formally organized program" (for example, dental assisting, auto mechanics, and floristry) over a period of five years. There are approximately 150 vocational education programs offered throughout the state. Currently, the vocational education consultants, through the program assessment questionnaire, collect and review program evaluation data from every school that offers a particular program. This is not necessary. The regulations specify that sampling procedures may be used to conduct the evaluations.

Moreover, after receiving the questionnaires, the vocational education consultants undertake an unnecessary verification process. In 1979-80, consultants plan to visit 69 schools for an average of three days per visit in order to "verify and amplify the program reports by observing facilities and services and by questioning students, teachers, counselors and administrators." The vocational education unit claims that the verification visits are necessary in order to comply with the federal mandate to use

evaluation results as a basis to revise and improve programs. While some field work is necessary, consultants can use the evaluation data prepared and submitted by districts as a basis to improve programs without having to spend 207 days each year on the verification visits.

(3) *Workload decrease possible for 1980-81.* The California Basic Education Data System (CBEDS) is intended to shift some of the data acquisition burden away from the vocational education regional offices to the centralized data acquisition unit in the Department of Education. The vocational education unit has a federal grant for 1979-80 to determine whether the data on enrollments and staffing required by the federal government can be supplied through CBEDS beginning in 1980-81. If this can be done, there will be a workload decrease, again allowing resources to be shifted to program improvement.

#### Evaluation

*We recommend that the proposed vocational education evaluation position be deleted, for a General Fund savings of \$12,361. (Reduce Item 316 by \$12,361.)*

The Governor's Budget proposes a General Fund increase of \$12,361 to provide the 50 percent General Fund match required to establish a new \$24,722 position to assist with evaluation activities in the headquarters office. The position is proposed to (1) perform the nontechnical activities of the evaluation process (scheduling site visits, disseminating forms, collecting and editing the data), and (2) assist in the analysis of evaluation data.

Our analysis has determined that a new position is unnecessary because:

(1) *Nontechnical activities can continue to be done by contract.* The nontechnical services are currently obtained through a contract pursuant to Subpart 3 of the Vocational Education Act. No General Fund match is required. We recommend a continuation of the contract approach because (a) the current service is adequate and (b) no state funding is required.

(2) *Analysis workload is being generated by excessive data collection.* The department currently has one evaluator specifically assigned to analyze vocational education evaluation data. The department maintains that this position must be given assistance because it cannot keep up with the volume of material collected. Our review has determined that the data analysis workload that would be performed by the new analyst is not needed because more evaluation data is collected than is required to comply with federal and state laws. As discussed in the previous recommendation, reductions could be made in the number of self-evaluations submitted by districts and in the data collected by on-site verification visits. These actions would allow the existing staff to handle the workload.

#### Contract Audits

*We recommend that \$30,000 in contracts for district audits be deleted, for a General Fund savings of \$30,000. (Reduce Item 316 by \$30,000.)*

The Vocational Education unit contracts with a private accounting firm to perform audits of about 20 districts each year. The audits focus on district use of federal vocational education funds. The cost of the contract

**K-12 EDUCATION—Continued**

is \$60,000, 50 percent of which is paid from the General Fund. Vocational education staff maintain that this is necessary to insure compliance with federal law.

The implementing regulations for the Vocational Education Act of 1976 require the state to "make provision for such fiscal control and fund accounting procedures as may be necessary to secure proper disbursement of, and accounting for, federal funds paid to the state (including such funds paid by the state to eligible recipients under this act)." The state currently has two other ways to comply with this requirement.

(1) *District audits.* The Education Code requires all districts to submit an annual audit to include district income and expenditure by source of funds and to cover all funds of the district. Beginning in 1979-80, these audits will provide a complete financial and compliance accounting of all vocational education funds.

(2) *Vocational education compliance review.* The vocational education unit conducts a compliance review of 25 percent of the districts each year. The purpose of the review is to insure that districts are administering vocational education funds so as to comply with federal and state law. State vocational education staff who conduct the reviews check fiscal and other required records in order to identify possible audit exceptions and to help districts comply with regulations.

In light of these compliance activities, it is not necessary to contract for additional audit services.

**Regional Adult and Vocational Education Councils (RAVECs)**

Chapter 1269, Statutes of 1975, established a network of 72 consolidated regional adult and vocational education councils. The primary responsibility of the councils is to review adult and vocational education courses and programs to eliminate unnecessary duplication of effort.

Since 1978, the state has not provided direct funding for RAVECs. Some districts; however, have continued the service and submitted claims to the Board of Control, which has authorized reimbursement for certain RAVEC expenses.

**Permissive Activity**

*We recommend that legislation be enacted which modifies the law to make RAVECs permissive rather than mandatory.* Such a change would eliminate the unfunded mandate and allow RAVECs to continue in those districts that have found them to be useful.

**STAFF DEVELOPMENT (Items 328, 332)****Overview**

The Office of Staff Development administers the following state-funded programs:

(1) The School Personnel Staff Development Program, authorized by Chapter 966, Statutes of 1977, which provides funds to districts at the rate of \$4 per ADA for local staff development activities.

(2) The School Resource Centers, also authorized by Chapter 966,

which assist school administrators and teachers in developing and implementing staff development programs.

(3) The Professional Development and Program Improvement Centers (PDPIC), authorized by Chapter 1414, Statutes of 1968, which provide in-service training in the instruction of reading and mathematics.

Table 45 shows state funding for these staff development activities. The budget proposes augmentations for the following: (a) \$325,200 to permit approximately 75 additional schools to participate in the School Personnel Staff Development Program (the budget makes no provision for inflation because allowances are at the statutory maximum), (b) \$225,000 to expand the number of School Resource Centers from six to nine and \$60,750 for inflation, and (c) \$304,000 to augment the budgets of the 16 existing PDPIC's with no specific amount provided for inflation. In addition the budget includes \$17,454 to establish one new clerical position in the Office of Staff Development.

**Table 45**  
**Staff Development Programs**

	<i>Actual</i> 1978-79	<i>Estimated</i> 1979-80	<i>Proposed</i> 1980-81	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
State Operations <sup>a</sup> .....	\$236,476	\$399,601	\$484,254	\$84,653	21.2%
Local Assistance					
School Personnel Staff Development	495,000	495,000	820,200	325,200	65.7
Resource Centers .....	441,344	950,000	1,235,750	285,750	30.1
Professional Development Centers (PDPIC) .....	603,306	657,306	961,306	304,000	46.2
PDPIC-New Careers .....	359,088	324,076	324,076	—	—
Totals .....	\$2,135,214	\$2,825,983	\$3,825,586	\$999,603	35.4%

<sup>a</sup> Includes administrative allowances for federal Teacher Centers.

#### **Professional Development and Program Improvement Centers (PDPIC)**

*We recommend that the General Fund augmentation of \$304,000 for expansion of existing Professional Development and Program Improvement Centers be reduced to \$59,157, the amount necessary to adjust for inflation. (Reduce Item 332 by \$244,843.)*

Professional Development and Program Improvement Centers (PDPIC's) provide inservice training for administrators, teachers and aides at elementary schools with low pupil achievement. Instructional techniques in reading and mathematics are emphasized. There are 16 PDPIC's in the state, each budgeted at \$41,081 from the General Fund. The centers receive additional funds from local and federal sources.

The budget proposes an augmentation of \$304,000 for the PDPIC's. This would provide each center with an additional \$19,000 to fund approximately 7,600 days of "release time" for teachers.

We do not recommend the proposed augmentation for the following reasons:

- The budget proposal would increase the number of training recipients without a commensurate increase in the number of service providers, thereby reducing the quality of training and follow-up assistance.

**K-12 EDUCATION—Continued**

- Alternative sources of funding are available to PDPIC's. These include federal and state categorical programs such as the School Improvement Program and ESEA Title I funds. In 1977-78, 60 percent of the total budgeted funds for the PDPIC's was derived from such sources. This percentage varied considerably among the centers, indicating that many PDPIC's are not maximizing the use of these funds.

Our recommendation would provide each center with an augmentation for inflation.

**LEGISLATIVE MANDATES (Item 355)****Funding**

The Governor's Budget proposes an appropriation of \$41,165,579 (Item 355) to reimburse local school districts for costs resulting from specified state-mandated programs. (Additional reimbursement for state mandated programs may be provided in 1980-81 through a claims bill for (1) pupil proficiency standards, (2) bilingual education and (3) Regional Adult and Vocational Education Councils.)

In addition to the appropriation in Item 355, there is a \$58 million appropriation in Item 487 to reimburse local school districts for the 1978-79 and 1979-80 costs of the following mandates: (1) State Teachers' Retirement System sick leave credits, (2) Public Employees' Retirement System sick leave credits, (3) jury duty and (4) collective bargaining. We are recommending in our analysis of Item 487 that the \$58 million appropriation be transferred to this item (Item 355). This transfer will more accurately reflect the 1980-81 costs of reimbursing local school district claims for legislative mandates.

Table 46 lists the amounts and programs for which funding is requested in Item 355.

**Table 46**  
**Legislative Mandates**

Activity	Actual 1978-79	Estimated 1979-80	Proposed 1980-81	Change	
				Amount	Percent
1. Certificated employee dismissal	\$10,781	\$17,541	\$17,541	—	—
2. Pupil disciplinary procedures ....	61,468	61,690	546,555	\$484,865	786.0%
3. Pupil basic skills testing .....	126,109	270,000	349,374 <sup>b</sup>	79,374	29.4
4. Collective bargaining .....	— <sup>a</sup>	— <sup>a</sup>	10,000,000	10,000,000	NA
5. Jury duty .....	— <sup>a</sup>	— <sup>a</sup>	1,000,000	1,000,000	NA
6. Retirement credit for unused teacher sick leave .....	— <sup>a</sup>	— <sup>a</sup>	14,000,000	14,000,000	NA
7. STRS rate increase .....	—	7,675,000	15,350,000	7,675,000	100.0
Totals .....	\$198,358	\$8,024,231	\$41,263,470 <sup>b</sup>	\$33,239,239	414.2%

<sup>a</sup> Contained in claims bill and Item 487.

<sup>b</sup> Budget Bill item only contains \$41,165,579 because \$97,891 in mandated cost is contained in Chapter 894, Statutes of 1977 statutory appropriation.

**"No Cost" Legislation**

The appropriation in Item 355 contains \$25 million for:

- Jury duty (\$1,000,000).
- Retirement credit for unused teacher sick leave (\$14,000,000).
- Collective bargaining (\$10,000,000).

These three claims equal 60.1 percent of the total appropriation. Each one of these mandates was imposed by a bill that made no provision for reimbursement. These bills were passed on the understanding that they contained no mandated costs.

The sick leave credit legislation (Chapter 89, Statutes of 1974) was considered to be a no cost bill because it was thought that there would be saving from eliminating unnecessary use of sick leave. No savings have occurred to offset the costs.

The collective bargaining legislation, Chapter 961, Statutes of 1975 (SB 160), disclaimed the need to reimburse school districts on the grounds that the legislation imposed no new duties or obligations. The Board of Control has ruled that the legislation contains mandated costs. The jury duty bill (Chapter 593, Statutes of 1975) was never reviewed by a fiscal committee because the Legislative Counsel ruled that the legislation did not contain a local mandated program.

**Allocation of Collective Bargaining Reimbursements**

*We recommend that language be included in the Budget Act to require all funds appropriated for reimbursement of mandated costs associated with Chapter 961, Statutes of 1975 (collective bargaining) be allocated based on ADA.* Chapter 961, Statutes of 1975 (SB 160), repealed the Winton Act (a "meet and confer" type of employer-employee relations law) and established new collective bargaining procedures between public school employees and their employers.

Specifically, Chapter 961, establishes procedures for the selection of exclusive employee organizations to represent school employees, requires public school employers to "negotiate in good faith" with employee organizations, and authorizes the resolution of contract administration disputes through arbitration. As mentioned, the Legislature disclaimed any state obligation to reimburse mandated local costs on the basis that the bill imposed no new duties or obligations on local governments.

Our analysis indicates that Chapter 961 has dramatically changed the responsibilities of the participants in the meet and confer process between public school employers and employees. Prior to the passage of Chapter 961, public school employers, after discussion with employees, could unilaterally prescribe contract terms and conditions of employment. Under Chapter 961, public school employers no longer have this authority, and instead must engage in a long and complicated process of collective negotiations in order to arrive at acceptable levels of wages, salaries and other terms and conditions of employment.

The Board of Control has found that Chapter 961 included a mandate and has adopted guidelines for reimbursements which allow claims for certain specified costs. The Department of Finance has estimated that the activities mandated by Chapter 961 will cost the state \$10 million per year on an ongoing basis.

**K-12 EDUCATION—Continued**

Chapter 1137, Statutes of 1979, included an appropriation of \$24,810 to pay eight claims for reimbursement of such costs. Chapter 1137 also directed the Department of Finance to study alternatives for reimbursement of collective bargaining costs, including the establishment of a uniform bargaining allowance (that is, a fixed amount per unit of ADA) for reimbursement of costs to be incurred in future years, in lieu of reimbursement for actual costs as presently provided through the claims process.

The Department of Finance report submitted pursuant to Chapter 1137, did not recommend the adoption of a uniform bargaining allowance because it was unable to identify any uniform relationship between levels of ADA and amounts expended for collective bargaining. The department found that factors such as the duration of contract settlements, the utilization of consultants as opposed to in-house negotiators, and the number of significant issues to be resolved through the negotiating process, led to significant variations in the level of costs experienced by different school districts. As a result, the department concluded that there was no basis for selecting any particular level of reimbursement per ADA.

We do not dispute the department's findings. Nevertheless, our analysis suggests that a uniform allowance would be the most appropriate method of providing reimbursement. Providing reimbursements on a uniform basis would result in:

- Significant administrative savings for school districts and the state in the cost of preparing and processing claims.
- Incentives for controlling the costs of complying with Chapter 961.

*1. Savings.* The tremendous amount of paperwork and verification required by an actual cost reimbursement process places a heavy administrative burden on both the state and local governments. It requires the dedication of substantial resources for which other, higher priority, uses exist. Our discussions with school district representatives, the State Controller's office and the Board of Control indicate that the costs of preparing and processing these claims may exceed 10 percent of the amount claimed.

*2. Incentives.* The actual cost reimbursement approach provides no incentive to minimize costs. School districts may be encouraged to expend more resources in the collective bargaining process than they would if they were not assured of full state funding for such costs.

We recognize that some of the factors which increase the cost of collective bargaining in certain districts cannot be controlled by the district. However, this is also true of the basic apportionment system itself, in that the revenue limits do not recognize differences in the cost of district operations. Therefore, we see no reason to exhibit greater concern for distributional equity in this case, where the funds involved are estimated at \$10 million, than in the distribution of apportionments totaling over \$6 billion. Accordingly, we recommend that control language be added to the budget instructing the Controller to disburse funds to each district based on the district's share of state ADA.



**Sick Leave Credit Claims**

*We recommend budget language directing the State Controller to allocate funds appropriated for reimbursement of costs resulting from Chapter 89, Statutes of 1974, directly to STRS.*

STRS provides to the Controller a monthly printout identifying, on a district basis, employer costs of the increased retirement benefits from the sick leave credit provided to teachers. The data supplied by STRS is then verified by a desk audit. After the Controller receives local claims for reimbursements under this mandate, he compares the amount claimed to the amount shown in the printout. In cases of a discrepancy, the Controller pays the amount provided by STRS.

In essence, one state agency (STRS) is billing a local entity and a second state entity (Controller) steps in to reimburse that local entity. We believe the reimbursement process would be more efficient at both the state and local levels if both the billing and the requirement that school districts submit a claim to the Controller were eliminated. For this reason, we recommend that control language be adopted to allocate directly from the State Controller to the State Teachers' Retirement Fund the amount of increased employer costs due to Chapter 89, Statutes of 1974 (teacher sick leave retirement credit).

**C. CHILD DEVELOPMENT, PRESCHOOL AND NUTRITION**

This section of the analysis presents child development, preschool and nutrition services. Expenditures are shown in Table 47.

**Table 47**  
**Child Development, Child Nutrition and Library Services<sup>a</sup>**  
(in thousands)

	Actual 1978-79	Estimated 1979-80	Proposed 1980-81	Change	
				Amount	Percent
Child Care .....	\$80,877	\$123,984	\$140,175	\$16,191	13.0%
Preschool .....	24,540	26,260	28,623	2,363	9.0
Child Care Reimbursements <sup>F</sup> .....	43,762	52,437	51,479	-958	-1.8
Migrant Day Care <sup>F</sup> .....	457	457	457	-	-
Child Nutrition <sup>S</sup> .....	32,853	34,646	42,079	7,433	21.4
Child Nutrition <sup>F</sup> .....	249,615	281,940	296,206	14,266	5.0
School Libraries <sup>Fb</sup> .....	15,580	16,102	16,102	-	-
Assistance to Public Libraries <sup>Sb</sup> .....	4,583	4,592	5,229	637	13.9
Assistance to Public Libraries <sup>Fb</sup> .....	4,199	5,565	4,695 <sup>c</sup>	-870	-15.9
Totals .....	\$456,466	\$545,983	\$585,045	\$39,062	7.2%
General Fund .....	\$142,853	\$189,482	\$216,106	\$26,624	14.1%
Federal funds .....	313,613	356,501	368,939	12,438	3.5

<sup>a</sup> Table does not include federal headstart funding estimated to be \$50 million in 1978-79, \$59.2 million in 1979-80 and \$64.6 million in 1980-81.

<sup>b</sup> Discussed under State Library in Local Assistance section

<sup>c</sup> Decrease in federal funds is due to the assumption that all carryover funds will be expended in the current year and no carryover funds will be available in 1980-81.

<sup>S</sup> Indicates state supported.

<sup>F</sup> Indicates federal funded.

## K-12 EDUCATION—Continued

## CHILD DEVELOPMENT (Items 340 and 342)

## Overview

The Child Development Act requires the Department of Education to (1) formulate and promote a child development program in all California communities where the need exists; (2) adopt rules, regulations and standards for accreditation of neighborhood family day care homes; (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; (7) generate the maximum federal reimbursement for federally eligible children.

Major program goals are (1) to enhance the educational performance of participant children, (2) to assist families in becoming self-sufficient by enabling parents to work or receive employment training, and (3) 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 48 summarizes the scope of department child care services based on data for April, 1979. The table indicates that 580 agencies were serving an estimated 72,000 children.

**Table 48**  
**Child Development Services**  
**Estimated Number of Agencies, Sites and Children as of April 1979**

<i>Program</i>	<i>Agencies</i>	<i>Sites<sup>a</sup></i>	<i>Children</i>
School districts and county superintendent of schools .....	113	532	37,934
Private community based programs .....	157	448	10,830
Campus children centers .....	45	68	3,346
County child care services .....	37	N/A	5,935
High school-age parenting .....	43	50	548
Migrant day care .....	22	39	2,372
Alternative child care .....	163	613	11,742
Totals .....	580	1,750	72,707

<sup>a</sup> Includes family day care homes.

## Funding

Table 49 summarizes state, federal and local funding of child care services in 1979-80 and 1980-81.

The proposed 1980-81 funding of \$195,725,636 is a net increase of \$15.4 million, or 8.6 percent, over current year expenditures. General Fund support is budgeted to increase by \$15.9 million, or 12.6 percent, while federal funds are expected to decrease by \$.5 million, or 1 percent.

The net increase of \$15.4 million consists of:

- (1) A \$15.7 million General Fund augmentation to provide a 9 percent inflation allowance on both 1979-80 General Funds and Title XX federal funds budgeted for child care programs.
- (2) A decrease of \$.5 million in one-time federal Public Works Employ-

**Table 49**  
**Child Care Services**  
**Expenditures and Funding**

Program	Estimated 1979-80				Proposed 1980-81			
	State	Federal	Local	Total	State	Federal	Local	Total
Local Assistance								
General child development programs	\$88,481,570	\$51,011,764 <sup>a</sup>	—	\$139,493,334	\$88,482,785	\$51,011,764 <sup>a</sup>	—	\$139,494,549
Campus childrens centers .....	3,345,053	—	\$477,864	3,822,917	3,499,467	—	\$467,125	3,966,592
High school parenting and infant development .....	3,276,744	—	—	3,276,744	3,427,638	—	—	3,427,638
Migrant day care .....	3,726,834	457,000 <sup>b</sup>	—	4,183,834	4,120,541	457,000 <sup>b</sup>	—	4,577,541
Special allowances for rent .....	315,403	—	—	315,403	316,462	—	—	316,462
Special allowances for handicapped ..	531,505	—	—	531,505	531,505	—	—	531,505
Alternative child care program .....	23,339,800	—	—	23,339,800	23,842,099	—	—	23,842,099
Intergenerational child care .....	192,000	—	—	192,000	192,000	—	—	192,000
Unallocated expansion .....	1,200,242	—	—	1,200,242	—	—	—	—
Migrant child care facilities .....	—	522,214 <sup>c</sup>	—	522,214	—	—	—	—
Unallocated inflation .....	—	—	—	—	15,762,882	—	—	15,762,882 <sup>d</sup>
Subtotals .....	\$124,409,151	\$51,990,978	\$477,864	176,877,993	\$140,175,379 <sup>e</sup>	\$51,468,764	\$467,125	\$192,111,268
State Operations .....	2,407,977	1,002,178 <sup>a</sup>	—	3,410,155	2,612,190	1,002,178 <sup>a</sup>	—	3,614,368 <sup>f</sup>
Totals .....	\$126,817,128	\$52,993,156	\$477,864	\$180,288,148	\$142,787,569	\$52,470,942	\$467,125	\$195,725,636
Change:								
Amount .....	—	—	—	—	\$15,970,441	\$-522,214	\$-10,739	\$15,437,488
Percent .....	—	—	—	—	12.6%	-1.0%	-2.2%	8.6%

<sup>a</sup> Federal Title XX funds from Item 312.

