

DEPARTMENT OF THE YOUTH AUTHORITY—REVERSION

Item 5460-495 to the General
Fund, Special Account for
Capital Outlay

ANALYSIS AND RECOMMENDATIONS

We withhold recommendation on the reversion proposed under Item 5460-495, pending receipt of additional information.

Item 5460-495 of the budget proposes the reversion of the unencumbered balance of the following appropriation:

1. Item 546-301-036(i), Budget Act of 1981 (\$149,000)—DeWitt Nelson School—relocatable classroom building.

These funds were appropriated to purchase and install a relocatable classroom building at the DeWitt Nelson School (DNS). During last year's budget hearings, the department indicated that DNS did not have enough educational facilities to deal with the population increase at this school.

In October 1981, the Director of Finance informed the Joint Legislative Budget Committee (JLBC) of her intent to approve the transfer of these funds to another capital outlay project. The Chairman of the Joint Legislative Budget Committee requested that she not proceed with the proposed redirection of funds. At that time, the Director indicated that while the DNS relocatable classroom building could be deferred, the need for the facility had not diminished. The department has not indicated why these funds are no longer needed. We withhold recommendation on this item, pending receipt of this information.

DEPARTMENT OF EDUCATION

Item 6100 from the General
Fund and various funds

Budget p. E 1

Requested 1982-83	\$8,879,891,000
Estimated 1981-82.....	8,299,220,000
Actual 1980-81	8,118,462,000
Requested increase (excluding amount for salary increases) \$580,671,000 (+7.0 percent)	
Total recommended reduction	\$44,493,500
Recommendation pending	\$7,611,000

1982-83 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount	Analysis page
6100-001-001—Main support		General	\$30,897,000	1357
6100-001-140—Environmental education ad- ministration		Environmental License Plate	—	1362
6100-001-178—School bus driver instruction		Driver Training	459,000	1298
		Penalty Assessment		
6100-001-344—School capital outlay planning		State School Building	487,000	1357
		Lease-Purchase		
6100-001-680—Surplus property agency		Surplus Property	25,346,000	1344
6100-001-955—Instructional materials ware- housing and shipping		General	—	1307
6100-001-890—Federal support		Federal Trust	32,067,000	1357

DEPARTMENT OF EDUCATION—Continued

6100-006-001—Special schools	General	29,806,000	1331
6100-011-001—Library support	General	6,851,000	1364
6100-011-890—Library federal support	Federal Trust	1,028,000	1365
6100-101-001—School apportionments	General	5,259,631,000	1272
6100-106-001—County schools	General	122,626,000	1278
6100-111-001—Transportation	General	161,725,000	1302
6100-114-001—Court and federal mandate reimbursement	General	128,726,000	1320
6100-116-001—School Improvement Program	General	162,695,000	1287
6100-121-001—Economic Impact Aid	General	171,737,000	1284
6100-126-001—Miller-Unruh Reading program	General	16,182,000	1288
6100-131-001—Native-American Indian program	General	318,000	1315
6100-136-890—Federal Title I	Federal Trust	252,776,000	1284
6100-141-890—Migrant education	Federal Trust	63,442,000	1292
6100-146-001—Demonstration programs	General	3,558,000	