<sup>b</sup> Federal Title I funds—Budget Bill Item 342.

<sup>c</sup> Federal Public Works Employment Act (PWEA) funds.

<sup>d</sup> 9 percent inflation allowance.

<sup>e</sup> Budget Bill Item 340.

<sup>f</sup> Included in Budget Bill Item 316, Department of Education Support.

**K-12 EDUCATION—Continued**

ment Act (PWEA) capital outlay expenditures for migrant day care facilities.

- (3) A General Fund inflation increase of \$.2 million in state operations (6.0 percent).

**Federal Title XX Funds**

The Governor's Budget proposes the same level of federal Title XX funds for child care in 1980-81 as in the current year. HR 3434 which currently includes sufficient funds to provide this level of funding has not been signed by the President. However, a continuing resolution has been passed that will provide sufficient funds to maintain the 1979-80 level.

**Campus Children Center Local Match**

The Budget Act of 1979 reduced the 25 percent local match requirement for campus children's centers to 12½ percent, and provided a General Fund augmentation of \$444,926 to replace the eliminated 12.5 percent local match. Subsequently, Chapter 282, Statutes of 1979 (AB 8), provided fiscal relief funds in 1979-80 to 17 community college districts which had levied a local override tax prior to Proposition 13 for their child care programs. These community college districts, thus, were double funded in 1979-80 in the amount of \$212,134.

The Governor's Budget proposes to replace with state funds (\$235,730) the 12½ percent local match requirement for the eight community college programs and the 20 CSUC and UC programs which did not receive fiscal relief funds in 1979-80 through AB 8. The 17 community college programs which received fiscal relief funds in 1979-80 would be required to provide 25 percent local match in 1980-81, and in future years as long as fiscal relief is provided.

*We recommend approval.*

**Zero Based Budget**

Supplemental language to the Budget Act of 1979 directed the Department of Education to prepare a zero based budget for the Office of Child Development for 1980-81. We have reviewed the budget information submitted by the department, and have concluded that the position classifications which are employed in the Office of Child Development are not consistent with the specified tasks.

**Reclassification Proposed**

*We recommend that the Department of Education reclassify the professional positions in the Office of Child Development to establish a more suitable technical staff to accomplish the specified tasks of the office.*

The Department of Education reports 60.5 professional positions in the Office of Child Development. These include six child development administrators who perform the top level supervision, 23 child development consultants, 20 child development assistants, and 11.5 analysts and technicians. The administrator and consultant positions require an administrative or supervisory credential. The assistant positions require a teaching credential or permit.

A review of the workload indicates that most of the described tasks appear to be technical in nature and should not require persons with administrative, supervisory or regular teaching credentials. The work would be better performed by technicians specifically qualified in those areas. The use of technicians in lieu of personnel with administrative or supervisory credentials would result in an undetermined but significant cost savings. For example, the 1979-80 annual salary range for a child development consultant is \$27,816 to \$33,588. The range for an associate governmental program analyst is \$21,384 to \$25,788. The range for a staff services analyst is \$13,584 to \$21,384.

#### **Issues to be Considered During Hearings**

As of this date, much of the information needed for evaluating child development programs is not available. Much of this information will be developed prior to the budget hearings. This includes:

(1) *Adult/Child Ratios.* Supplemental language to the Budget Act of 1979 directs the Department of Education to "submit to the legislative budget committees by January 1, 1980, a plan to implement a 1:8 maximum adult/child ratio in center-based Child Development programs, while maintaining the group size for preschool age children within a maximum range of 14 to 18, measured on an attendance basis. The department shall also provide recommendations regarding implementation of the plan and specify reasons which would preclude the implementation of the plan." Less stringent adult/child ratios would enable the Department of Education to serve more children with the same amount of state and federal funds. This plan had not been submitted when this analysis was prepared.

(2) *School District Programs Report.* Supplemental language to the Budget Act of 1979 directs the Department of Education to "report to the legislative budget committees by March 1, 1980, on a cost disparities per full-time equivalent average daily enrollment in each of the following groups of child development programs: (1) programs subject to the Federal Interagency Day Care Requirements, (2) programs subject to the California Administrative Code, Title 5, and (3) programs subject to the California Administrative Code, Title 22. The report shall include (1) an assessment of the effects of lowering costs to a single statewide average cost per child and to the average statewide cost per child within each program group, and (2) a plan for taking such actions."

Prior to Proposition 13 school districts that operated child care programs could levy a permissive override tax to provide local revenues for child care. This revenue was in addition to funds provided by the Department of Education for child care services. Many of these programs operated at comparatively high costs per average daily enrollment (ADE).

Proposition 13 eliminated the permissive override tax. Chapter 292, Statutes of 1978, (SB 154), however, provided funds to these districts to replace the permissive tax revenues. This fiscal relief totaled approximately \$37 million for K-12 school districts and \$4-6 million for community college districts. Chapter 332, Statutes of 1978 (SB 2212), required school districts to submit a plan to lower the cost of their child development programs, beginning in 1979-80, to the average statewide cost for such

**K-12 EDUCATION—Continued**

programs. The Department of Education computed three statewide averages: \$2,943 per ADE for alternative child care programs, \$3,601 per ADE for regular state-funded programs, and \$5,126 per ADE for federal Title XX funded programs. It indicated that 27 of these programs were operating in 1978-79 at costs in excess of the statewide average. Furthermore, the statewide average cost is higher than the maximum allowable cost for other child development programs.

The purpose of the report required by the 1979 Budget Act is to help the Legislature evaluate whether school district programs should continue to be funded in excess of the reimbursement rates paid to other child care programs. This issue should be discussed during budget hearings.

(3) *Income Disregard Child Care.* Supplemental language to the Budget Act of 1979 directs the Department of Education and Department of Social Services to "report to the legislative budget committees by March 1, 1980, on the feasibility for maximizing the use of the federal income disregard system through a state interagency transfer agreement or some other means which does not increase the complexity and burdens of the child care system on the participating family. This feasibility review should include an assessment of the quality of child care that would be available under the federal income disregard system. If the income disregard system is found to be inadequate, the departments shall further report on ways to make it adequate. If the income disregard system is found to be feasible, the departments shall develop a plan to use the income disregard system that can be implemented in July 1980." We will comment on this report during budget hearings.

(4) *Governor's Advisory Committee Task Force.* The Budget Act of 1979, Item 256.1 authorizes a task force of the Governor's Advisory Committee on Child Care to evaluate (1) the present method of assessing needs for child development services, (2) the present method for allocating public funds for child development services, and (3) the feasibility of utilizing regional or local entities to assess such needs and to determine priorities for allocating public funds. The task force is to submit a report to the Legislature by February 1, 1980. During budget hearings we will be prepared to comment on these reports.

**STATE PRESCHOOL PROGRAM (Item 341)****Overview**

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 115 school districts and 77 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 50 shows the expenditures for this program.

**Table 50**  
**State Preschool Program Expenditures**

	<i>Actual</i> <i>1978-79</i>	<i>Estimated</i> <i>1979-80</i>	<i>Proposed</i> <i>1980-81</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
<b>Instruction Programs</b>					
State Operations .....	\$265,541	\$269,627	\$274,526	\$4,899	1.8%
Local Assistance .....	13,024,731	13,977,408	15,342,812	1,365,404	9.8
Subtotals .....	\$13,290,272	\$14,247,035	\$15,617,338	\$1,370,303	9.6%
<b>Special Programs</b>					
State Operations .....	\$301,428	\$460,537	\$494,711	\$34,174	7.4%
Local Assistance .....	11,515,671	12,282,579	13,280,574	997,995	8.1
Subtotals .....	\$11,817,099	\$12,743,116	\$13,775,285 <sup>a</sup>	\$1,032,169	8.1%
<b>Combined Totals</b>					
State Operations .....	\$566,969	\$730,164	\$769,237 <sup>b</sup>	\$39,073	5.4%
Local Assistance .....	24,540,402	26,259,987	28,623,386 <sup>c</sup>	2,363,399	9.0
Totals .....	\$25,107,371	\$26,990,151	\$29,392,623	\$2,402,472	8.9%

<sup>a</sup> Includes \$225,433 for the Preschool Scholarship Incentive Program authorized by Chapter 795, Statutes of 1975.

<sup>b</sup> Included in Budget Bill Item 316, Department of Education Support.

<sup>c</sup> Budget Bill Item 341.

As Table 50 indicates, the Governor's Budget requests \$28.6 million for local assistance in 1980-81. This provides for a 9 percent inflation increase of \$2.4 million over the 1979-80 funding level. State operations funding provides for a 5.4 percent inflation increase.

#### **Federal Headstart Program**

The State Preschool Program is very similar to the federal Headstart program administered directly by the federal government. In 1980-81, about \$65 million will be spent in California to serve 26,000 preschool age children under the Headstart Program. This is a 9 percent increase over the 1979-80 funding level.

#### **Per Capita Allowance**

The Governor's Budget specifies that the Department of Education allocate the \$2.4 million inflation increase to bring low cost programs up to a per capita allowance of \$1,461 per child. Programs with per capita allowances above \$1,461 would be required to reduce program costs to that level. The \$1,461 per capita allowance is 109 percent of the 1979-80 average per capita allowance of \$1,340. *We recommend approval.*

#### **Minimum Wage Law**

Supplemental language to the Budget Act of 1979 directs the Department of Education to "include within the State Preschool Program's process of verifying compliance with applicable statutes and regulations, a determination of each local private preschool agency's adherence to California's minimum wage laws. The department shall report to the legislative budget committees by March 1, 1980, its findings and conclusions regarding minimum wage compliance in public and private preschool agencies throughout the state." During budget hearings, we will comment on the report's conclusions.

## K-12 EDUCATION—Continued

## CHILD NUTRITION (Items 317, 350 and 351)

## 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 Office of Child Nutrition Services. These programs assist schools in providing nutritious meals to pupils, with emphasis on free or reduced price meals to children from low-income families.

The Office 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 required all K-12 school districts and county superintendents of schools to provide during each school day one free or reduced price meal for each needy student.

## Participation

Table 51 summarizes participation in the program.

**Table 51**  
**Participation in Meal Programs**

	<i>Actual</i> <i>1978-79</i>	<i>Estimated</i> <i>1979-80</i>	<i>Projected</i> <i>1980-81</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
<i>General Statistics</i>					
Number of Public School Districts .....	1,043	1,044	1,044	—	—
Number of Schools					
Public .....	7,471	7,471	7,471	—	—
Private .....	3,165	3,356	3,401	45	1.3%
Totals.....	10,636	10,827	10,872	45	0.4%
Enrollment (K-12)					
Public .....	4,041,598	3,929,401	3,862,246	-67,155	-1.7%
Private .....	477,013	504,168	547,160	42,992	8.5
Totals.....	4,518,611	4,433,569	4,409,406	-24,163	-0.5%
<i>National School Lunch Program</i>					
Number of sponsors .....	1,263	1,342	1,396	54	4.0%
Number of schools					
Public <sup>a</sup> .....	7,762	7,809	7,885	76	1.0
Private .....	307	325	356	31	9.5
Residential Institutions.....	313	402	491	89	22.1
Totals.....	8,382	8,536	8,732	196	2.3%
Enrollment of Participant Schools .....	4,164,387	4,180,466	4,192,995	12,529	0.3%
Average Daily Participation					
Paid .....	767,180	781,084	794,324	13,240	1.7
Reduced Price .....	123,847	141,460	163,781	22,321	15.8
Free.....	918,920	931,237	953,459	22,222	2.4
Totals.....	1,809,947	1,853,781	1,911,564	57,783	3.1%



*School Breakfast Program*

Number of Sponsors .....	468	517	555	38	7.4%
Number of Schools					
Public .....	2,367	2,558	2,783	225	8.8
Private .....	87	94	101	7	7.4
Residential Institutions .....	334	399	454	55	13.8
Totals .....	2,788	3,051	3,338	287	9.4
Enrollment of Participant Schools .....	1,484,544	1,541,857	1,601,811	59,954	3.9%
Average Daily Participation					
Paid .....	41,437	45,453	50,191	4,738	10.4
Reduced Price .....	18,993	20,104	21,244	1,140	5.7
Free .....	286,015	297,592	310,592	13,000	4.4
Totals .....	346,445	363,149	382,027	18,878	5.2%

<sup>a</sup> Includes Children Centers and Preschools.

Table 51 indicates that daily participation in the school lunch program in 1980-81 is expected to grow by 57,783 (3.1 percent), and participation in the school breakfast program will increase by 18,878 (5.2 percent).

**Funding**

Table 52 summarizes expenditures and funding of these programs.

Table 52 indicates a projected net growth of \$14.3 million (5.1 percent) in federal subsidies for food programs serving California children. The table indicates a decrease of \$3.9 million (44.2 percent) in federal funds for administration of the program in 1980-81. This is somewhat misleading because 1979-80 expenditures are inflated by a onetime carryover of federal funds from 1978-79 for a nutrition education and training program.

Table 52 indicates a projected \$7.4 million (21.5 percent) General Fund increase in the state basic subsidy. The increase results from a 7.6 percent growth in the number of meals to be provided and a 12.8 percent increase in the basic subsidy rate. *We recommend approval.*

Table 52 indicates that no state needy subsidy will be necessary in either 1979-80 or 1980-81. The state needy subsidy is computed by a formula which calculates a statewide average meal cost and deducts from that amount (a) all federal subsidies, (b) the state basic subsidy, (c) a 10 cent student charge per reduced price meal and (d) a local contribution based on a computational five cent tax. Any remaining cost is paid by the state as a needy subsidy. Because the statewide average meal cost has not risen as rapidly as the federal and state subsidies and the computational five cent tax, the Department of Education indicates that no net state needy subsidy will be necessary in 1979-80, and none is projected for 1980-81.

Table 52 indicates a \$54,793 (3.6 percent) General Fund inflation increase for state operations.

**Open-ended Programs**

The federal school lunch and breakfast subsidies and the state basic subsidy are open-ended—that is, all eligible participants who apply are entitled to receive the subsidies. Furthermore, the subsidies have automatic inflation factors.

**Table 52**  
**Food Services Programs**  
**Expenditures and Funding**

<i>Federal</i>	<i>Actual</i> <i>1978-79</i>	<i>Estimated</i> <i>1979-80</i>	<i>Proposed</i> <i>1980-81</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
Local Assistance					
School lunch					
General Assistance .....	\$51,482,066	\$58,497,839	\$61,492,770	\$2,994,931	5.1%
Special assistance to needy children .....	125,909,658	146,467,963	153,561,871	7,093,908	4.8
School Breakfast .....	33,153,622	38,381,694	43,551,360	5,169,666	13.5
Special milk .....	11,148,497	13,650,444	15,144,370	1,493,926	10.9
Child Care food program .....	14,897,850	14,416,576	17,830,457	3,413,881	23.7
Summer food program .....	7,225,934	7,500,000	—	-7,500,000	-100.0
Food services equipment assistance .....	3,635,684	2,900,000	3,500,000	600,000	20.7
Cash for commodities .....	1,951,608	—	—	—	—
Commodities supplemental food program .....	210,524	125,000	125,000	—	—
Nutrition education and training projects .....	—	—	1,000,000	1,000,000	+100.0
Subtotals .....	\$249,615,443	\$281,939,516	\$296,205,828 <sup>a</sup>	\$14,266,312	5.1%
State Operations .....	2,307,783	8,995,128	5,016,760 <sup>b</sup>	-3,978,368	-44.2
Totals—federal funds .....	\$251,923,226	\$290,934,644	\$301,222,588	\$10,287,944	3.5%
<i>State</i>					
Local assistance					
Basic subsidy .....	\$31,555,436	\$34,646,597	\$42,079,309 <sup>c</sup>	\$7,432,712	\$21.5%
Needy subsidy .....	1,297,273	—	—	—	—
Subtotals .....	\$32,852,709	\$34,646,597	\$42,079,309	\$7,432,712	21.5%
State operations					
Food and nutrition services .....	\$484,399	\$690,512	\$710,471 <sup>d</sup>	\$19,959	2.9%
State child nutrition program .....	686,798	828,956	863,790 <sup>e</sup>	34,834	4.2
Subtotals .....	\$1,171,197	\$1,519,468	\$1,574,261	\$54,793	3.6%
Totals—General Fund .....	\$34,023,906	\$36,166,065	\$43,653,570	\$7,487,505	20%
Combined Totals					
Local assistances .....	\$282,468,152	\$316,586,113	\$338,285,137	\$21,699,024	6.9%
State operations .....	3,478,980	10,514,596	6,591,021	-3,923,575	-37.3
Totals .....	\$285,947,132	\$327,100,709	\$344,876,158	\$17,775,449	5.4%

<sup>a</sup> Budget Bill Item 351.

<sup>b</sup> Included in Budget Bill Item 322.

<sup>c</sup> Budget Bill Item 350.

<sup>d</sup> Included in Budget Bill Item 316.

<sup>e</sup> Budget Bill Item 317.

Table 53 summarizes the per meal subsidies since July 1, 1978.

**Table 53**  
**Subsidies per Meal for School Lunch and Breakfast Programs**

	<i>July- December 1978</i>	<i>January- June 1979</i>	<i>July- December 1979</i>	<i>Projected January- June 1980</i>
Federal subsidies:				
School lunch:				
All meals .....	15 $\frac{3}{4}$ ¢	15 $\frac{3}{4}$ ¢	17¢	17 $\frac{3}{4}$ ¢
Free meals .....	68 $\frac{1}{4}$	71 $\frac{1}{2}$	76 $\frac{1}{4}$	80
Reduced price meals .....	58 $\frac{1}{4}$	61 $\frac{1}{2}$	66 $\frac{1}{4}$	70
School Breakfast:				
All meals .....	12	12 $\frac{3}{4}$	13 $\frac{1}{2}$	14 $\frac{1}{4}$
Free meals .....	30 $\frac{1}{4}$	31 $\frac{1}{4}$	33 $\frac{3}{4}$	35 $\frac{1}{4}$
Reduced price meals .....	22 $\frac{3}{4}$	23 $\frac{3}{4}$	25 $\frac{1}{2}$	27 $\frac{1}{4}$
Especially needy:				
Free .....	40 $\frac{1}{4}$	41 $\frac{1}{4}$	43 $\frac{1}{4}$	45 $\frac{1}{4}$
Reduced price .....	35 $\frac{1}{4}$	36 $\frac{1}{4}$	38 $\frac{1}{4}$	40 $\frac{1}{4}$
	<i>1978-79</i>	<i>1979-80</i>	<i>Projected 1980-81</i>	
State subsidies:				
Basic (all meals) .....	6.02¢	7.25¢	8.18¢	
Needy .....	3.45¢	—	—	
Statewide average cost per lunch .....	\$1.04	\$1.08	\$1.22	

Table 53 indicates that the statewide average cost of a school lunch served in 1979-80 is \$1.08. The Department of Education projects the 1980-81 statewide average lunch cost to be \$1.22, an increase of 14 cents (13.0 percent). For a free lunch served during January to June 1980, federal and state subsidies amount to \$1.05. This is within 3 cents of the statewide average lunch cost in 1979-80.

#### **SURPLUS PROPERTY REVOLVING FUND (Item 321)**

Federal surplus personal property and food commodities are processed and distributed by the Department of Education to public and private nonprofit agencies within California. A processing and handling charge is assessed to local agencies to finance the state's cost. Funding is provided through the Surplus Property Revolving Fund. The proposed amount for this fund in 1980-81 is \$33.9 million, an increase of 15.7 percent over the current year.

The budget request is intended to adjust for two years' inflation, since no inflation allowance was requested by the Department of Education in 1979-80.

In addition, the 1980-81 funding level provides for three new positions, a Child Nutrition Consultant, a staff services analyst and a clerk-typist. These positions will be utilized in managing the food processing contracts which the Department enters into with private contractors. *We recommend approval.*

## K-12 EDUCATION—Continued

## II. STATE OPERATIONS (Item 316)

## DEPARTMENT MANAGEMENT AND STATE LIBRARY

## Overview

This section discusses the overall state operations (administration) budget as well as those administrative activities that are not directly tied to a particular local assistance program: (1) program evaluation, (2) curriculum services and (3) library services. Administrative issues related to particular local assistance programs, such as the School Improvement Program, were discussed in connection with the particular program.

## Expenditures

Table 54 shows the past, current and proposed state operations expenditures for the Department of Education, special schools, library services and other categories. The proposed General Fund increases for the Department of Education, special schools, and library services are 11.8 percent (\$3.1 million), 11.6 percent (\$2.9 million) and 12.5 percent (\$0.7 million), respectively. These amounts will increase by the amount of any salary or staff benefit increase approved for the budget year. (The Department of Finance estimates that each 1 percent of salary increase will require \$349,000 in additional General Fund support.)

Table 54  
State Operations Expenditures  
(in thousands)

	Actual 1978-79	Estimated 1979-80	Proposed 1980-81	Change	
				Amount	Percent
Department of Education .....	\$45,007	\$60,521	\$59,470	\$-1,051	-1.7%
Special Schools <sup>a</sup> .....	18,938	24,797	27,660	2,863	11.5
Division of Libraries .....	5,342	6,573	7,137	564	8.6
Surplus Property Revolving Fund.....	10,101	29,322	33,880	4,558	15.5
Local Assistance Administration .....	613	781	655	-126	-16.1
Reimbursements .....	7,583	7,829	7,623	-206	-2.6
Totals.....	\$87,584	\$129,823	\$136,425	\$6,602	5.1%
Less Reimbursements.....	-7,583	-7,829	-7,623	206	2.6
Less Local Assistance Administration.....	-613	-781	-655	126	16.2
Net Totals .....	\$79,388	\$121,213	\$128,147	\$6,934	5.7%
General Funds.....	\$45,652	\$56,126	\$62,743	\$6,617	11.8%
Federal funds.....	23,458	35,560	31,314	-4,246	-11.9
Other state funds .....	10,278	29,527	34,090	4,563	15.4

<sup>a</sup> Discussed under Special Education in Local Assistance section.

Revenue for state operations is shown in Table 55.

Table 55  
State Operations Funding

	Actual 1978-79	Estimated 1979-80	Proposed 1980-81	Change	
				Amount	Percent
Department of Education					
General Fund.....	\$22,221,055	\$26,029,842	\$29,102,469	\$3,072,627	11.8%
Federal funds .....	22,609,500	34,286,427	30,158,126	-4,128,301	-12.0

# Items 316-355

# K-12 EDUCATION / 1041

State School Building Aid.....	176,788	204,839	209,584	4,745	2.3
Subtotals .....	\$44,707,343	\$60,521,108	\$59,470,179	\$-1,050,929	-1.7%
Local assistance administration	\$612,983	\$780,528	\$654,338	\$-126,190	-16.2%
Special Schools for the Hand- icapped					
General Fund.....	\$18,937,529	\$24,613,670	\$27,472,064	\$2,858,394	11.6%
Federal funds.....	—	182,949	188,164	5,215	2.8
Subtotals .....	\$18,937,529	\$24,796,619	\$27,660,228	\$2,863,609	11.5%
Library Services					
General Fund.....	\$4,493,462	\$5,482,292	\$6,168,971	\$686,679	12.5%
Federal funds.....	848,335	1,090,984	967,578	-123,406	-11.3
Subtotals .....	\$5,341,797	\$6,573,276	\$7,136,549	\$563,273	8.6%
Surplus Property Revolving Fund.....	\$10,101,518	\$29,322,185	\$33,880,311	\$4,558,126	15.5%
Reimbursements .....	\$7,583,189	\$7,828,842	\$7,623,020	\$-205,822	-2.6%
Totals .....	\$87,584,359	\$129,822,558	\$136,424,625	\$6,602,067	5.1%
General Fund <sup>a</sup> .....	\$46,249,014	\$56,741,535	\$63,382,711	\$6,641,176	11.7%
Federal funds.....	23,457,835	35,560,360	31,313,868	-4,246,492	-11.9
Other state funds <sup>b</sup> .....	17,877,510	37,520,663	41,728,046	4,207,383	11.2

<sup>a</sup> Includes local assistance administration for instructional materials.

<sup>b</sup> Includes reimbursements, state school building aid, and local assistance administration for environmental education.

Federal support amounting to \$31,313,868 in 1980-81 is itemized in Table 56. Of the total, \$30,158,126 will be expended by the Department of Education.

**Table 56**  
**Federal Fund Expenditures**  
**Included in State Operations**

	<i>Actual</i> <i>1978-79</i>	<i>Estimated</i> <i>1979-80</i>	<i>Proposed</i> <i>1980-81</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
Department of Education					
ESEA, Title I—Educationally Deprived Children.....	\$2,985,896	\$3,551,890	\$3,602,254	\$50,364	1.4%
ESEA, Title II-IV-B School Li- brary Resources.....	758,768	876,119	888,161	12,042	1.4
ESEA, Title III-IV-B Guidance Counseling and Testing.....	67,393	—	—	—	—
ESEA, Title II-IV-C Supple- mentary Centers and Serv- ices .....	821,869	992,843	1,021,366	28,523	2.9
ESEA, Title IV-C Strengthen- ing the State Department ...	3,732,371	4,438,160	4,495,846	57,686	1.3
ESEA, Title VII, Bilingual Edu- cation .....	852,072	1,234,627	1,361,891	127,264	10.3
Right to Read.....	257,045	344,821	351,659	6,838	2.0
Adult Basic Education Act .....	430,805	553,347	561,246	7,899	1.4
Vocational Education Act.....	4,211,790	4,405,050	4,324,750	-80,300	-1.8
Vocational Education Act, Spe- cial Projects .....	463,881	769,375	762,051	-7,324	-1.0
EHA, Title VI Education Im- provement for the Hand- icapped .....	2,948,251	4,760,142	4,478,781	-281,361	-5.9
Child Nutrition Act .....	2,307,783	8,995,128	5,016,760	-3,978,368	-44.2
Federal Education Projects .....	2,771,576	3,364,925	3,293,361	-71,564	-2.1
Subtotals .....	\$22,609,500	\$34,286,427	\$30,158,126	\$-4,128,301	-12.0%

**K-12 EDUCATION—Continued**

State Special Schools					
EHA, Title VI-C .....	—	\$182,949	\$188,164	\$5,215	2.8%
State Library					
Library Services and Construc-					
tion Act .....	\$848,335	\$1,090,984	\$967,578	\$-123,406	-11.3%
Totals .....	\$23,457,835	\$35,560,360	\$31,313,868	\$-4,246,492	-11.9%

The largest changes in federal support are (1) an increase of \$127,264 (10.3 percent) in ESEA, Title VII Bilingual, (2) a decrease of \$3,978,368 (44.2 percent) in the Child Nutrition Act, and (3) a decrease of \$123,406 (11.3 percent) in the Library Services and Construction Act (LSCA). In total, federal funds are budgeted to decrease by \$4,246,492 (11.9 percent), primarily due to the completion of nutrition education project started in 1979-80. A second reason for the decrease between years is that the budget assumes almost all carryover funds will be expended in 1979-80 and almost no carryover funds will be available in 1980-81. This is not a realistic assumption. Additionally, it is probable that more federal funds will be available in 1980-81 and will be authorized for expenditure through the use of budget revisions.

**Personnel**

Table 57 shows the number of authorized positions in the Department of Education, Special Schools and the State Library. Approximately 54 percent of these employees have professional job classifications.

**Table 57**  
**Distribution of Personnel**  
**State Department of Education,**  
**Special Schools and State Library**

	<i>Actual</i> <i>1978-79</i>	<i>Estimated</i> <i>1979-80</i>	<i>Proposed</i> <i>1980-81</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
Department of Education .....	1,359.3	1,572.9	1,576.3	3.4	.2%
Special Schools .....	975.2	1,085.1	1,117.6	32.5	3.0
State Library .....	200.4	199.1	196.1	-3.0	-1.5
Totals .....	2,534.9	2,857.1	2,890.0	32.9	1.1%
Professionals					
Number .....	1,385.3	1,543.3	1,566.8	NA	NA
Percent .....	(55%)	(54%)	(54%)	—	—
Non-Professionals					
Number .....	1,149.6	1,313.8	1,323.2	NA	NA
Percent .....	(45%)	(46%)	(46%)	—	—

**Operating Expenses and Equipment (OEE)**

Table 58 presents the line item display for operating expenses and equipment (OEE). These OEE totals include proposed expenditures for the Department of Education, Special Schools, and the State Library.

As shown in Table 58, regular OEE expenses are estimated to increase \$3.7 million (6.0 percent). This increase would be significantly larger were it not for the \$4.7 million reduction in consultant and professional services. This reduction is primarily because of \$4.3 million in federal nutrition

**Table 58**  
**Operating Expenses and Equipment (OEE)**

	<i>Actual</i> 1978-79	<i>Estimated</i> 1979-80	<i>Proposed</i> 1980-81	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
General expenses .....	\$3,154,270	\$2,257,778	\$2,356,767	\$98,989	4.4%
Printing .....	849,955	1,141,746	1,116,880	-24,866	-2.2
Communications .....	1,437,701	1,626,746	1,638,073	11,327	0.7
Travel—in-state .....	3,551,854	4,120,072	4,187,742	67,670	1.6
Travel—out-of-state .....	124,559	203,905	198,078	-5,827	-2.8
Consultant and professional serv- ices .....	6,063,730	13,391,344	8,716,565	-4,674,779	-34.9
Subsistence and personal care....	815,827	750,450	816,034	65,584	8.7
Data processing.....	870,802	689,268	689,268	—	—
Consolidated data center .....	337,137	570,355	570,355	—	—
Facilities operations .....	3,708,516	5,718,953	6,006,684	287,731	5.0
Other items of expense.....	5,079,436	7,067,375	9,802,090	2,734,715	38.7
Commodities costs .....	5,679,961	22,458,736	26,345,090	3,886,354	17.3
Fiscal pro rata .....	124,990	247,485	—	-247,485	-100.0
Statewide indirect cost recover- ies .....	—	—	1,197,908	1,197,908	NA
Equipment .....	835,764	1,021,168	1,327,070	305,902	30.0
Subtotals .....	\$32,634,502	\$61,265,381	\$64,968,604	\$3,703,223	6.0%
Education Commission of the States .....	\$33,000	\$49,500	—	\$ -49,500	-100.0%
Unallocated legal .....	—	—	\$200,000	\$200,000	NA
Totals .....	\$32,667,502	\$61,314,881	\$65,168,604	\$3,853,723	6.3%

education contracts funded by carryovers in 1979-80 but not expected to be funded in 1980-81. The largest increases in OEE are due to higher commodity costs and the move of the special schools from Berkeley to Fremont.

#### 1979-80 SECTION 27.2 REDUCTIONS

##### Overview

Control Section 27.2 of the 1979 Budget Act, as amended by Chapter 1035, Statutes of 1979 (SB 186), required a \$25,224,000 increase in total General Fund salary savings during the current year. Of this amount,

**Table 59**  
**Positions Held Vacant for  
Section 27.2 Salary Savings**

<i>Position</i>	<i>Number</i>
Consultant Intergroup Relations .....	1.0
Education Administration Assistant II .....	1.0
Consultant, Math Education .....	1.0
Special Education Assistant I .....	1.0
Research Analyst II .....	1.0
Associate Governmental Program Analyst .....	1.0
Staff Services Analyst .....	1.0
Child Development Assistant II .....	1.0
Senior Stenographer .....	1.0
Stenographer .....	3.5
Office Assistant II .....	2.0
Temporary Help .....	2.8
Totals .....	17.3

**K-12 EDUCATION—Continued**

\$5,481,454 was allocated to the Department of Education. The department achieved these savings by reducing local assistance for child nutrition \$4.8 million, personal services \$391,140, and operating expenses and equipments \$130,380. Because the \$4.8 million in child nutrition funds would not otherwise have been spent, the “real” impact of Section 27.2 was a reduction of \$521,520, or 2.0 percent of the department’s support budget. Table 59 displays the positions held vacant in order to produce the savings in personal services.

**Restoration of 27.2 Savings**

*We recommend that the subcommittees direct the Department of Education to provide justification for restoring Section 27.2 state operations savings.*

The Governor’s Budget proposes to restore funding for the positions held vacant for Section 27.2. This is consistent with the Legislature’s intent that the 27.2 reductions not be permanent. Nevertheless, it is not clear that these positions, which the Department of Education has identified as low priority and held vacant for a full year, are needed. Consequently, we recommend that the Department of Education justify restoration of funding for these positions.

**A. DEPARTMENT OF EDUCATION  
CONSULTANT AND PROFESSIONAL SERVICES****Overview**

Pursuant to a request by Ways and Means Subcommittee Number 2, we have analyzed the services purchased by the Department of Education through personal services and consulting contracts. Our findings are presented in three parts. The first part reviews spending patterns over time. The second analyzes what is purchased through these contracts, and evaluates the funding level for these services. The third part describes our findings regarding the department’s procedures for managing these funds.

**Spending Patterns**

**Funding.** Funding for Consultant and Professional Services in the past, current and budget years is shown in Table 60. Federal funds are budgeted to increase by nearly \$2 million, or 90.5 percent, between 1978–79 and 1980–81. State funding is proposed to increase by \$71,000, or 2.6 percent, over this two year period.

**Annual Spending Level.** Budgeted and actual expenditures for Consultant and Professional Services are given in Table 61 and Chart 1. In 1978–79, \$6,063,730 was expended for these services, an increase of 250 percent over the amount budgeted in 1971–72. In 1980–81, the Consultant and Professional Services are budgeted at \$8.7 million, or 44 percent above the actual level in 1978–79.



**Table 60**  
**Consultant and Professional Services**  
 (in thousands)

Funds	Actual 1978-79	Estimated 1979-80	Proposed 1980-81	Change from 1978-79 <sup>a</sup>	
				Amount	Percent
A. Department of Education					
Federal .....	\$2,188	\$8,702	\$4,168	\$1,980	90.5%
State .....	2,772	2,938	2,843	71	2.6
Reimbursements .....	599	853	726	127	21.2
Non-governmental .....	25	-38	-38	-63	-252.0
Subtotals .....	\$5,584	\$12,455	\$7,699	\$2,115	37.9%
B. Special Schools .....	\$123	\$208	\$223	\$100	81.3%
C. State Libraries .....	357	618	795	438	122.7
Totals .....	\$6,064	\$13,281	\$8,717	\$2,653	43.8%

<sup>a</sup> Because of the substantial one-year increase in 1979-80, changes in funding level are given for a two-year period in this table.

**Table 61**  
**Consultant and Professional Services**  
 1971-72 to 1980-81

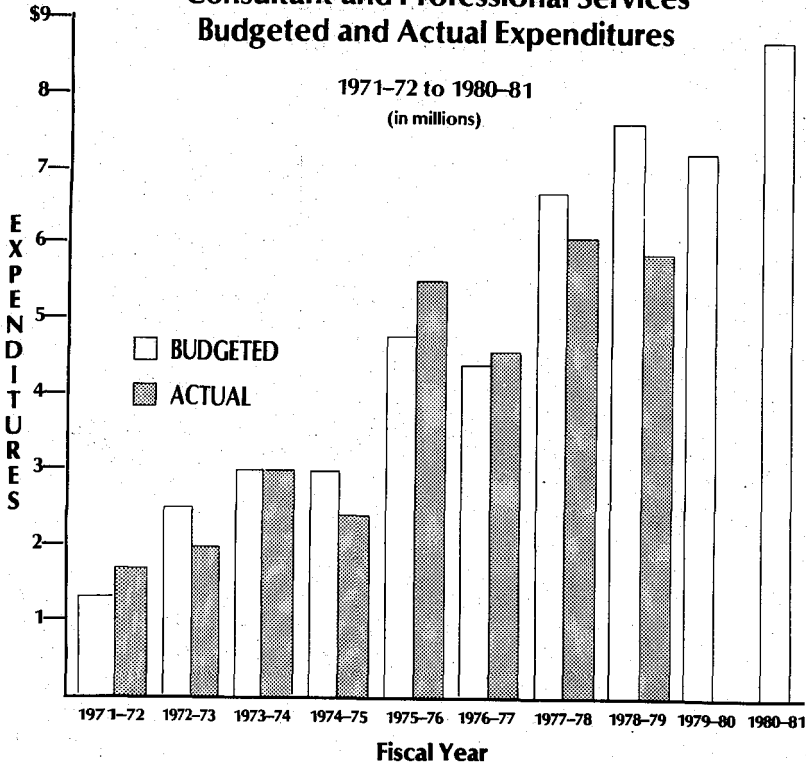
	Budgeted	Actual	Change over previous year actual	
			Amount	Percent
1971-72 .....	\$1,317,937	\$1,738,409	—	—
1972-73 .....	2,544,944	1,992,756	\$254,347	15%
1973-74 .....	3,052,978	3,075,205	1,082,449	54
1974-75 .....	3,029,770	2,438,716	-636,489	-21
1975-76 .....	4,832,318	5,537,467	3,098,751	127
1976-77 .....	4,411,143	4,604,874	-932,593	-17
1977-78 .....	6,708,778	6,124,143	1,519,269	33
1978-79 .....	7,825,587	6,063,730	-60,413	-1
1979-80 .....	13,391,344	—	—	—
1980-81 .....	8,716,565	—	—	—

The budget for Consultant and Professional Services has often increased or decreased after the state budget has been adopted, due to receipt of new federal funds and budget transfers between line items. The Governor's 1978-79 Budget proposed a spending level of \$7.8 million for Consultant and Professional Services. New funds and budget revisions, however, raised the budget level to \$8.5 million. The 1979-80 budget requested \$7.2 million for these services, but the 1980-81 budget shows that this amount has risen to \$13.4 million. Thus, the amount budgeted for Consultant and Professional Services is only an approximation of the amount that may actually be spent.

*Consultant and Professional Services as a Percent of Personal Services.* Chart 2 shows the funding for Consultant and Professional Services as a percent of personal services during an 11 year period. The chart indicates that the percentage has increased over this time period from 4 percent in 1970-71 to a projected 12 percent in 1980-81. Thus, the ratio of funds spent on outside consultants to funds spent for department staff is increasing.

## K-12 EDUCATION—Continued

**Chart 1**  
**Department of Education**  
**Consultant and Professional Services**  
**Budgeted and Actual Expenditures**



Source: Governor's Budgets, 1971-72 to 1980-81

#### Review of Availability of State Staff

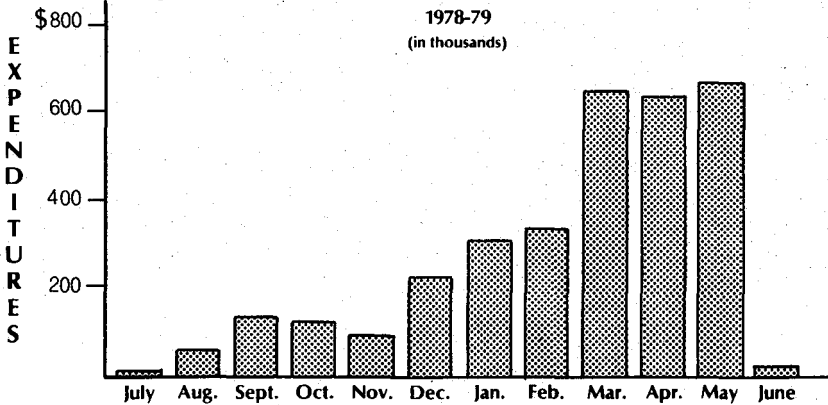
*We recommend that the Legislature direct the department to review its uses of Consultant and Professional Services contracts to determine in which cases they can be carried out by state staff with no increase in state costs, and report to the Legislature on November 1, 1980.*

The rate of growth in expenditures for Consultant and Professional

Chart 2

Department of Education

Expenditures for Consultant and Professional Services<sup>a</sup>



<sup>a</sup> Excludes encumbrances.

Services over the last decade has exceeded the inflation rate, as well as the rate of growth in the department's personal services budget. During this period, there has been rapid growth in both federal and state categorical programs, and in expenditures for education, generally.

We have not attempted to determine the extent to which the increase in Consultant and Professional Services has been necessary. It is possible that some of these services can be provided using state staff. To give the Legislature a better basis for reviewing this category of expenditures, we recommend that the department analyze its uses of Consultant and Professional Services and report to the fiscal committees whether some of these services can properly be carried out using state staff at no increase in state costs.

**Expenditure Flow and Encumbrances.** An analysis of the flow of expenditures for Consultant and Professional Services in 1978-79 reveals that most funds were expended towards the end of the fiscal year or after it ended.

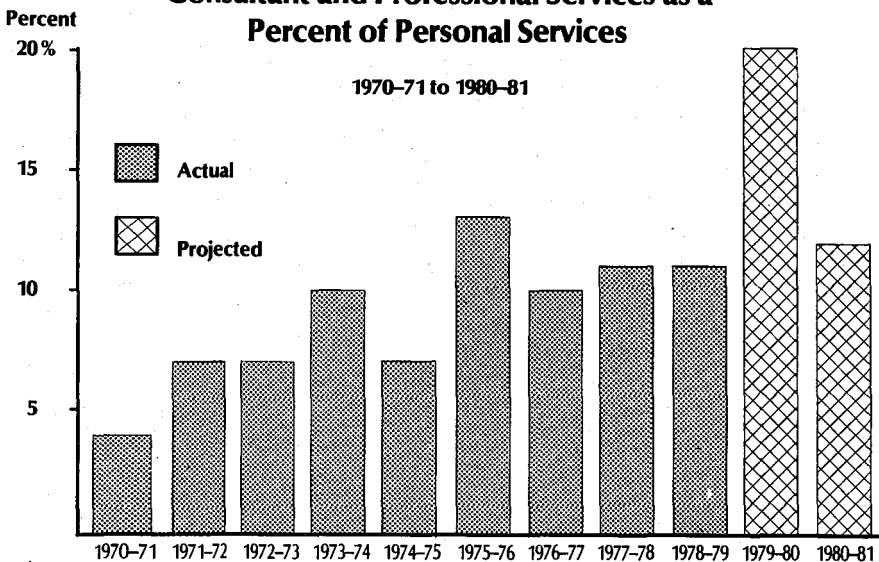
**K-12 EDUCATION—Continued**

During 1978-79, 10 percent of all Consultant and Professional Services funds, or \$593,092, was expended during the first six months of the fiscal year. Forty percent was expended during the last six months of the year, and fifty percent was encumbered as of the end of the fiscal year. Of this amount, \$2.5 million was encumbered to fund contracts which had not been completed, and \$500,000 was encumbered to fund short-term consultant activities. Encumbered funds totaling \$1.75 million remained unspent as of September 1979. Table 62 and Chart 3 display the within-year expenditures for 1978-79.

**Table 62**  
**Consultant and Professional Services Expenditures**  
**1978-79**  
(in millions)

<i>Category</i>	<i>Amount</i>	<i>Percent</i>
Expended, first six months .....	\$6	10%
Expended, last six months .....	2.4	40
Encumbered, as of June 30, 1979 .....	3.0	50
Totals .....	\$6.0	100%

**Chart 3**  
**Department of Education**  
**Consultant and Professional Services as a**  
**Percent of Personal Services**



Source: Governor's Budget 1972-73 to 1980-81

**Allocation of Inflation Funds**

*We recommend that the Legislature direct the Department of Education to establish a formal tracking system to eliminate one-time expenditures from the Consultant and Professional Services base on which the amount of inflation increases is calculated.*

The Governor's Budget grants inflation increases for the General Fund portion of Operating Expenses and Equipment line items, including Consultant and Professional Services. The department then allocates the General Fund inflation increase to the separate line items. One reason for the growth in the Consultant and Professional Services line item is that when inflation increases are granted, one-time contracts may be included in the base. Thus, even though a contract is not on-going and will not have to be funded in the budget year, the inflation adjustment for Consultant and Professional Services includes an amount "for" this contract. For example, the department reports that the inflation allowance for 1980-81 includes funds to offset the effects of inflation on a contract to provide exit criteria in bilingual classes. Yet this task will be completed in 1979-80 and no inflation adjustment will be needed in the budget year. As a result of this practice, the routine granting of blanket inflation increases can result in more funds being available than are needed or justified.

This overbudgeting can be eliminated if the Department of Education establishes a tracking system to exclude one-time expenditures from the base on which inflation increases are granted. We recommend that the Legislature direct the department to establish such a system.

**Purposes for Which Consultant and Professional Services Funds are Expended**

We examined the Budget Worksheets for 1979-80 which were prepared in response to a legislative request last spring. This information was supplemented by the department on several occasions. The 1979-80 expenditure plans, as supplemented, are the basis for this analysis.

Consultant and Professional Services funds in the 1979-80 budget will be expended on different types of agreements. Some of them are short-term consultant agreements, some are interagency agreements, and some are formally negotiated contracts. In the budget worksheets, the department projected that expenditures would total \$6.4 million, as shown in Table 63. Approximately \$2.2 million was budgeted for short-term consultant contracts, \$1.2 million was for interagency agreements, and \$2.9 million was for outside contracts.

**Table 63**  
**Types of Contracts Anticipated by the State Department of Education**  
**1979-80**

<i>Type of Contract</i>	<i>Amount</i>	<i>Percentage</i>
Short-term Consultant Agreements.....	\$2,212,572	35%
Interagency Agreements .....	1,235,168	19
Outside Contracts .....	<u>2,938,797</u>	<u>46</u>
Totals .....	\$6,386,537	100%

The major activities supported with Consultant and Professional Services funds are shown in Table 64. (These funds are in addition to funds budgeted for Department of Education staff.) As the table shows:

## K-12 EDUCATION—Continued

**Table 64**  
**Consultant and Professional Services**  
**1979-80 Planned Expenditures**  
**(in thousands)**

	<i>Short-Term Consultant Contracts</i>	<i>Outside Contracts</i>	<i>Interagency Agreement</i>	<i>Total</i>
Testing, Research and Evaluation .....	\$217	\$1,901	\$15	\$2,133
Planning, Inservice, Workshops, Advisory Committees .....	885	156	36	1,077
Program Reviews .....	519	164	97	780
Congressional Liaison .....		100		100
Legal Defense-Serrano-Priest .....		110		110
Stanford Computer Contract .....		267		267
Conference Attendance .....	53			53
Child Nutrition Training Programs .....			1,013	1,013
All Other .....	539	241	74	854
Totals .....	\$2,213	\$2,939	\$1,235	\$6,387

- The largest expenditure, \$2.1 million, is for testing, research and evaluation. Most of this is spent by the Office of Program Evaluation and Research.
- Planning, inservice, workshops, and advisory committees account for \$1.1 million. These funds are primarily to pay field personnel to attend meetings.
- An additional \$780,000 is expended for program reviews, as part of the department's management of programs.
- Representation in Washington, D.C. is budgeted at \$100,000.
- Legal defense in the *Serrano* case is budgeted at \$110,000.
- The department maintains a \$267,000 account at the Stanford University computing facility.

\$854,000 is for other purposes, including \$255,000 for short-term consultant agreements for undefined purposes. This category also includes such projects as \$23,000 for federal bilingual data acquisition contracts; \$9,000 for adult education monographs; \$11,000 for special media presentation for visually handicapped people and \$2,000 for student leadership training.

Table 65 shows a further breakdown of testing, research and evaluation expenditures. The California High School Proficiency Test (most of which is funded through fees) is budgeted at \$663,000. The State Assessment contract costs an additional \$711,000.

**Table 65**  
**Consultant and Professional Services**  
**Funds for Testing, Research and Evaluation**  
**1979-80**

<i>Purpose</i>	<i>Total</i>
High School Proficiency Test .....	\$663,000
SIP outside contract .....	175,000
MPSE outside contract .....	200,000
State Assessment .....	711,000
Other testing, research and evaluation .....	384,000
Total .....	\$2,133,000

**Reduction in General Fund Allocations for Consultant and Professional Services**

*We recommend that funding for (a) conference attendance for local school staff (\$49,000); (b) one-time expenditures (\$68,000); and (c) redirection of federal ESEA V-B funds (\$51,000) be reduced from Item 316, for a General Fund savings of \$168,000. (Reduce Item 316 by \$168,000).*

Our recommendation is based on the following:

a. *Conference attendance costs incurred by local school personnel should be funded by the schools rather than by the state through Consultant and Professional Service funds.* Our analysis found two cases where local attendance was being funded. The first involved compensatory education conferences (\$8,000) and the second involved bilingual education conferences (\$41,000).

b. *One-time only funds should be removed from the base.* The budget contains \$68,000 for (a) development of bilingual program review instruments (\$9,000); (b) bilingual program exit criteria (\$40,000); and (c) replacement of funds transferred from curriculum services to the Mentally Gifted Minors program (\$19,000). These requirements will be met in 1979-80 and the need for this funding in 1980-81 has not been justified. Consequently, we recommend that these funds be deleted.

c. *Federal funds not needed for original purposes should be used to replace General Fund support.* Federal ESEA Title V-B funds are being used in 1979-80 to (a) provide technical assistance for evaluation forms (\$41,000) and (b) prepare materials for Elementary Field Services (\$10,000). These tasks should be completed in 1979-80, and the federal funds budgeted to pay for them can be used to replace General Fund support in other areas.

For these reasons we recommend a reduction of \$168,000 from Consultant and Professional Services. We will be prepared to discuss these reductions in more detail during budget hearings.

**Redirection of Federal funds**

*We recommend that \$903,430 in federal funds for Consultant and Professional Services be reduced from Item 322 unless the expenditure of these funds can be justified. (Reduce Item 322 by \$903,430.)*

According to data submitted by the department, federal funds budgeted for Consultant and Professional Services increased 90.5 percent from 1978-79 to 1980-81, while state funds rose 2.6 percent. Thus, federal funds constitute the major source of increased Consultant and Professional Services funds.

The department has submitted expenditure plans for only \$3.2 million of the \$4.1 million in federal funds budgeted for Consultant and Professional Services. We recommend deleting the difference (\$903,430) unless the expenditure of these funds can be justified prior to budget hearings.

**K-12 EDUCATION—Continued****Increases in the Budgets of Other OEE Line Items**

Our analysis does not include an evaluation of the need for increases above inflation for other Operating Expenses and Equipment (OEE) line items in the Department of Education. As Table 60 shows, the proposed 1980-81 state budget for Consultant and Professional Services is only 2.6 percent greater than actual expenditures in 1978-79. During this period, the Legislature provided inflation increases totaling approximately 12.35 percent to OEE. Because the Consultant and Professional Service budget increase is 9.85 percent less than that provided for all OEE items, approximately \$273,000 has been redirected to other line items.

The Departments of Finance and Education may wish to establish a task force to develop procedures for item-by-item budgeting for the OEE line items in the state operations budget in order to avoid excessive increases to some line items when one line item increases by less than the overall inflation increase.

**Procedures Used in Approving Contracts**

Our review of the procedures used by the Department of Education in approving contracts found the following deficiencies.

1. *Competitive Bidding.* The State Administrative Manual (SAM) requires at least three qualifying bids or proposals on all potential contracts. Further, it states that, "In those rare instances where three qualifying proposals cannot be obtained, a full explanation must accompany the contract including the names and addresses of the firms or individuals requested to submit proposals and the fullest known reasons why they did not."

We examined a sample of 30 contracts which exceeded \$3,000 to determine whether the department had complied with SAM requirements. In awarding these 30 contracts, the department sought competitive bids only eight times (27 percent).

In many cases, the competitive bidding requirement apparently was ignored by program managers. In others, managers attempted to justify the avoidance of competitive bidding by citing the unusual qualifications of the bidders or special time constraints.

2. *Invitations for Bids.* We found no general statement in the department's manual requiring program managers to prepare invitations for bids or requests for proposals. Procedures for soliciting bids or proposals, which are given in SAM, should be included in the department's administrative manual. Moreover, no procedure exists for advertising contract work so that interested firms may bid on projects.

3. *Time Limitations.* According to the state's contracting policy, outside contracts should not be used to meet ongoing needs. For this reason, contracts are not allowed to extend longer than one year without special justification. Personal services contracts may not extend for periods beyond three years. In our review, we identified one instance where the department contracted for the services of one individual (its Washington, D.C. representative) over a period of several years without asking for competitive bids, in order to avoid extending a contract over more than three years.



4. *Reasonableness of Contract Prices.* The department requires that, as part of the contract justification, program managers justify the reasonableness of the contract price. In reviewing contract worksheets, however, the contracts unit apparently routinely approves contracts that are not accompanied by justification for the price.

In cases where contracts have been competitively bid, price is automatically taken into consideration, since normally the lowest bidder is awarded the contract. Because few contracts include competitive bidding procedures, however, this aspect of the contract award process has effectively been eliminated from review.

#### **Short-term Consultant Contracts**

*We recommend the Legislature not approve \$255,000 for short-term consultant contracts contained in Item 316 until the department prepares data explaining why it is needed.*

Most of the \$2.2 million budgeted for short-term consultant contracts in 1979-80 is described according to the unit expending the funds, the purpose for which the funds will be spent, and the total amount needed. However, also within the \$2.2 million, \$255,000 is included for general short-term consultant contracts. According to the department, this is "an amount which cannot be readily or easily reconstructed", and is spread over 55 units in the department.

We agree that the purposes for which these funds are needed might be difficult to reconstruct. It is precisely this reconstruction, however, which is needed for the Legislature to be able to evaluate the need for these funds. For this reason, we recommend that before this funding is approved, the department describe to the Legislature the purposes for which these funds will be spent and the management controls that will be used to ensure competitive bidding for the services.

#### **Policy Revision Needed**

*We recommend that the Legislature direct the department to revise its policies related to contracts for consultant and professional services. This revision should include:*

- (a) *development of procedures for awarding short-term consultant contracts,*
- (b) *development of adequate safeguards against sole-source contract awards,*
- (c) *development of a procedure whereby contracts are advertised so that firms desiring to bid on contracts can do so.*

*The Legislature should direct the department to report to the fiscal committees by December 1, 1980 regarding these changes.*

Program managers have full discretion to approve consultant and professional services contracts as long as the contract level does not exceed \$3,000. Our analysis finds that this policy does not provide adequate control for the expenditure of consultant and professional services funds, particularly in the areas of (a) short-term consultant contracts, (b) sole-source contracts and (c) access to information.

In 1980-81, the department plans to spend \$2.2 million for short-term

**K-12 EDUCATION—Continued**

consultant agreements. Many of these agreements cover expenses only and do not include stipends.

We reviewed 221 short-term consultant contracts for 1979-80 and found that 149 (67 percent) were for expenses only and 72 (33 percent) included fees. The average contract was for approximately \$200. This indicates that the department will be issuing about 11,000 contracts in the current year. Nearly all of these contracts will be with personnel employed by school districts.

The department does not require competitive bidding on short-term agreements. Instead, program managers within the department rely on field personnel to identify particularly capable consultants who can provide the required services. The department maintains it has permission from the State Personnel Board to avoid competitive bidding on short-term agreements. The Personnel Board, however, states that it has not granted such permission. We will be prepared to comment on this issue during budget hearings.

Finally, the department has no established procedure for notifying potential bidders of forthcoming contracts. Without such procedures and notification, the competitive bidding process cannot be accomplished.

**Use of Consultant and Professional Services Funds to Pay Expenses for Local Employees to Attend Legislative Hearings**

In 1979, the department used its consultant and professional service funds to bring one teacher and two principals to Sacramento to present testimony regarding the School Improvement Program (SIP) during budget hearings. This resulted in \$344.83 being charged to Elementary Field Services. Two of these individuals also worked for the department on other occasions.

The department maintains that it asked these individuals to testify during budget hearings in response to requests by individual legislative staff members. We have asked the department to report during budget hearings on its policy regarding the paying of expenses for attendance at legislative hearings.

**IN-STATE TRAVEL****Growth**

As shown in Table 66, the department's expenditures for in-state travel during the seven-year period 1971-72 to 1978-79 increased from \$1.3 million to \$3.6 million, or 178 percent. During the same period the number of departmental employees increased from 2,049.5 to 2,534.9. Thus, in-state travel expenditures per employee increased from \$622 to \$1,401 (125 percent). By comparison, the transportation component of the Consumer Price Index (CPI) increased 52.4 percent and the state per-diem rate increased 83 percent during this seven-year period. (These are the best available indicators of the change in the cost of in-state travel.)

The in-state travel budget for 1980-81 proposed by the Governor is \$4,187,742, an increase of \$67,670 (1.6 percent) over the \$4,120,072 budgeted for 1979-80. This amount can be augmented or decreased by administrative action after the budget is signed.

**Table 66**  
**State Department of Education<sup>a</sup>**  
**In-State Travel and Total Personnel Positions**

<i>Factor</i>	<i>1971-72</i>	<i>1978-79</i>	<i>Change</i>	
			<i>Amount</i>	<i>Percent</i>
Total expenditures, personal services .....	\$25,008,019	\$54,916,857	\$29,908,838	119.6%
Total personnel years .....	2,049.5	2,534.9	485.4	23.7
Total expenditures, in-state travel .....	\$1,275,617	\$3,551,854	\$2,276,237	178.4%
Expenditures per employee .....	\$622	\$1,401	\$779	125.2%
State per diem rate .....	\$23.50	\$43.00	\$19.50	83.0%
Change in cost of transportation <sup>b</sup> .....	—	—	—	52.4%

<sup>a</sup> Includes State Library and Special Schools.

<sup>b</sup> Transportation Index from the Consumer Price Index.

Using the Budget Worksheets prepared by the department last spring, we calculated the amount spent for travel per professional and administrative employee, and compared this amount for different programs. As Table 67 shows, the amount spent for travel per professional and administrative employee varies from program to program. The table also shows that federal funds support more travel per-person than state funds. The 296.8 federally funded positions are budgeted at \$6,264 on average, while the 316.9 state funded positions are budgeted at \$5,704.

**Table 67**  
**Personnel-Years and Travel Expenditures**  
**in Selected Budgets, 1979-80<sup>a</sup>**

<i>Program</i>	<i>Number of</i>	<i>Dollars Per</i>
	<i>Adm. and Prof.</i> <i>Employees</i>	<i>Adm. and Prof.</i> <i>Employees</i>
SIP K-6 .....	23.5	5,961
SIP 7-12 .....	3.7	5,351
EIA .....	7.9	7,478
ESEA, Title I .....	25.0	5,770
Curriculum Services (State) .....	21.5	9,844
Vocational Education (State) .....	26.6	7,686
Vocational Education (Federal) .....	31.7	8,891
Staff Development (State) .....	2.0	4,578
Staff Development (Federal) .....	1.0	10,300
Department-wide average, federal funds .....	296.8	6,264
Department-wide average, state funds .....	316.9	5,704
Department-wide average, all funds <sup>b</sup> .....	776.6	5,254

<sup>a</sup> From Budget Worksheets, Spring 1979.

<sup>b</sup> Includes service charges, reimbursements and indirect cost funds.

### **Department Travel Policy**

The department's budget preparation manual sets forth standards for program managers to use in determining how much to request for in-state travel. These standards are intended as a guide only, and program managers may budget differently if their circumstances warrant doing so. For 1979-80, the department's budget manual instructed managers to budget field services personnel (those whose assignments require them to travel three-fifths of the time) travel at \$5,413 per person, and travel for all other professionals at \$3,727. Overall, funds were budgeted at an average of

**K-12 EDUCATION—Continued**

\$5,254 per administrative and professional employee. This is only \$159 below the target level for personnel who are in the field three days per week, yet we estimate that only about 15 percent of all the department's personnel fall in this group. We will report more fully on this matter during budget hearings.

**Improvement Needed in Policy for Allocating Travel Funds**

*We recommend that the Legislature direct the Department of Education to report to the legislative fiscal committees regarding their in-state travel policy by November 1, 1980.*

The Governor's Budget proposes \$4.2 million for in-state travel in 1980-81. As indicated earlier, this represents a substantial increase over the levels budgeted several years ago. The department should review the reasons for (a) the increase in the amount budgeted for travel, (b) differences between state-supported and federal-supported travel, and (c) variations in the amount of travel by program, and report to the legislative fiscal committees by November 1, 1980.

**Employee Location**

*We recommend that the Legislature direct the department to re-examine its policy of locating nearly all employees in Sacramento. This reexamination should consider the savings that would result if employees were relocated from Sacramento to other parts of the state. The department should report its findings to the Legislature by November 1, 1980.*

As Table 68 shows, 88 percent of the department's employees are located in Sacramento. During the period January 1977 to January 1980, the price of a one way ticket from Sacramento to San Diego rose from \$31.75 to \$59.00 (86 percent). Given the recent increases in the cost of in-state travel and the fact that 54 percent of the state's population lives in the six southern counties, while only 10 percent of the state's staff is located there, it may now be more economical to locate departmental employees closer to the programs they supervise.

**Table 68**  
**Authorized Employees**  
**1979-80**

<i>Location</i>	<i>Number</i>	<i>Percent</i>
Sacramento.....	1,386.8	88%
Los Angeles .....	80.1	5
Riverside.....	—	—
S.F./Berkeley/Oakland .....	23.0	2
Fullerton .....	73.0	5
Fresno .....	3.5	—
Other .....	6.5	—
Totals .....	1,572.9	100%

**Control of OEE Expenditures**

*We recommend that budget language be added to Item 316 requiring 30-days notice to the Legislature before funds are transferred to or from the Consultant and Professional Services and in-state travel line items.*

Both Consultant and Professional Services and in-state travel have increased faster than the cost-of-living. In part, this has been due to increases in federal funds and transfers from other OEE line items. Unbudgeted federal funds allocated to consultant and professional services and in-state travel are reviewed by the Legislature pursuant to the 30-days notification requirement contained in Control Section 28 of the Budget Act. Transfers, however, are not reviewed by the Legislature. We recommend budget act language requiring transfers to be reported to the Legislature on the same basis as unbudgeted federal funds.

#### **Serrano Legal Fees**

The budget includes \$200,000 from the General Fund for payment of Serrano vs. Priest legal fees. The Serrano case is expected to be reheard during 1980-81, and private counsel has been hired to defend the Department of Education. The actual costs of legal representation for 1980-81 are difficult to estimate because they will depend on the extent and timing of the litigation.

#### **Improving Budget Presentation**

*We recommend that the Legislature direct the Department of Finance to include in the Governor's Budget personal services and operating expenses and equipment (OEE) expenditure displays for each program in the Department of Education. We further recommend that position and OEE funding by fund source be displayed for each program.*

The Governor's Budget contains a single summary table of state operations that has two components: personal services and operating expenses and equipment. This table does not provide sufficient information for the Legislature to determine personnel changes by fund source or program. Nor does the table provide information on changes in OEE line items by fund source for each program. Consequently, it is impossible to use the Governor's Budget to determine if there are major changes in either (1) positions by fund source or program or (2) OEE line items such as consultant and professional services, in-state travel, out-of-state travel, and equipment, by program.

We recommend that the Departments of Education and Finance be directed to provide more complete information on personal services and OEE in the future Governor's Budgets.

### **OFFICE OF PROGRAM EVALUATION AND RESEARCH**

#### **Overview**

The Office of Program Evaluation and Research (OPER) is the Department of Education's centralized evaluation unit. OPER's authorized staff total 67.8 positions, 70 percent of which are professional. Responsibilities of the office include (a) performing federal and state mandated evaluations, (b) operating the California Assessment Program, and (c) assisting local districts in evaluation and in student proficiency testing.

## K-12 EDUCATION—Continued

## Funding

Funding of the OPER unit is shown in Table 69.

**Table 69**  
**Funding for the Office of Program Evaluation and Research**

	<i>Actual 1978-79</i>	<i>Estimated 1979-80</i>	<i>Proposed 1980-81</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
State Operations					
General Fund .....	\$2,594,856	\$2,203,525	\$2,233,081	\$29,556	1.0%
Federal funds .....	1,880,697	1,892,958	1,955,851	62,893	1.0
Reimbursements .....	395,888	541,678	545,705	4,027	1.0
Local Assistance					
Federal funds .....	256,250	256,250	256,250	—	—
Totals .....	\$5,127,691	\$4,894,411	\$4,990,887	\$96,476	1.0%

The General Fund supported approximately 51 percent of OPER's budget in 1978-79. Federal funds supported 42 percent.

## Contracts

About 33 percent (\$1.6 million) of the unit's budget is spent on contract services. In the current year, the department's statewide testing contract totals \$703,303. Another \$622,441 is used 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.

## Eliminating Evaluations of Limited Value

*We recommend the following evaluations be eliminated by the Legislature, for a General Fund savings of \$17,500: (1) Professional Development and Improvement Centers, (2) Indian Education Centers, (3) Alternative Schools, (4) Bilingual Teacher Corps and (5) Demonstration Programs in Reading and Mathematics. (Reduce Item 316 by \$17,500.)*

In 1978, the department identified seven mandated evaluations that could be eliminated because they provide information of limited general value. Last year, we recommended that five of these evaluations be eliminated, and the Legislature eliminated the three required to be submitted in 1979-80 (Alternative Schools, Bilingual Teacher Corps and the Demonstration program).

Because these five evaluations are required by law, legislation is needed to eliminate them on an ongoing basis. Accordingly, we recommend that the requirement for these five evaluations be repealed.

Pending enactment legislation to eliminate these evaluations, we recommend that budget act language be approved eliminating the Professional Development and Improvement Centers (PDPICs) and Indian Centers evaluations in 1980-81. This will result in a General Fund savings of \$17,500.

**Special Education Research Funding Shift**

*We recommend that the independent evaluation of the Master Plan for Special Education be funded with federal funds (PL 94-142), for a General Fund savings of \$200,000 in 1980-81. (Reduce Item 316 by \$200,000).*

Chapter 1247, Statutes of 1977 (AB 1250) required the department to contract for an independent evaluation of the Master Plan for Special Education. General Funds of \$1 million were provided for this evaluation by Chapter 894, Statutes of 1977 (AB 65). The evaluation is to be conducted over a five year period (\$200,000 per year).

The department is also required by state law to submit an annual program plan for research in the education of handicapped pupils. The 1980-81 plan identified four state and four federal sources of research funds for handicapped children.

The department was not able to provide any detail on the total amount of funds available. Nevertheless, we know that in 1980-81 at least \$500,000 in federal PL 94-142 funds and an additional \$770,000 in state funds are authorized for evaluation and special studies involving handicapped pupils.

One alternative to the budget proposal is to use PL 94-142 funds to fund the Master Plan evaluation in 1980-81, thereby permitting a \$200,000 savings to the General Fund. This would leave \$300,000 of PL 94-142 research grants and \$170,000 within OPER's budget for special education research. Our analysis indicates that a \$200,000 reduction in the research program would not reduce quality.

Accordingly, we recommend that state funds be reduced by \$200,000 and that the independent evaluation of the Master Plan be funded with PL 94-142 funds. Table 70 displays the fiscal effect of our recommendation.

**Table 70**  
**Funds Available for Special Education Research in 1980-81**

Federal:	Authorized	Budget	Analyst
PL 94-142 .....	\$500,000	\$500,000	\$500,000
State:			
OPER staff (special studies) .....	170,000	170,000	170,000
Chapter 1247/77 (special studies) .....	400,000	—	—
Chapter 894/77 (independent studies) .....	200,000	200,000	—
Totals .....	\$1,270,000	\$870,000	\$670,000

**Chapter 1247, Statutes of 1977 Special Studies**

The Governor's Budget, through Control Section 12.7, would delete the Chapter 1247, Statutes of 1977, appropriation of \$400,000. This Control Section was included in the last two budgets. We recommend that it again be adopted because the current level of research in Special Education is more than adequate to meet the state's needs. We also recommend that legislation be enacted to permanently eliminate the Chapter 1247 appropriation.

**K-12 EDUCATION—Continued****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 derived from these changes are to be spent on special studies. The savings in the current year is estimated to total \$253,443. A similar amount is available in the budget year. 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 studies by February 15 of each year. In the current year OPER will use this redirected staff time for the following special studies: (1) School Improvement/Basic Skills Achievement, (2) Effective Procedures for Preparing Special Education Individualized Education Programs, (3) Effective Procedures for Providing Special Education Inservice Training to Regular Classroom Teachers, (4) Differential Proficiency Standards for Special Education Students, (5) Status of Proficiency Standards, and (6) a Study of Effective Bilingual Teaching Strategies. The latter study, however, is funded through the independent evaluation of bilingual education managed by our office. We will review the department's recommendations for these studies in February and comment on them during budget hearings.

We also recommend that the 1981-82 Governor's Budget display separately the total amount of funds budgeted for special studies within OPER.

**Proficiency Assessment**

Chapter 856, Statutes of 1976 (AB 3408), as amended by Chapter 894, Statutes of 1977 (AB 65), requires 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. Assessments are required once in grades 4-6, once in grades 7-9 and twice in grades 10-11. After June 1, 1980 no student will receive a high school diploma who has not demonstrated proficiency in the basic skills. Students failing each periodic assessment are to be provided counseling, remedial instruction and additional opportunities to meet the required standards.

OPER's budget includes approximately \$225,000 for 4.5 professional positions to assist districts in implementing the provisions of Chapter 856 and 894. In addition, approximately \$140,000 in contract services is available to pay for the costs of workshops for local districts. This \$365,000 is the same amount budgeted for these purposes in the current year.



**California High School Proficiency Exam (CHSPE) (Item 319)**

Chapter 1265, Statutes of 1972, established an examination process which provides students an opportunity to obtain a certificate of proficiency before their formal graduation. The examination is administered by the department, and all test questions are developed by OPER. The exam is given three times annually at approximately 100 centers statewide. A \$10 fee is charged, which is the maximum allowable under law. The fees are intended to cover the cost of the exam, including the OPER staff costs.

The current \$10 fee is insufficient to cover the state's costs. The Governor's Budget estimates that the department will receive fees of \$545,705 in the budget year, while costs will amount to \$694,650. Item 319 proposes that up to \$200,000 from the General Fund be available to fund the program in the event fees do not cover the costs of the program.

Our discussions with department staff, however, indicate that income from fees will not be much higher than \$420,000 in the budget year. This would result in a funding shortfall of \$74,650. We have asked the Departments of Finance and Education to review their fee income estimates prior to hearings on this item. It may be necessary to increase the fee for the exam or increase the budgeted amount in Item 319.

**SCHOOL DISTRICT PERSONNEL****Overview**

In response to Chapter 127, Statutes of 1978 (ACR 137), our office conducted a study of administrative and pupil service personnel in the public school system (Report 80-1, January, 1980). This study showed that since 1970-71, the number of full-time equivalent employees in school districts has increased by 28 percent per unit of student attendance. This increase is mainly due to the growth in the number of full-time teacher aides (43 percent), pupil service personnel (27 percent) and administrators (6.1 percent). The growth in personnel has been largely funded by categorical aid, which increased by 360 percent over the same period.

**Personnel Study Needed**

*We recommend that the Legislature direct the Department of Education to use existing research funds to compare currently available data on the effectiveness of utilizing aides and support personnel with the effectiveness of alternative educational approaches, such as an overall reduction in class size, and report to the Legislature by December 1980.*

Our review of personnel in the public schools indicates that major changes have occurred in the balance between classroom teachers on the one hand, and aides and support personnel on the other. There are now more than twice as many teacher aides as all other nonteaching certificated staff combined. Moreover, the number of resource or coordinating teachers without full-time direct responsibility for a classroom may now be as high as 30,000, or 15 percent of the teaching staff. The increases in both of these categories appear to have resulted primarily from the growth of categorical aid programs. Most of these categorical programs specifically require funds to be used on supplemental personnel, such as aides, resource teachers or administrators, rather than for general class-

**K-12 EDUCATION—Continued**

room teachers to reduce overall class size. There is no basis for assessing this requirement because there has not been an evaluation of the relative effectiveness of this education model. Such an evaluation is needed. The results might indicate the need to limit the ratio of aides and resource personnel to teachers, in the same manner as the ratio of administrators to teachers is now limited.

**Better Accounting Needed**

*We recommend that the Legislature direct the Department of Education to revise existing instructions and forms under the administrative ratio act to insure more reliable proration between the administrative and classroom activities of teaching personnel.*

Our study also found shortcomings in the existing procedure by which districts report administrative and teaching personnel to the department. In many cases, teachers spend considerable time on administrative activities. This time should be classified by districts as "administrative", but our interviews with school districts suggest that it sometimes is classified as "teaching".

The failure to accurately prorate the "administrative teacher" results in a significant *understatement* of administrative staff and an *overstatement* of teaching staff. Both of these factors serve to decrease the administrative ratio, because this ratio is simply the number of administrators divided by the number of teachers. It is this ratio that the Department of Education uses in levying penalties for excessive administrative staff.

To improve the reliability of reported administrative ratios, existing reporting procedures should be revised to require a more accurate separation of the administrative and classroom activities of the teaching staff. Specifically, districts should be required to (1) divide teacher time into classroom, resource, or coordinating activities, and (2) include the specific proration formulas used to separate direct teaching and administrative activities. Because districts must already do this internally in order to report total administrative and teaching staff, this requirement would involve no additional staff time.

**Recommended Legislation**

*We recommend that legislation be enacted to require the Department of Education to prepare an annual report on administrative ratios for distribution to all school districts.*

As part of a general revision of the Education Code, Chapter 1010, Statutes of 1976, eliminated the requirement that the Department of Education prepare a report on administrative ratios. The department, however, decided to continue this report with a limited distribution.

Our interviews with school districts suggest that the publication and distribution of the report can serve as a check on the growth of administrative staff. Management personnel were very conscious of their administrative ratio when hiring new staff, and the publication of ratios served to alert school board members, teacher groups, and the community to possible inefficiencies within the district. For these reasons, the requirement that this report be prepared and distributed should be reinstated in law.

Because the department already prepares the report, this should involve only a small additional cost for distribution. The increase could be funded from sale of the report.

### **SCHOOL ATTENDANCE**

#### **Overview**

Supplemental language to the 1979 Budget Act (Item 307) required the Department of Education to submit a comprehensive plan to address student attendance. The plan was to include the following: (a) state and local costs of complying with current attendance requirements; (b) identification of statutory changes which would lead to effective and efficient attendance policies and accounting; (c) fiscal implications of proposed changes, including direct funding of Student Attendance Review Boards; (d) strategies to assist districts to improve school attendance and the environment; and (e) strategies to reduce the effects of campus crime, vandalism and other factors contributing to student absenteeism.

#### **Department of Education Plan**

The Department of Education's plan includes a series of recommendations. The most important of these recommendations are that:

- Only full day absences be recorded for attendance purposes if ADA is not changed to Average Daily Membership (ADM). (The department estimates a \$189 million revenue loss to school districts if partial attendance can not be credited as full attendance.);
- Local districts be required to establish a policy for notifying parents of student absences. (The department however, does not recommend that districts be required to notify parents because this would result in mandated costs estimated at \$115.1 million which the state would have to reimburse.)
- Statutory provisions for school advisory committees be amended to include pupil attendance as an area to be addressed by the committees;
- A more effective judicial system be established for levying penalties on parents for nonattendance of their children;
- School boards be required to adopt attendance improvement policies;
- Specialized court personnel be established to deal with "status" offenders;
- Local staff development be established to improve attendance;
- Increased ESEA Title IV-C funding be provided for attendance improvement projects; and
- Independent audit requirements be strengthened for attendance accounting systems.

The department's plan does not address campus crime and vandalism. The department, however, intends to establish a comprehensive plan for addressing these problems through the Conflict and Violence Prevention Unit in the Consolidated Program Division. The Governor's Budget requests new positions for this unit.

The Department of Education will be prepared to comment during

**K-12 EDUCATION—Continued**

budget hearings on what it has done to implement its recommendations as well as on the responsibilities of the Crime and Violence Prevention Unit.

**Follow-up Report**

*We recommend that the legislature direct the Department of Education to report to the appropriate legislative fiscal committees by March 15, 1981 on the results achieved by implementing its school attendance recommendations.*

A follow-up report is needed to determine if the department and school districts are resolving attendance problems.

**EDUCATION COMMISSION OF THE STATES (ECS)****Funding Terminated**

The Education Commission of the States is a national organization which studies education issues and performs contract studies for individual states. The statutory authority for California's participation in ECS terminates on June 30, 1980. The Governor's Budget contains no funding for 1980-81 support of ECS (\$49,500).

The compact made with ECS requires dues payments for one year after a state provides written notice of withdrawing from ECS. The Governor is responsible for providing the notification. According to the Department of Finance, the Governor has not notified ECS of the state's intention to withdraw nor does he intend to do so.

We have requested that the Departments of Finance and Education clarify the administration's intentions regarding the ECS and the fiscal implications of these intentions.

**CURRICULUM SERVICES****Overview**

The Curriculum Services unit administers the following programs to assist school districts and other appropriate agencies in improving the quality of educational instruction.

1. *State-mandated curriculum activities.* This program provides assistance in the development of curriculum in mathematics, social studies, arts, humanities, science, physical education, English writing skills, and English language arts.

2. *Health education.* This program administers the school health services and comprehensive school health education programs. Special emphasis is given to genetic diseases and disorders, substance abuse, sexually transmitted diseases, family life and sex education.

3. *Personnel and career development.* This program assists schools, school districts, county offices of education, and institutions of higher education in developing and improving programs in guidance and counseling, school psychology, school social work, and career education.

4. *Special curriculum programs.* This program includes the environmental education and instructional television programs, as well as a newly proposed conflict and violence prevention unit to identify the magnitude

of the problems associated with school-related violence, vandalism, and absenteeism.

5. *Traffic safety.* The federally funded project to develop and disseminate a traffic safety education program has been completed and funding will end in February 1980.

Table 71 shows the expenditures and revenues for curriculum services.

**Table 71**  
**Expenditures and Revenues for Curriculum Services**

Program	Actual 1978-79	Estimated 1979-80	Proposed 1980-81	Change	
				Amount	Percent
1. State-Mandated Curriculum Activities.....	\$565,839	\$576,577	\$669,078	\$92,501	16.0%
2. Health Education.....	534,266	893,763	957,906	64,143	7.2
3. Personnel and Career Development:					
State Operations.....	785,668	980,316	725,207	-255,109	-26.0
Local Assistance:					
Career Guidance Centers.....	250,000	250,000	272,500	22,500	9.0
Career Education Incentive Act.....	—	1,515,033	1,537,838	22,805	1.5
4. Special Curriculum Programs:					
State Operations.....	483,646	672,126	647,142	-24,984	-3.7
Local Assistance:					
Instructional Television.....	768,368	821,364	821,364	—	—
Environmental Education.....	312,687	318,000	484,869	166,869	52.5
5. Traffic Safety.....	370,229	332,449	—	-332,449	-100.0
Totals.....	\$4,070,703	\$6,359,628	\$6,115,904	\$-243,724	-3.8%
General Fund.....	\$2,542,273	\$2,885,640	\$3,172,683	\$287,043	9.9%
California Environmental Protection Program Fund.....	328,702	482,797	500,000	17,203	3.6
Federal funds.....	773,160	2,472,742	2,217,369	-251,373	-10.3
Reimbursements.....	426,568	518,449	225,852	-292,597	-56.4

As shown in Table 71, the 1980-81 budget proposes a General Fund increase of 9.9 percent for curriculum services. Most of the increase will be spent for state operations. Major components of the General Fund increase include (1) \$80,000 for the new crime and violence prevention unit, (2) \$22,805 for a newly required state match in the Career Education Incentive Act, (3) \$24,627 for the state's share of a proposed position in health education, and (4) approximately \$75,000 for restoration of two positions deleted in 1979-80 pursuant to Section 27.2. In addition, \$22,500 is included as local assistance to provide inflation increases for career guidance centers.

The reduction in federal funds is caused primarily by the termination of the federally-funded comprehensive career guidance program in the personnel and career development unit. The termination of the federally-supported Traffic Safety program results in a decrease in reimbursements.

#### 1. State-Mandated Curriculum Activities

*We recommend that \$33,342 in operating expenses and equipment be deleted (Reduce Item 316 by \$33,342).*

In 1979-80, \$33,342 in budgeted printing expenses was transferred from

**K-12 EDUCATION—Continued**

this unit to the Mentally Gifted Minor program. The 1980-81 budget proposes to return these funds to the state-mandated curriculum unit. Because these funds were not needed in 1979-80 and an increase has not been requested or justified for 1980-81, we recommend that they be deleted.

**2. Health Education****Health Screening Services**

The Governor's Budget requests \$24,627 from the General Fund to increase school participation in the federal Early Periodic Screening Diagnosis and Treatment (EPSDT) program administered by the state Department of Health Services. One professional position is proposed for the Health Education unit to implement a pilot program in cooperation with the Child Health and Disability Prevention Branch of the Department of Health Services. Through an interagency agreement with the Department of Health Services, 60 percent of the Department of Education's administrative costs would be reimbursed by the federal government.

Under the EPSDT program, all Medi-Cal eligible persons under 21 years of age can receive free screening services which include chest x-rays, smallpox vaccinations, vision and hearing tests, urine tests, and the maintenance of medical histories. The services are obtained from EPSDT providers who are reimbursed by the State Department of Health Services. The federal government provides 50 percent matching funds to the Department of Health Services for the reimbursement of screening costs.

**Local Program Responsibilities**

The program is operated at the local level by county health and welfare departments. Counties are responsible for (1) encouraging, through outreach activities, those who are eligible for free screening services to participate in the program, and (2) certifying medical professionals as EPSDT providers eligible to be reimbursed for performing screening services.

Screening services are most commonly provided by private doctors and county health departments. However, 41 school districts have been designated as EPSDT providers by their counties. In these districts nurse-practitioners provide EPSDT services primarily to younger children, rather than to all eligible children.

**Greater School Participation Sought**

In 1977-78 only 14 percent of all eligible persons availed themselves of the free screening services provided through this program. The Department of Education reports that a major reason for the low rate of participation is that parents are not inclined to make a special trip to a doctor's office for preventive check-ups for their children. The Department of Education suggests that participation in the program will increase if the services are provided through the school system.

The federal government has announced its intention to involve schools in the EPSDT program, and has selected California as a target area to determine the best way to bring the program to the schools. The federal

government will provide technical assistance to help California resolve the policy issues involved. These issues include: (1) who can perform screening services? (2) how can the EPSDT program be coordinated with related programs operated by the State Department of Health Services? (3) how can school nursing time be billed for reimbursement? (4) how can changes in federal policies facilitate the program's operation in the schools? and (5) how can school involvement be obtained and coordinated?

#### **Department of Education's Proposed Pilot Program**

The federal government requested the Department of Education to develop a pilot program as a basis for federal technical assistance. The health education unit of the Department of Education proposes to conduct a pilot program in 1980-81 in five to eight sites. The pilot program is to provide information to schools about EPSDT services and encourage participation. First year activities include developing a letter and application packet to send to school districts, selecting sites on the basis of district applications, and providing workshops for personnel in the selected districts. The pilot program would not be aimed at increasing school site screening services.

#### **Rejection of Pilot Program Recommended**

*We recommend that funds to support the health education information pilot program be deleted, for a General Fund savings of \$24,627. (Reduce Item 316 by \$24,627.)* While we support the concept of increasing participation in the EPSDT program by involving the schools, augmenting the school health unit staff and implementing a pilot outreach program is not the best way to meet this objective for the following reasons:

1. The pilot program does not address the identified problem—that participation is low because screening services are not provided at the school site. The pilot addresses outreach only. The State Department of Education has no control over where screening services are provided because certification of EPDST providers is a county decision. There is no indication that the pilot program would have an effect on participation rates.

2. The EPSDT program is a federal *health* program that is administered at the state level by the Department of Health Services and operated at the local level by county health and welfare departments. It is the counties' responsibility to promote participation through outreach. Because much of the eligible population is in the schools, county outreach through the schools would be an efficient approach for counties to use.

3. The Department of Health Services has a field operations unit with 12 professionals who assist counties in the operation of the program. In our analysis of the Department of Health Services, Child Health and Disability Prevention Branch, we recommend that the field operations unit emphasize involving the schools in the EPSDT program.

4. Even if a pilot program were successful in increasing school participation in EPSDT, administration and operation of the expanded EPSDT program would remain the responsibility of the state Department of Health Services and the counties. For this reason, any pilot program to

**K-12 EDUCATION—Continued**

increase school participation should be designed and implemented by the Department of Health Services and the counties.

5. State Department of Education involvement is not necessary for federal funds to flow through the schools in support of the EPSDT program. Schools can participate in two ways. First, they can become EPSDT providers and perform screening services in the schools, using school staff, on a reimbursable basis. Second, school staff may provide administrative support for the program in the form of outreach. Medical professionals in the schools and their support staff are eligible to be reimbursed for 75 percent of EPSDT administrative costs. In both cases, schools are reimbursed by applying through their county departments for funds provided by the state Department of Health Services. The state Department of Education need not be involved.

For these reasons we recommend deleting funds to support the health education pilot program.

**3. Personnel and Career Development****Career Education Incentive Act**

In 1979-80, \$1,682,038 in federal Career Education Incentive Act funds were allocated to California. Authorization to spend the funds and to administratively establish two professional positions in the Health Education unit was granted pursuant to Section 28 of the 1979 Budget Act. The Department of Education stated that no General Fund obligation would be created for the purposes of the career education program, which will last five years.

Ten percent of the federal funds (\$167,005) was reserved in 1979-80 for state administration. The remaining \$1,515,033 was allocated for project grants to local education agencies.

**New State Matching Requirement**

Beginning in 1980-81, an *increasing* state match of administrative costs is required by the federal government. Table 72 shows the required state match through the end of the five-year program assuming that (1) the department continues to reserve 10 percent for administration and (2) the workload mix between "administration" and "leadership" activities (which have different matching requirements) remains the same.

**Table 72**  
**Required State Match of Career Education Incentive Act Funds**

	<i>Proposed</i> <i>1980-81</i>	<i>Estimated</i> <i>1981-82</i>	<i>Estimated</i> <i>1982-83</i>	<i>Estimated</i> <i>1983-84</i>
Total reserved for administration.....	\$167,000	\$167,000	\$167,000	\$167,000
Percent match required .....	13.7%	38.7%	50.0%	61.3%
<i>General Fund match</i> .....	<i>\$22,800</i>	<i>\$64,550</i>	<i>\$83,500</i>	<i>\$102,450</i>

The 1980-81 budget requests \$22,800 to meet the first year matching requirements of state administrative expenses. Federal funds will fully support local assistance grants totaling \$1,537,838.



**Limited Term Funding Recommended**

*We recommend that the two professional and related clerical positions that administer the federal Career Education Incentive Act be authorized on a limited term basis through June 30, 1981. We further recommend that the Department of Education conduct an evaluation of the Career Education Incentive Act program in California as a basis for justifying continued funding beyond 1980-81.*

The state operations and local assistance that cost the state \$22,800 in 1980-81 will cost \$102,450 in three years. Because the program is new, there is no basis for assessing its impact at this time. Before state funding is increased in 1981-82, a formal evaluation should be conducted by the Department of Education.

**Career Guidance Centers**

The budget includes \$272,500 for the support of two career guidance centers. One center is located in San Diego County, and the other is located in Los Angeles County. These centers, which were authorized in 1973 and 1977, respectively, develop various career guidance materials and conduct in-service training workshops for teachers, counselors, and administrators.

**Elimination of Career Guidance Centers**

*We recommend that (1) state support of the career guidance centers be eliminated (\$272,500), and (2) funding (\$40,000) for production and dissemination of career guidance materials be allocated to the Department of Education, for a General Fund savings of \$232,500. (Reduce Item 339 by \$232,500.)*

We recommend elimination of the centers for the following reasons:

- *Training workshops have had little impact due to the limited fiscal resources in the local districts.* The principal workshop offered by guidance center staff is a three-day simulated career guidance program. We have contacted many of the participants in those workshops, and they indicated that they have not been able to implement such a program at their schools because of insufficient funds.

- *Comparable training is being provided by the Curriculum Services Unit.* The department is training individuals responsible for career guidance and counseling in school districts, county offices, and universities, with the expectation that they, in turn, will train personnel at the school sites.

- *Demand for the training workshops in the San Diego area has been saturated.* Staff at the San Diego center acknowledged that there is little unmet demand for their services in this region.

- *There are several sources of information and assistance on career guidance which are available to school districts.* These include curriculum specialists in district and county offices, ROC/ROP centers and programs, School Resource Centers, and State Department of Education consultants. The need to augment these services in one area of the state has not been demonstrated.

- *Deletion of state funding would not preclude Los Angeles and San Diego county offices of education from supporting the career guidance*

**K-12 EDUCATION—Continued**

*centers.* Because the centers provide services for these counties, the county offices are in the best position to determine the value of these services and support them.

The career guidance materials produced by the centers appear to be useful, and we recommend budgeting sufficient operating expenses (\$40,000) to produce and disseminate them. This activity can be administered by departmental staff in Sacramento.

**4. Special Curriculum Programs****Environmental Education (Item 329)**

The Environmental Education program is supported by the California Environmental Protection Program Fund and administered by one professional in the Department of Education. The program provides grants to local educational agencies, other governmental agencies and non-profit organizations to establish interdisciplinary programs in conservation education. Beginning in 1979-80, program funds also support the Interagency Environmental Education Project, an effort by 14 state and local agencies to develop curriculum materials which integrate environmental education into other curricular areas.

In 1979-80 the Resources Agency approved a \$150,000 augmentation to the program from the Environmental Protection Fund. The augmentation was used to fund the Interagency Project. Fifteen grant projects were funded for a total of \$318,000, or an average of \$21,200 per project. The combined augmentation, grant projects and state operations provide a total 1979-80 level of \$482,797.

The 1980-81 Governor's Budget proposes to appropriate \$500,000 from the California Environmental Protection Program Fund for support of this program. This is an increase of \$17,203, or 3.6 percent, over 1979-80 funding.

**Sunset**

Chapter 282, Statutes of 1979 (AB 8), specifies that the environmental education program shall cease to be operative on June 30, 1981, unless extended by statute. As with other program terminations specified in AB 8, statutes and regulations would cease to be operative but funding for the program would continue to be disbursed "according to the identification criteria and allocation formulas in effect on the date the program shall cease to be operative. . . ." Because this program funds new grant applicants each year, it is not clear what impact program termination pursuant to AB 8 would have on the allocation of funds under the program.

We are not aware of any evaluation of the environmental education program in anticipation of the sunset provision.

**Instructional Television (ITV) (Item 347)****Overview**

The instructional television program (1) authorizes the use of television by school districts through district contracts with county offices of education and (2) provides funding to districts. The state pays each district \$.50

for every student served by instructional television up to a maximum of one-half of the district's total ITV expenditures. In order to qualify for state funding, a student need only watch instructional television once during the school year.

In 1978-79, 1,528,552 students, representing 35.8 percent of total K-12 enrollment, participated in the program. Table 73 shows that the number of participating districts and students has declined in the last five years.

**Table 73**  
**Instructional Television**  
**Local Participation and State Funding**

	<i>Districts</i>	<i>Number of Students Served</i>	<i>Percent of State- wide ADA</i>	<i>State Funding</i>
1974-75 .....	341	1,708,747	36.2	\$696,121
1975-76 .....	311	1,614,000	34.0	722,940
1976-77 .....	323	1,472,220	31.2	736,110
1977-78 .....	294	1,548,058	33.3	774,029
1978-79 .....	295	1,528,552	35.8	764,276
Change: 1974-75 to 1978-79 .....	-46	-180,195	-0.4	+68,155

#### **Funding for ITV**

Funding for ITV in California is provided by school districts, counties, and private foundations, as well as by the state. Table 74 shows the sources of ITV funding in 1978-79. The state provided 5.1 percent of the total.

**Table 74**  
**Amount and Source of ITV Funding, 1978-79**

	<i>Amount</i>	<i>Percent of Total</i>
State .....	\$821,000	5.1%
Districts .....	4,180,000	26.1
Counties .....	10,000,000	62.5
Foundations .....	1,000,000	6.2
Totals .....	\$16,001,000	100.0% <sup>a</sup>

<sup>a</sup> Details do not add to total, due to rounding.

Most districts use state funds to help pay their dues to the nine regional organizations in the state which broadcast or arrange for the broadcast of television programs. Dues range from \$.75 to \$1.35 per student. Districts use their own funds primarily to purchase equipment. Counties devote the majority of their contribution to the purchase and distribution (broadcast) of programs.

The 1980-81 Governor's Budget proposes to spend \$1,028,979 for ITV. The local assistance component is \$821,364. These are the same amounts providing during the current year.

#### **State Department of Education Report**

In the 1979-80 Budget, the Governor identified instructional television as a low priority and proposed to terminate the program. The Legislature provided funding for the program on the condition that the department study the merits of the ITV program. Supplemental language to Item 334 of the Budget Act of 1979 directed the department to submit a report on

**K-12 EDUCATION—Continued**

the value and cost-effectiveness of the program, the impact of eliminating state funding, and recommendations for improving the program.

**Value of ITV**

The department's report cited evaluations which concluded that ITV can be an effective *supplement* to other teaching strategies. One study, for example, found student achievement to be the highest when the teacher combines classroom instruction with television instruction. The department offered no evidence of the *comparative* effectiveness of television and teachers.

While we do not dispute the claim that television can be a valuable classroom resource, our analysis indicates that its value is limited to a great extent by its inflexibility. If the predetermined broadcast time of a program does not suit a teacher's schedule or curriculum plan, the program is of little use to the teacher and the students.

**Cost-Effectiveness of ITV**

Instructional television is used almost exclusively as a supplement to the teacher—as an instructional tool for teachers to use, along with textbooks, filmstrips, and other materials. As long as there is no accompanying reduction in other instructional costs, ITV will be cost-effective only if the improvements in student learning outweigh the additional cost of using television. The department's report offered no basis for making such a determination.

In its report, the department described the cost-effective *potential* of ITV by citing uses that are not likely to occur. For example, the Los Angeles Unified School District provided two summer school courses via TV when regular classes were canceled due to Proposition 13. The report also suggests the use of ITV to replace classroom instruction for certain student populations. There is no indication, however, that districts favor the use of television to replace teachers in these ways.

The potential for cost-effective use of ITV is best with respect to staff development activities. ITV would be cost-effective when a television series could provide teachers with the same information at less cost than providing staff development workshops.

The cost-effectiveness of ITV has not been demonstrated. More importantly, however, even a finding that ITV were cost-effective would not justify state categorical support. Rather, where the use of ITV is cost-effective, districts should be willing and able to pay for it because they would save money by doing so.

**Recommend Elimination of Local Assistance**

*We recommend that the Instructional Television local assistance program be terminated, for a General Fund savings of \$821,364. (Eliminate Item 347.)*

The State Department of Education maintains that state funding for the existing categorical program and for new activities is essential to the survival of a statewide ITV program. The report claims that loss of existing state funds would force a majority of districts to drop membership in

regional organizations and that emerging technological needs of society and the impact of inflation justify expanded state support. Specifically, the report recommends that the state purchase television programs at the state level, produce programs to meet special state needs, purchase parent and teacher education materials, purchase television equipment, provide ITV specialists to instruct teachers and parents in the use of television, and study the potential use for direct instruction by computers.

Our analysis indicates that where ITV is considered to be a cost-effective supplement to the instructional program, it can be supported without state funds. This conclusion is based on the following considerations:

1. *Local priorities.* Certain districts and counties have made ITV a priority, and have committed substantial local resources to its support. For example, San Diego Unified spent approximately \$516,000 in local funds on ITV in 1978-79 and received only \$49,533 from the state. Oakland Unified spent approximately \$215,000 while receiving only \$18,500 in state funds. Of the school districts' \$4,180,000 contribution to ITV in 1978-79, only \$821,000 (or 19.6 percent) earned state matching funds. Districts chose to commit most of their funds without regard to the state match.

2. *Title IV-B (Library and Learning Resources).* The report claims that additional state funds are needed to help districts purchase television sets and related equipment. Our analysis indicates that this is not correct. In addition to local funds, the \$16.1 million in federal Title IV-B local assistance grants may be used to purchase TV equipment and programs. Districts may spend their entire Title IV-B grants on TV equipment, and some districts use Title IV-B grants for this purpose. For example, one small district spent its entire grant—\$11 per ADA—on ITV while receiving only \$.50 per ADA from the state. To the extent districts chose not to use Title IV-B funds for ITV, it may be that these districts do not consider ITV to be as valuable to the education process as other library and learning resources.

#### **Role of the State in Instructional Television**

*We recommend that the state assume a new role in instructional television—purchasing instructional television programs using funds contributed by the nine regional organizations. This role should be performed in cooperation with the California Commission on Public Broadcasting. We further recommend that the state (1) encourage and assist regions and counties in providing local staff development in the use of ITV, and (2) encourage the use of television to assist in the department's general staff development activities.*

The department's report noted the cost savings to be achieved by the purchase of programs at the state level, rather than independent purchase by regions. The state should devise a system whereby, upon request from a sufficient number of regional organizations, the state would purchase a program and recover the cost from the requesting regions. This effort should be developed and performed in cooperation with the California Public Broadcasting Commission, which is charged with the responsibility of facilitating statewide distribution of public television programs.

Staff development activities should be pursued because ITV is most

**K-12 EDUCATION—Continued**

likely to effect cost savings to districts and the state when used for staff development.

**State Staffing Requirements**

*We recommend that one ITV consultant position be eliminated, for a General Fund savings of \$57,613. (Reduce Item 316 by \$57,613)*

The Educational Technology Unit consists of three professionals and one clerical position. One professional, the program manager, works with the nine regional organizations and the State Instructional Television Advisory Committee to coordinate the state's ITV program. We recommend that a portion of the program manager's time be redirected to perform the expanded state role in program purchase.

A second position is devoted primarily to the administration of the local assistance program. Because we recommend that (1) the local assistance program be terminated, and (2) staff development receive greater emphasis, we recommend that this position be redirected to support staff development activities.

The third position was at one time justified on the basis of staff development activities, but was subsequently redirected to the basic skills unit. Because the position is not needed for current or recommended ITV activities, it should be eliminated.

**Sunset**

Chapter 282, Statutes of 1979 (AB 8) provides that the instructional television program shall cease to be operative on June 30, 1981, unless continued by new legislation. We are not aware of any evaluation of the instructional television program in anticipation of the sunset provision.

**INSTRUCTIONAL MATERIALS (TEXTBOOKS)****Overview**

Article IX, Section 7.5 of the California Constitution requires the state to adopt textbooks for use in grades K-8 and supply them to the schools without charge. To meet this mandate, the Department of Education oversees a 30-month textbook adoption and distribution process which includes (1) the submission of materials by publishers, (2) public display of materials, (3) legal compliance review by panels appointed by the state Board of Education, (4) content evaluation performed by panels which include school district and county office of education personnel, (5) formal adoption by the Board of Education, (6) review of materials at the local level, (7) placement of district orders with the department, (8) division of orders between private publishers and the State Printer and (9) distribution of materials to the schools.

**Funding**

Table 75 shows the expenditures and funding for textbooks.

**Table 75**  
**Instructional Materials Expenditures and Funding**

	<i>Actual</i> 1978-79	<i>Estimated</i> 1979-80	<i>Proposed</i> 1980-81	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
<b>State Operations:</b>					
Curriculum Frameworks ..	\$671,893	\$748,915	\$806,647	\$57,732	7.7%
Textbook Distribution .....	261,514	203,368	205,422	2,054	1.0
Warehousing and Shipping	275,063	450,000	471,687	21,687	4.8
Braille Book Production ....	1,840	—	—	—	—
Frameworks Production ....	29,387	26,306	26,407	101	0.4
Curriculum Commission....	52,293	66,820	67,045	225	0.3
	<u>\$1,291,990</u>	<u>\$1,495,409</u>	<u>\$1,577,208</u>	<u>\$81,799</u>	<u>5.5%</u>
Local Assistance <sup>a</sup> .....	<u>\$42,828,391</u>	<u>\$65,179,480</u>	<u>\$42,045,545</u>	<u>\$-23,133,935</u>	<u>-35.5%</u>
Totals .....	<u>\$44,120,381</u>	<u>\$66,674,889</u>	<u>\$43,622,753</u>	<u>\$-23,052,136</u>	<u>-34.6%</u>
<b>State Operations:</b>					
General Fund .....	<u>\$1,170,927</u>	<u>\$1,396,233</u>	<u>\$1,477,308</u>	<u>\$81,075</u>	<u>5.8%</u>
Federal funds .....	<u>58,988</u>	<u>72,870</u>	<u>73,493</u>	<u>623</u>	<u>0.9</u>
Reimbursements .....	<u>62,075</u>	<u>26,306</u>	<u>26,407</u>	<u>101</u>	<u>0.4</u>
<b>Local Assistance:</b>					
General Fund .....	<u>\$38,351,080</u>	<u>\$38,351,080</u>	<u>\$42,684,752</u>	<u>\$4,333,672</u>	<u>11.3%</u>
Less: Transfer to State Op- erations .....	<u>-302,344</u>	<u>-615,731</u>	<u>-639,207</u>	<u>-23,476</u>	<u>-3.8</u>
Instructional Materials Fund .....	<u>4,750,994</u>	<u>27,444,131</u>	<u>—</u>	<u>-27,444,131</u>	<u>-100.0</u>
Reimbursements .....	<u>28,661</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

<sup>a</sup> For budgeting purposes, the assumption is made that in the current year (1979-80), districts will spend all of their credits, without carryover. Actual change in General Fund local assistance is from \$37,735,349 in 1979-80 to \$42,045,545 in 1980-81. This is an increase of 11.4 percent.

The Budget proposes a General Fund transfer to the Instructional Materials Fund of \$42,684,752, or \$14.05 per K-8 average daily attendance (ADA). The amount requested is 11.3 percent above the 1979-80 level. The statutory authorization under Chapter 894, Statutes of 1977 (AB 65), is \$48,806,244, or \$16.07 per K-8 ADA. The proposed amount is lower than the statutory amount because (1) Chapter 298, Statutes of 1978 (SB 154), provided for a 10 percent decrease in General Fund support and (2) no inflation increase was granted for 1979-80. We recommend approval as budgeted.

#### State Department of Education Study

Supplemental language to Control Section 19.9 of the 1979 Budget Act requires the Department of Education to report by March 1, 1980 on:

- (1) the effect of the Section 19.9 textbook royalty limitation on the quality of books available and on the characteristics of the companies able and not able to provide those books; and
- (2) the advantages and disadvantages of procuring textbooks through the State Printer in comparison with allowing districts to purchase books directly from the publishers, taking into consideration the factors of cost, selection, timeliness, and management.

The request for a report stemmed from concerns about (1) the increase in royalties charged by publishers and (2) whether the State Printer or publishers can provide the best price and service, given the increase in the number of titles adopted by the State Board of Education and ordered by school districts.

We will discuss these issues and the department's report during budget hearings.

## K-12 EDUCATION—Continued

## ZERO BASE BUDGET REVIEWS

## Schedule Needed

*We recommend that the Legislature direct the Department of Education to adopt a zero base budget review schedule for all state operation units. This schedule should be presented to the legislative fiscal committees by April 15, 1980.*

Our office, the fiscal committees and the Department of Education have found zero base budget reviews of department programs valuable in determining staffing and budgeting requirements. Accordingly, we recommend that additional reviews be scheduled for the future. A formal review schedule covering all state operations units would allow the department greater flexibility in allocating staff time to the reviews.

We recommend that a four year review schedule be presented to the Legislature by April 15, 1980. This would allow the Legislature to identify which units should be subject to zero base budget reviews in the 1981-82 budget. We believe that, at a minimum, the Executive Management Unit and the Curriculum Support Division should be included in the 1981-82 review.

## B. STATE LIBRARY SERVICES (Items 325, 326, and 353)

## A. Overview

The primary responsibilities of the State Library are to (1) maintain reference and research materials for state government employees, (2) support the 168 California public libraries through (a) the provision of consultant, reference and interlibrary loan services, and (b) the administration of state and federal local assistance programs, and (3) provide library services to the blind and physically handicapped.

The state operations budget for the State Library supports the maintenance of the various library collections (law, reference, government publications, etc.), the provision of consultant services to public libraries, and the administration of the California Library Services Act. The local assistance component consists of state and federal grants to public libraries and library agencies, and support of local resource sharing through the creation and maintenance of a data base of California public library holdings.

The local assistance function is governed jointly by the State Librarian and the California Library Services Board. The State Librarian determines the allocation of federal funds, with advisory input from the Board. The Board, created by Chapter 1255, Statutes of 1977 (California Library Services Act), approves the division of General Fund support among the various programs authorized by Chapter 1255.

As shown in Table 76, the Governor's Budget requests an increase in total funding of \$255,682 (1.5 percent), and an increase in General Fund support of \$1,324,350 (13.1 percent).

## Summary of Changes

Major changes in the Governor's 1980-81 Budget include (1) \$34,942 for a new computerized card cataloging system, (2) \$49,154 for additional California Library Services Act (CLSA) administrative costs, (3) \$224,428



**Table 76**  
**State Library**  
**1980-81 Proposed Budget**

	<i>Actual</i> <i>1978-79</i>	<i>Estimated</i> <i>1979-80</i>	<i>Proposed</i> <i>1980-81</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
<b>State Operations:</b>					
Reference for Legislature .....	\$600,668	\$641,682	\$719,533	\$77,851	12.1%
Statewide Library Support and Development .....	1,769,436	2,168,401	2,214,923	46,522	2.1
Special Clientele Services .....	714,127	927,217	1,232,737	305,520	33.0
Support Services .....	2,549,823	2,923,976	2,982,356	58,380	2.0
Subtotals .....	\$5,634,054	\$6,661,276	\$7,149,549	\$488,273	7.3%
<b>Local Assistance:</b>					
Statewide Library Support and Development .....	\$8,782,017	\$10,156,499	\$9,923,908	\$-232,591	-2.3%
Totals .....	\$14,416,071	\$16,817,775	\$17,073,457	\$255,682	1.5%
<b>State Operations:</b>					
General Fund .....	\$4,493,462	\$5,482,292	\$6,168,971	\$686,679	12.5%
Federal Funds .....	843,335	1,090,984	967,578	-123,406*	-11.3
Reimbursements .....	292,257	88,000	13,000	-75,000	-85.2
<b>Local Assistance:</b>					
General Fund .....	\$4,583,365	\$4,591,585	\$5,229,256	\$637,671	13.9%
Federal funds .....	4,198,652	5,564,914	4,694,652	-870,262	-15.6

\* Federal funds show a decrease because all carryover funds are assumed to be spent in the current year. No carryover funds are budgeted in 1980-81.

for projected increases in public library transactions which are eligible for reimbursement under CLSA, (4) \$61,755 for full year rent costs for the Sutro Library, and (5) \$261,785 for the final year of the three year phase-in of support for the Southern California Regional Library for the Blind, as provided by Chapter 880, Statutes of 1978.

Table 77 displays the changes in the State Library budget from 1979-80 to 1980-81.

**Table 77**  
**State Library Program Changes**

	<i>Cost</i>	<i>Total</i>
<b>State Operations:</b>		
Adjusted 1979-80 .....		\$6,661,276
A. 1980-81 Base line adjustments		
1. Population and price .....	250,532	
2. Workload .....	28,596	
3. Legislation .....	261,785	
Subtotal .....		\$540,913
B. Program Change Proposals		
1. Computerized card catalog system .....	\$34,942	
2. California Library Services Act staff .....	49,154	
3. Books for the blind and physically handicapped: computer capacity .....	24,545	
4. Transfer of reference services from federal to General Fund support .....	37,125	
Subtotal .....		\$145,766
C. Change in federal funds .....	\$-123,406	
D. Change in reimbursements .....	-75,000	
Total, State Operations 1980-81 .....		\$7,149,549

**K-12 EDUCATION—Continued**

Total, State Operations Changes .....	\$488,273	7.3%
<i>General Fund</i> .....		686,679
<i>Federal funds</i> .....		-123,406
<i>Reimbursements</i> .....		-75,000
Local Assistance:		
Adjusted 1979-80.....		\$10,156,499
A. 1979-80 Base line adjustments Inflation .....	\$413,243	
B. Program Change Proposals Increase reimburse-		
ments for transactions .....	224,428	
C. Change in federal funds .....	-870,262	
Total, Local Assistance 1980-81 .....	\$9,923,908	
Total, Local Assistance Changes .....	\$-232,591	
<i>General</i> .....		\$637,671
<i>Federal funds</i> .....		-870,262

**B. Computerized Cataloging System**

The State Library catalogs approximately 16,000 titles each year. Under the present manual cataloging system, nearly 50 percent of these (7,900 titles) are cataloged at the State Library by professional librarians at an approximate rate of 1,000 titles per librarian per year. This cataloging function thus requires 7.9 FTE librarian positions. The librarians must determine the information and the format to use for each title. Then offset masters are typed, plates are made, and the cards are printed.

Catalog cards for the other 8,100 titles are ordered from the book vendors. The cards for all 16,000 titles must be "finished" (which involves additional typing), and then must be alphabetized and filed.

**Research Libraries Information Network (RLIN)**

*We recommend that 6.3 senior librarian positions be eliminated, for a General Fund savings of \$176,960. (Reduce Item 325 by \$176,960.)*

The 1980-81 Governor's Budget proposes the expenditure of \$34,942 to replace the manual system for producing catalog cards with a computerized system called Research Libraries Information Network (RLIN). This proposed augmentation is justified because it enables cataloging to be done more efficiently. Our analysis indicates, however, that the State Library underestimated the workload savings generated by the RLIN system.

1. *No cataloging required for 90 percent of titles.* The library estimates that for 90 percent of the titles to be acquired, the cataloging information will already be contained in the RLIN data base. This is because another RLIN member library will have already acquired the title and entered the cataloging information into the data base. For these titles, the Library orders catalog cards by inputting the title on the RLIN terminal and entering the State Library's identification code. The cards are automatically sent.

2. *Cataloging required for 10 percent of titles.* The Library estimates that for 10 percent of the titles, it will be the first RLIN member library to acquire and catalog a title. For these titles, the State Library staff must

enter all of the cataloging information into the data base. This requires a professional librarian to determine the proper information and format.

The State Library determined that the use of RLIN would release 1,804 hours of clerical time currently expended on ordering, finishing, alphabetizing, and printing cards. The Library proposes to redirect 1,466 of the released hours to reduce the delay in filing newly completed catalog cards and create a new consolidated file. We agree with the Library's analysis of the effect of RLIN on clerical time and with the proposed redirection of clerical workload. However, the Library failed to identify a workload reduction for professional librarian staff.

Our workload analysis indicates that the use of RLIN would release 6.3 full-time equivalent (FTE) librarian positions. As shown in Table 78, the current manual system requires 7.9 FTE librarians to catalog 7,900 titles per year. Using RLIN, only the estimated 1,600 titles that cannot be found in the data base will need to be cataloged. This will require 1.6 FTE librarians. Thus, the workload reduction due to RLIN will reduce the need for professional librarians by 6.3 positions. Accordingly, we recommend that 6.3 positions be eliminated from this item.

**Table 78**  
**Workload Reduction Due to Computerized Cataloging System**

	<i>Titles to Catalog</i>	<i>Production Rate</i>	<i>Positions Required</i>
Manual System .....	7,900	1,000/FTE	7.9 FTE
RLIN <sup>a</sup> .....	<u>1,600</u>	<u>1,000/FTE</u>	<u>1.6 FTE</u>
Workload Reduction .....	6,300	1,000/FTE	6.3 FTE

<sup>a</sup> Research Libraries Information Network.

### **C. Consultants**

*We recommend that three consultant and 1.5 clerical positions be eliminated, and that one consultant position be reclassified as staff services analyst, for a General Fund savings of \$183,449. (Reduce Item 325 by \$183,449.)*

The State Library has 12 consultants. Eleven assist public libraries, while one is assigned to correctional institutions and special schools. In the Fall of 1979, the consulting staff was reorganized to reduce from six to three the number of generalist consultants assigned to libraries on a geographic basis, and to increase from six to nine the number of consultants assigned to special subject areas. By increasing its specialists, the Library is (a) placing greater emphasis on certain activities and (b) beginning some new activities.

Our analysis of the new organization and the job descriptions supplied by the Library indicates that some of the activities are not necessary and others require less staff support than the Library currently provides.

### **Special Services Program Consultant**

The purpose of this position is to administer a local assistance special service provision of the California Library Services Act. This provision has never been funded by the Legislature in the Budget Act. However, a one-time surplus of funds appropriated under the Library Services Act

**K-12 EDUCATION—Continued**

was used in 1979-80 (a) to support the special services program and (b) to fund one related consultant and .5 FTE clerical support for nine months. The positions were administratively established. The 1980-81 budget proposes to continue these as full year positions, but does not fund the Special Services Program. Because there is no program, we recommend eliminating the positions. (*Reduction of one consultant and .5 clerical positions.*)

**Training Specialist**

The function of one of the 12 consultant positions is to assist the other consultants in training local library personnel. This position's duties include locating and preparing materials, conducting correspondence, and making logistical arrangements for training events. The State Library maintains that these functions currently consume too much of the other consultants' time.

Our analysis indicates that this position is not necessary. Some aspects of sponsoring training events can be performed by clerical staff. The remaining functions can be adequately handled by the individual consultants. The workload does not justify having a consultant whose sole job is to assist the other consultants in providing training. We recommend eliminating this position, which was created in 1979-80 but currently is not filled. (*Reduction of one consultant position.*)

**Reorganization of Workload of Three Consultants**

Our analysis of the job descriptions and workload information supplied by the State Library indicates that a workload reorganization is warranted for three consultant positions that have responsibility for seven assignments. The assignments are listed in Table 79. Our analysis leads us to conclude that (a) one of the assignments is not necessary for the Library to perform, (b) three of the assignments could be performed by a less expensive staff services analyst, and (c) the remaining three assignments could be accomplished by one consultant. Table 79 shows how two positions—one consultant and one staff services analyst—could handle the workload now assigned to three consultants. (*Reduction of two consultants, increase of one staff services analyst—and reduction of one clerical position.*)

**Table 79**  
**Recommended Reorganization of Consultant Workload**

Assignment	Recommended Staffing		
	Consultant	Staff Analyst	None
1. Service to state hospital residents.....	X	—	—
2. Local staff development .....	—	X	—
3. Consumer information needs.....	—	X	—
4. Service to trustees and commissioners .....	X	—	—
5. Special client groups.....	X	—	—
6. Local program planning and evaluation .....	—	—	X
7. Identification of alternative sources of funds.....	—	X	—
Required Personnel-years.....	1	1	0

a) *Unnecessary activity.* It is not necessary for the State Library to support local program planning and evaluation efforts. Community-based planning to improve services is a local responsibility. Moreover, because the community-based planning process was developed by the Public Library Association, the association should be able to assist libraries wishing to use the process.

b) *Staff services analyst.* A less expensive staff services analyst position could provide services for local staff development, consumer information needs, and the identification of alternative sources of funds for libraries. Staff development for local library staff is currently provided by colleges and universities, special libraries, the California Library Association, large California public libraries, and other organizations. Consequently, a more cost-effective use of limited state funds is to inform local library staff of available training rather than to establish staff development programs, as the Library proposes.

Similarly, notifying libraries of (a) information-disseminating agencies wishing to use libraries as local outlets and (b) alternative sources of funding, does not require a library consultant. A staff services analyst should be able to gather this information and provide it to public libraries.

c) *Consultant assignments.* The remaining three assignments—service to state hospital residents, local trustees and commissioners, and special client groups—are currently assigned 1.25 consultants. Our analysis indicates that one consultant should be sufficient to perform these assignments because (a) training local library trustees and commissioners is largely a local responsibility and (b) there are few client groups that are not served by the other consultants.

#### **Clerical Support for Consultants**

Elimination of two professional positions would permit a reduction of one additional clerical position.

#### **Workload Comparison**

Our analysis of workload in other agencies with comparable missions further supports the recommended reduction in Library consultants. The Department of Parks and Recreation, for example, provides technical assistance to cities, counties, and special districts, and oversees \$40 million worth of state and federal local assistance grants. In comparison, the State Library provides \$9 million of local assistance grants to local libraries. The Department of Parks and Recreation has 18 project officers to assist 410 local park agencies, or about 23 agencies per officer. Our recommendation to reduce the number of library consultants would leave eight consultants serving 168 public libraries, or 21 libraries per consultant.

#### **D. California Data Base for Monographs**

The State Library is developing a statewide bibliographic data base pursuant to the California Library Services Act. The project has two components: (1) a data base for monographs (books) and (2) a data base for serials (periodicals). The purpose of the project is to include a significant portion of California public library holdings in a single data base to facilitate interlibrary lending. The data base can be used for several other

**K-12 EDUCATION—Continued**

purposes, including sharing resources and improving the efficiency of local library services.

The first product of the data base for monographs is a microfiche catalog of library monograph holdings (The catalog for serials, funded from federal funds, has been available for several years.) The catalog for monographs (CATALIST) is funded primarily from the General Fund. The first edition will be available in January 1980.

**Use of Federal Funds Recommended**

*We recommend that federal funds be used to support the California Data Base for Monographs, for a General Fund savings of \$463,250. (Reduce Item 353 by \$463,250.)*

Prior to and during development of the data base, the State Library used federal funds to support single system and multi-system interlibrary loan and resource sharing efforts. With the availability of CATALIST, the need for such local resource sharing projects has diminished.

This is reflected in reduced federal funding for local projects, as shown in Table 80. Federal funding in support of local resource sharing projects is estimated to be about \$1.8 million less in 1979-80 than in 1977-78.

**Table 80**  
**Funding for the Statewide Data Base and Local Resource Sharing Projects**

	<i>Actual 1977-78</i>	<i>Actual 1978-79</i>	<i>Estimated 1979-80</i>	<i>Proposed 1980-81</i>
California Data Base for Monographs (General Fund) .....	—	\$618,021	\$363,000	\$463,250
Local Resource Sharing Projects (Federal Funds) .....	\$2,363,500	2,193,962	557,410	NA <sup>a</sup>

<sup>a</sup> Grant awards for 1980-81 have not been made.

Because the state's investment in CATALIST has allowed a reduction in federal funds that were used to support local resource sharing, it is appropriate that some of that savings be directed to supporting CATALIST. Support of CATALIST with federal funds is also consistent with the Library's use of federal funds to support the data base for serials.

**E. Union Catalog**

The State Library maintains a Union Catalog of public library holdings. Approximately 80 public libraries send the State Library a copy of the catalog cards for the books they acquire. The Union Catalog contains records of each book title owned by each library. This catalog is used to facilitate public interlibrary lending. Libraries that do not have particular titles can send a request to the State Library, which searches the Union Catalog and notifies the requesting library of the nearest five libraries that have the book.

CATALIST, the first product of the California Data Base for Monographs, is designed eventually to replace the Union Catalog. As mentioned, the first edition of CATALIST is scheduled to be published in January 1980. By using CATALIST, libraries will be able to determine which libraries have particular books without contacting the State Library.

**Duplication**

*We recommend that 2.0 clerical positions be eliminated, for a General Fund savings of \$32,148. (Reduce Item 325 by \$32,148.)*

To the extent that CATALIST duplicates the records of the Union Catalog, the Union Catalog is not needed to fulfill interlibrary loan requests. About one-third of the Union Catalog's records of books acquired between 1968 and 1978 have been contributed to CATALIST. In addition, all 80 public libraries that send holding records to the Union Catalog have been contributing their recent acquisitions to CATALIST.

CATALIST will affect the State Library's staffing needs in two ways. *First*, staff time devoted to fulfilling interlibrary loan requests may be reduced by 15 percent (or from 3 to 2.5 positions) once CATALIST is available. This is because the library estimates that 50 percent of the requests are for materials acquired since 1968 and CATALIST contains about one-third of those titles. *Second*, CATALIST eliminates the need for the 1.5 positions devoted to filing the records of new acquisitions in the Union Catalog. Consequently, we recommend that two positions be deleted from the 1980-81 budget.

**F. California Library Authority for Systems and Services (CLASS)**

CLASS is a public agency that was formed by a Joint Exercise of Powers Agreement in June 1976 to assist libraries in sharing resources on a state-wide basis. Start-up planning and organizational funding was provided by federal funds awarded by the State Library.

CLASS is a membership organization with members from the following libraries: public, special, private academic, community college, CSUC, UC, and the State Library. CLASS policy is approved by a board of directors, which is advised by a council.

**CLASS Membership**

Table 81 shows the membership in CLASS by library segment as of November 26, 1979.

**Table 81**  
**CLASS Membership by Library Segment**

<i>Library Segment</i>	<i>Number of Member Libraries</i>	<i>Percentage of Total Membership</i>
Special .....	75	34%
Public .....	58	26
Private Academic .....	37	17
Community College .....	26	12
California State University and Colleges .....	13	6
University of California .....	12	5
State Library .....	1	—
Totals .....	222	100%

Thirty-four percent of CLASS members are special libraries, such as: Aerospace Corporation Library, Atlantic Richfield Company Library, Hewlett-Packard Company Corporate Library, IBM San Jose Library, Kaiser Aluminum and Chemical Corporation Library, Lockheed—California

**K-12 EDUCATION—Continued**

Company Library, and Rand Corporation Library.

Private academic libraries belonging to CLASS include: Bethany Bible College, California Institute of the Arts, Golden Gate University Library, Mills College, Stanford University Libraries, University of San Francisco, and University of Southern California.

**Funding for CLASS**

The largest source of funding for CLASS has been the federal grants awarded by the State Library. Table 82 shows federal grants to CLASS as a percentage of its total income.

**Table 82**  
**Federal Grants (Awarded by State Library)**  
**As Percentage of CLASS Income**

	<i>Actual</i> <i>1976-78<sup>a</sup></i>	<i>Actual</i> <i>1978-79</i>	<i>Estimated</i> <i>1979-80</i>
Federal Grant .....	\$468,750	\$546,200	\$544,227
Other Income.....	46,360	455,940	755,773
Totals .....	\$515,110	\$1,002,140	\$1,300,000
Federal Grant as Percent of Total .....	91%	54.5%	41.9%

<sup>a</sup> Two-year start-up grant.

The remainder of CLASS' income is derived mainly from grants from the University of California and Stanford University, and from membership fees and product sales. Membership fees are assessed on a sliding scale basis. Depending on the size of a library's materials acquisition budget, the annual fee is \$40, \$80, or \$120 in 1979-80.

**CLASS Benefit to Members**

Member libraries can participate in CLASS activities in the following ways:

1. Purchase the microfiche product of the data base for monographs (CATALIST).
2. Purchase the microfiche product of the data base for serials (CULP).
3. Obtain computerized cataloging and other services by joining the cooperative library network.
4. Obtain discounted rates for use of on-line reference services.
5. Attend workshops offered by CLASS.
6. Purchase CLASS publications at discounted prices.

Table 83 shows the degree to which libraries in the various library segments participate in these six activities. The table indicates that, with the exception of CATALIST, which is supported separately through a contract with the State Library, public library participation in CLASS activities is low. The large participation of special libraries indicates that some of CLASS' activities offer greater benefits to libraries with specialized clientele.



**Table 83**  
**Participation in Each CLASS Activity by Library Segment (May, 1979) <sup>a</sup>**

Segment	Purchased CATALIST	Purchased CULP	Coop. Lib. <sup>b</sup> Network	On-line Reference	Attend Workshops	Purchase CLASS Publications
Public .....	64%	28%	25%	29%	15%	17%
Special .....	15	36	58	27	53	38
Private Academic .....	10	12	4	7	6	18
Comm. College .....	4	9	3	3	13	11
CSUC .....	5	6	4	15	7	9
UC .....	2	2	—	15	6	5
State Library .....	—	1	1	2	1	1
Out-of-State Libraries .....	1	7	4	2	—	1

<sup>a</sup> Percentage participation does not total 100 percent for each activity due to rounding.

<sup>b</sup> As of November, 1979.

### **Reduced Federal Funding Recommended**

*We recommend that, beginning in 1980-81, the award of federal funds by the State Library to CLASS not exceed 30 percent of CLASS' total income.*

Funding for CLASS should be provided on the basis of use. However, federal funds provided to CLASS by the State Library account for a larger share of CLASS' income than appears justified by public libraries' usage rate. In contrast, the special library segment, which is a major user, provides no support other than membership fees. Thus, the state is subsidizing a service to nonpublic libraries.

For these reasons, we recommend that award of federal funds by the State Library to CLASS not exceed 30 percent of CLASS' total income, exclusive of any income for the purpose of managing the California Data Base for Monographs.

### **G. Use of Federal Funds**

*We recommend that the Legislature direct the State Librarian to submit to the California Library Services Board quarterly reports which give a complete accounting of the use of federal funds under the Library Services and Construction Act.*

As stated above, the State Librarian administers the federally-funded local assistance, while the California Library Services Board administers the General Fund local assistance. Once each year, the State Librarian publishes a list of federal grant awards. This list covers only the initial awards, however, and does not account for all federal funds. Moreover, no information is published on the specific uses of federal funds for state administration or State Library-initiated local assistance projects.

The Board, in order to administer state funds, needs to be informed of the status of federal funds, including the specific purposes for which grants are made and the amount of the unencumbered balances. We recommend that the State Librarian submit quarterly accounting reports to the Board, beginning each July.

### **H. Board of Library Examiners**

*We recommend that the Board of Library Examiners be eliminated, for a General Fund savings of \$500. (Reduce Item 325 by \$500.)*

The Board of Library Examiners administers qualifying tests to all persons applying to become county librarians. The Board dates from 1911,

**K-12 EDUCATION—Continued**

when counties often employed nonprofessionals as librarians because there were very few professional librarians.

The library profession has now developed to the point where it is no longer necessary for the Board to certify county librarians. According to the 1970 U.S. Census, there were 10,356 employed professional librarians in California, compared to 1,267 in 1920. With the profession thus established, counties are in a position to hire qualified librarians without state help. In fact, nearly all counties administer their own tests for county librarians (most of them through civil service procedures). Thus, applicants often must take two tests—the county's and the board's.

To eliminate the duplication we recommend that the Board of Library Examiners be eliminated. The estimated 1980-81 cost for the Board to meet and administer the oral portion of the test is \$500.

**I. Clerical Staff for State Librarian**

*We recommend that one clerical position be eliminated, for a General Fund savings of \$16,744. (Reduce Item 325 by \$16,744.)*

The State Librarian has two personal secretaries. Workload justification has not been supplied to indicate that the State Librarian's responsibilities in the areas of correspondence, meeting attendance, travel, public contact, and communications exceed those of other state officials whose work is adequately supported by one personal secretary.

**J. Collections Policy**

In 1980-81, the State Library proposes to spend \$682,000 on the acquisition of about 10,000 books, and on periodical, serial, and microform publications. Currently, the State Library policy is to acquire materials in eight main subject categories according to (a) anticipated need, (b) requests by state employees, officials, and legislators, and (c) available funds.

**Report Needed**

*We recommend that the Legislature direct the State Library to develop and submit to the Legislature by December 1, 1980, a written collections policy that addresses (1) coordination of acquisitions with other state agency libraries and (2) the overall role of the Library in collecting materials.*

There are at least 48 other state agency libraries that acquire materials. There is no mechanism to ensure against unnecessary duplication of purchases with other libraries. Accordingly, we recommend that the State Library develop a collections policy which explicitly addresses the need to minimize duplicative state agency purchases.

A reevaluation of the Library's role in collecting materials is warranted by the expansion of resource sharing at the local level. As more interlibrary lending occurs among public libraries and between public and academic libraries, the need for the State Library to collect certain kinds of materials should diminish. The recommended policy should take these developments into account.

**K. Sutro Library**

The Sutro Library—a rare book and genealogical collection—was donated to the Trustees of the State Library in 1915 on the condition that the collection remain within the city of San Francisco. Most recently, it has been located at the University of San Francisco, under a 20-year lease at \$1.00 per year.

Upon expiration of the lease in 1979, the University of San Francisco and the State of California entered into a short-term lease (a minimum of 2½ years and a maximum of 5 years) which would allow the state time to consider options with regard to the Sutro Library.

**State Cost of Operating Sutro Library.**

The Governor's Budget proposes \$320,913 to operate the Sutro Library in 1980-81. This is a 26.6 percent increase over 1979-80. Of the total, \$61,755 is for space leased from the University of San Francisco.

Last year we expressed concern that, given the nature of the collection and the legal requirement that it remain in San Francisco, the operation of the Sutro Library may be outside the scope of the State Library's responsibilities.

**Sutro Report Inadequate**

Supplementary language to Item 314 of the 1979-80 Budget Act directed the State Librarian to "develop alternative mechanisms for funding of the Sutro Library, including, but not limited to, identification of appropriate governmental or education agencies to assume or contribute to the support of the Sutro Library . . ." In December 1979 the State Librarian submitted a three page report which we believe does not respond to the above directive.

The report had two shortcomings. *First*, it was addressed primarily to finding *space* for Sutro Library. It did not address the central question of whether the state has an interest in maintaining the Sutro collection—that is, whether the operation of the Sutro Library is an appropriate part of the State Library's responsibilities. *Second*, the report was inconclusive with respect to finding new space for Sutro. Four agencies were contacted. Two had not responded at the time the report was issued, and two responded by expressing some interest in the collection but stated that they lacked space to absorb the collection.

For these reasons, we have asked the State Library for an additional report by March 1, 1980 in order to facilitate the discussion of the Sutro Library during budget hearings.

**New Acquisitions for Sutro Library**

*We recommend that no new materials be purchased for the Sutro Library, for a General Fund savings of \$14,951. (Reduce Item 325 by \$14,951).*

The original Sutro collection consisted of 100,000 volumes. Additions have expanded the collection to an estimated 150,000 volumes.

The Governor's budget proposes to spend \$14,951 for additional material in 1980-81. Our analysis indicates that this is both unnecessary and unwise. Sutro was established as a branch of the State Library "in which

**K-12 EDUCATION—Continued**

branch the said collection of rare books and manuscripts shall, in accordance with the terms of the gift, be maintained . . .” Purchasing new materials is not a necessary part of maintaining the collection. Furthermore, given the uncertain future of the Sutro Library, it is unwise to expand the collection at this time. For this reason we recommend that no new materials be purchased for the Sutro Library.

**L. Section 27.2 Reduction**

*We recommend that the Legislature require the State Library to justify restoration of \$81,744 that was reduced from the 1979-80 Budget pursuant to Section 27.2.*

Under Section 27.2 of the Budget Act of 1979, the State Library identified the following positions as low priorities: one senior librarian, two FTE office assistants, and .2 FTE temporary help. In 1979-80, these positions (\$47,966) and related OE&E (\$33,778) were held vacant.

The Governor's Budget proposes to automatically restore the \$81,744. It is not clear, however, that these positions need to be continued. Consequently, we recommend that these positions be justified before they are approved for funding in the 1980-81 Budget.

**M. Zero Based Budgeting**

*We recommend that the Legislature direct the State Library to prepare a zero based budget for 1981-82.*

A zero based budget for the State Library should be particularly useful to the Legislature in 1981-82, given that automated cataloging and the availability of CATALIST to local libraries should change the Library's staffing needs considerably in the future.

Accordingly, we recommend that the library use zero-based budgeting for developing its 1981-82 proposed budget.

## CALIFORNIA ADVISORY COUNCIL ON VOCATIONAL EDUCATION

Item 356 from the General  
Fund and Item 356.5 from  
the Federal Trust Fund

Budget p. E63

---

Requested 1980-81 .....	\$275,735
Estimated 1979-80.....	271,028
Actual 1978-79 .....	249,144
Requested increase (excluding amount for salary increases) \$4,707 (+1.7 percent)	
Total recommended reduction .....	None

---

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**Analysis  
page

1. Report on Continued General Fund support. Recommend council report to Legislature on justification for continued General Fund support. 1089

**GENERAL PROGRAM STATEMENT**

The federal Vocational Education Act of 1976 requires the establishment of a state advisory council and specifies the council's membership and duties. The responsibilities of the California Advisory Council include: (1) advising the State Board of Education, the Board of Governors of the California Community Colleges, the Legislature and other agencies in the development and administration of state vocational education plans, (2) preparing an annual evaluation report on statewide vocational programs carried out to meet the objectives of the state plans and (3) investigating selected vocational education programs and policies and making recommendations for improvement. Staff for the council consists of four professional and two clerical positions.

**ANALYSIS AND RECOMMENDATIONS**

The budget proposes an appropriation of \$99,382 from the General Fund for partial support of the Advisory Council on Vocational Education in 1980-81, which is an increase of \$5,439, or 5.8 percent, over estimated current year expenditures. This amount will increase by the amount of any salary or staff benefit increase approved for the budget year. The General Fund appropriation together with federal funds of \$176,353 provided through the Vocational Education Act result in a proposed total budget of \$275,735 for 1980-81. The federal funds are estimated to be \$732 less than the amount received in the current year.

Table 1 summarizes the funding for the council.

**Table 1**  
**Funding for the California Advisory Council on Vocational Education**

	Actual 1978-79	Estimated 1979-80	Proposed 1980-81	Change	
				Amount	Percent
Federal funds .....	\$167,642	\$177,085	\$176,353	\$-732	-0.4%
General Fund .....	81,502	93,943	99,382	5,439	5.8
Totals.....	\$249,144	\$271,028	\$275,735	\$4,707	1.7%

The increase of \$5,439 will provide for general price increases and a \$3,900 increase in consultant and professional services. We recommend approval as budgeted.

**Review of General Fund Support Needed**

*We recommend that the Council submit to the Joint Legislative Budget Committee, by November 15, 1980, written justification for the continued use of General Funds to support council activities.*

Maintaining an advisory council on vocational education is required by the federal government, and federal funds are provided to support the council. No state match is required. Nevertheless, General Fund support for the Council is provided, and this support has increased 21.9 percent over the last two years.

**CALIFORNIA ADVISORY COUNCIL ON VOCATIONAL EDUCATION—Continued**

It is not clear that the increased level of advice supported by the General Fund is necessary or warranted. Consequently, we recommend that the Council report to the Legislature on (1) the extent to which General Fund support is necessary to fulfill mandated duties and (2) the specific kinds of advisory activities that would and would not be provided if General Fund support were withdrawn.

**CONTRIBUTIONS TO TEACHERS' RETIREMENT FUND**

Item 357 from the General  
Fund

Budget p. E 64

---

Requested 1980-81 .....	\$171,616,000
Estimated 1979-80.....	144,300,000
Actual 1978-79 .....	144,300,000
Requested increase \$27,316,000 (+ 18.9 percent)	
Total recommended reduction .....	None

---

**GENERAL PROGRAM STATEMENT**

This item funds the long-term, actuarial cost of those benefits provided to retired members of the State Teachers' Retirement System (STRS) for which the state has funding responsibility.

Beginning in 1972, the item provided an annual General Fund appropriation of \$135 million to finance the actuarial cost of pensions for STRS members who retired prior to July 1, 1972. The need for this appropriation was scheduled to continue through fiscal year 2002-03. In 1976, the annual appropriation increased to \$144.3 million, in order to finance the amortized cost of granting a one-time pension-improvement to STRS retirees in that year. Beginning in 1980-81, the annual General Fund appropriation in this item will increase further, in accordance with the requirements of Chapter 282, Statutes of 1979 (AB 8).

**ANALYSIS AND RECOMMENDATIONS**

*We recommend approval.*

The budget proposes an appropriation of \$171,616,000 from the General Fund for contributions to the State Teachers' Retirement Fund in 1980-81, which is an increase of \$27,316,000 or 18.9 percent over current-year expenditures. The increased amount is required by Chapter 282.

**Growing Unfunded Liability Prompts Funding Attempt**

In our *Analysis of the 1979 Budget Bill (page 981)*, we summarized the growth in the STRS unfunded liability and the reasons for it. We reported that, at the time of the latest actuarial valuation in 1977, the unfunded liability was estimated at \$8.5 billion and was projected to increase to nearly \$10 billion by the time the next valuation was made, in April 1980.

Chapter 282 attempts to address the STRS unfunded liability problem by (1) increasing the annual \$144.3 million General Fund appropriation in line with increases in the California Consumer Price Index, (2) extend-

ing authorization for this program beyond fiscal year 2002-03; and (3) providing an additional annual General Fund appropriation which is to be phased in over a 15-year period, beginning with \$10 million in 1980-81 and increasing in \$20 million annual increments thereafter until it reaches \$280 million in 1994-95. Beyond that date, this appropriation will also be increased in line with the increase in the California Consumer Price Index (CCPI). Table 1 shows details of the contribution increase required by Chapter 282 for 1980-81.

**Table 1**  
**State Teachers' Retirement Fund**  
**General Fund Contribution—Increase**  
**Required by Chapter 282, Statutes of 1979 (AB 8)**  
**1980-81**

	<i>1980-81</i> <i>(in millions)</i>
1. Ongoing, base-line contribution to the State Teachers' Retirement Fund .....	\$144.3
2. CCPI-increase of base-line contribution (12 percent) .....	17.3
3. First year increment of the additional \$280 million appropriation .....	10.0
4. Total, appropriation for 1980-81 .....	\$171.6
5. Increase over 1979-80 .....	\$27.3

#### **Impact of Chapter 282 on the STRS Unfunding Liability**

The precise impact of Chapter 282 on the STRS unfunded liability will not be known until the next STRS valuation is completed. This valuation is expected in April 1980.

Preliminary actuarial estimates, based on the 1977 valuation, indicate that the additional funding provided by Chapter 282 will increase the combined (employer's and employee's) retirement contribution rate from the current 16 percent of payroll to 21 percent of payroll. Based on this valuation, however, an estimated total contribution rate of 21.7 percent of payroll would be needed to keep the unfunded liability at a constant percentage of payroll with no amortization of the liability principal (that is "infinite" funding). Consequently, the preliminary estimates indicate that Chapter 282 will slow the growth in the STRS unfunded liability, but the amount of the liability will continue to increase at a greater rate than the payroll increases.

As we have in the past, we recommend that a program be adopted that will begin amortizing the unfunded liability in the STRS. We recommend, however, that the design of the program be consistent with the following:

1. *Increased funding should come from employer-employee contributions.* The primary funding responsibility for financing the unfunded liability rests with school districts and their employees. Retirement benefits are part of the total compensation granted by the districts to their employees, and these benefits should be funded from the same sources which fund salaries.

2. *If increased employer's contributions are to be part of the program (as we recommend), they should not be required in such a manner that they would constitute a state mandate.* A state mandate can be avoided if larger employer contributions are required as part of a broader package of changes in school finance.

**CONTRIBUTIONS TO TEACHERS' RETIREMENT FUND—Continued**

3. *State aid to amortize the unfunded liability should not be provided in the form of a direct payment to the STRS.* Any substantial increase in employer's contributions may require some additional financial assistance from the state beyond the current state assistance provided in Chapter 282. Such assistance, however, should not be a direct payment from the General Fund to the State Teachers' Retirement Fund, but should be channeled to the districts through the regular apportionment process. Retirement costs are a function of salary costs, and salary decisions are made by school districts, not by the state. If state aid is tied to the retirement costs of individual districts, it will tend to favor higher salary districts at the expense of lower salary districts. We see no basis for such favoritism, and suggest that any additional state aid be provided through apportionments.

**COMMISSION FOR TEACHER PREPARATION AND LICENSING**

Item 358 from the Teacher Credentials Fund

Budget p. E 71

Requested 1980-81 .....	\$3,448,424
Estimated 1979-80.....	3,429,443
Actual 1978-79 .....	2,791,646
Requested increase (excluding amount for salary increases) \$18,981 (+0.6 percent)	
Total recommended reduction .....	\$71,201

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

*Analysis  
page*

1. *Program Approval. Reduce by \$37,831.* Recommend elimination of one consultant position. 1094
2. *Data Processing. Augment by \$2,630.* Recommend upgrading proposed new position for data processing. 1094
3. *External Assessment. Reduce by \$36,000.* Recommend reduction in operating expenses to reflect savings from new procedures. 1095

**GENERAL PROGRAM STATEMENT**

The Commission for Teacher Preparation and Licensing (CTPL) is responsible for (a) developing standards and procedures for credentialing teachers and administrators, (b) issuing and revoking credentials, (c) evaluating and approving programs of teacher training institutions and (d) establishing policy leadership in the field of teacher preparation. The commission estimates that it will process approximately 93,000 credentials in 1980-81.



**ANALYSIS AND RECOMMENDATIONS**

The budget proposes expenditures of \$3,468,424 for the Commission for Teacher Preparation and Licensing in 1980-81, which is a reduction of \$131,019 (3.6 percent) from estimated current-year expenditures. This reflects a reduction of \$150,000 in federal funds partially offset by a proposed increase of \$18,981 in programs supported by the Teacher Credentials Fund. The total amount will increase by the amount of any salary or staff benefit increase approved for the budget year. Program budget data for the Commission are shown in Table 1.

The budget shows a net decrease of 2.9 positions for 1980-81, reflecting the following proposed changes: elimination of four positions through administrative adjustments; the addition of 2.3 new positions, primarily for data processing activities; and minor adjustments in salary savings.

**Table 1**  
**Commission for Teacher Preparation and Licensing**  
**Program Budget Data**

Activity	Actual	Estimated	Proposed	Change	
	1978-79	1979-80	1980-81	Amount	Percent
1. Approved Programs.....	\$569,710	\$657,785	\$658,379	\$594	0.1%
2. Examinations and Evaluation .....	390,284	453,163	465,047	11,884	2.6
3. Licensing .....	1,501,346	1,854,447	1,849,633	-4,814	-0.3
4. Professional Standards.....	411,927	464,048	475,365	11,317	2.4
5. Beginning Teacher Evaluation Study.....	190,081	170,000	20,000	-150,000	-88.2
6. Administration—distributed to other programs.....	(758,482)	(1,049,668)	(1,070,435)	(20,767)	(2.0)
Totals .....	\$3,063,348	\$3,599,443	\$3,468,424	\$-131,019	-3.6%
Reimbursements .....	\$81,621	—	—	—	—
Teacher Credentials Fund .....	2,791,646	\$3,429,443	\$3,448,424	\$18,981	0.6%
Federal funds .....	190,081	170,000	20,000	-150,000	-88.2
Personnel Years .....	109.0	108.5	105.6	-2.9	-2.7%

**Teacher Credentials Fund Nearing Deficit Condition**

Table 2 shows the condition of the Teacher Credentials Fund. The projections indicate that despite an increase in the application fee for credentials from \$20 to \$30 in the current year, the commission will incur a fund deficit of \$374,616 in 1981-82 and \$1,257,503 in 1982-83.

**Table 2**  
**Teacher Credentials Fund**

	Actual	Estimated	Projected	Projected	Projected
	1978-79	1979-80	1980-81	1981-82	1982-83
Accumulated surplus, July 1 .....	\$2,186,587	\$1,661,259	\$780,604	\$305,822	\$-374,616
Revenues:					
Credential fees .....	1,981,879	2,325,000	2,790,000	2,790,000	2,790,000
Teacher examination fees .....	129,537	107,500	129,000	129,000	129,000
Income from surplus money investments .....	151,499	116,288	54,642	21,407	—
Miscellaneous income .....	3,403	—	—	—	—
Total Revenues .....	\$2,266,318	\$2,548,788	\$2,973,642	\$2,940,407	\$2,919,000
Total Resources .....	\$4,452,905	\$4,210,047	\$3,754,246	\$3,246,229	\$2,544,384
Expenditures: <sup>a</sup>					
All Programs .....	\$2,791,646	\$3,429,443	\$3,448,424	\$3,620,845	\$3,801,887
Accumulated surplus, June 30 ....	\$1,661,259	\$780,604	\$305,822	\$-374,616	\$-1,257,503

<sup>a</sup> Expenditures in 1981-82 and 1982-83 reflect a projected 5 percent increase.

**COMMISSION FOR TEACHER PREPARATION AND LICENSING—Continued**

It is apparent from these projections that the commission will have to increase its revenues or reduce expenditures. Recognizing this problem, the commission is attempting to identify areas for budget reductions in 1981-82, and is studying various alternatives for raising revenue. These include development of a registry of active educators for which a fee would be charged, and requiring institutions to pay fees for program approval and evaluation.

**1. Overstaffing in Program Approval Office**

*We recommend that one consultant position be eliminated, for a savings of \$37,831 in the Teacher Credentials Fund.*

The commission's Office of Programs which is responsible for program approval and evaluation, currently has seven consultant positions, one of which has been vacant since September 1979. The commission expects to fill the vacancy before the end of the current fiscal year.

Workload data for the office are shown in Table 3. The data indicate a significant decline in the number of new programs requiring approval by the commission in the current and budget years. Moreover, in 1979 the commission revised its approval and evaluation procedures in order to reduce the amount of staff time required to approve programs.

**Table 3**  
**Program Approval Workload**

	<i>Actual</i> <i>1977-78</i>	<i>Actual</i> <i>1978-79</i>	<i>Estimated</i> <i>1979-80</i>	<i>Projected</i> <i>1980-81</i>
Professional Preparation Programs .....	135	161	21	16
Subject Matter Waivers .....	110	55	92	75

The commission maintains that this reduction in workload is offset by increasing activity in the areas of special education, bilingual education, and early childhood education. Our review, however, indicates that a staff of six is sufficient to fulfill all program approval and evaluation responsibilities, including the areas where activity has increased. There is no evidence that *total* workload will increase in the budget year. We therefore recommend elimination of the vacant consultant position.

**2. Data Processing System**

*We recommend that the proposed new position for supervision of the data processing system be upgraded, at a cost of \$2,630 to the Teacher Credentials Fund.*

The budget proposes the establishment of an Associate Programmer Analyst position to supervise the commission's new data processing system, at a cost of \$26,623 in salary and benefits. Our experience in reviewing the implementation of data processing in state agencies indicates that a higher level of expertise is necessary for adequate supervision. Consequently, we recommend that the proposed new position be upgraded to

the level of Staff Data Processing Analyst at an increased cost of \$2,630.

### 3. External Assessment Program

In order to evaluate approved programs and teacher performance, the commission monitors teacher training institutions via its External Assessment Program. Prior to 1979-80, teams of five people, under contract, examined each institutional program for one week (25 person-days) to see if it operated according to plan.

In our analysis of the 1979-80 Budget Bill, we questioned the efficiency and effectiveness of this process. Subsequently, the Legislature, in the Supplemental Report on the 1978 Budget Act and in 1979 Budget Act language, directed the commission to redesign its external assessment program. The commission adopted a new program in October 1979. It includes the following improvements:

- The program review focuses on ascertaining conformance to legislative and commission requirements.
- Much of the monitoring is done by commission staff.
- The scope of field reviews has been condensed to require nine person-days instead of 25 person-days per program.
- The plan requires studies of program graduates to assess teacher performance and program effectiveness.
- Review findings are reported on an institution-by-institution basis, allowing programs to be compared.

### Savings from New Procedures

*We recommend a reduction of \$36,000 in the commission's operating expenses to reflect economies made possible by new procedures in external assessment and program approval.*

The commission estimates that the new external assessment plan and revised program approval procedures will result in savings of \$36,000, primarily in contract services and travel expenses. The 1980-81 budget does not reflect these anticipated savings. We therefore recommend that this amount be deleted.

### 4. Credential Applications Processing

Because the time required to process credentials during 1975-76 appeared to be excessive, the Legislature, in the Supplemental Report on the 1977 Budget Act, directed the commission to process credentials "within an average of 30 work days and a maximum of 60 work days." Commission staff agreed that this was a reasonable standard.

The commission reports that average processing time in 1978-79 was 24 days, and peak processing time was 58 days. In our review of the licensing unit, however, we note that the commission does not have a reliable method of projecting processing time for the budget year. Commission staff have agreed to collect data in order to develop (a) better projections and (b) a workload formula for staffing requirements.

**COMMISSION FOR TEACHER PREPARATION AND LICENSING—Continued****Credential Revocations**

The Legislature added language to the 1979 Budget Act requiring the commission to establish strict guidelines for its Committee of Credentials to follow in revoking teacher credentials. In response, the commission developed regulations which were adopted by the State Board of Education in December 1979.

The new regulations make several procedural changes. Most significant is the requirement that the school district employing the teacher be provided notice of any meeting of the committee to consider credential revocation. This notice must contain all allegations to be considered by the committee.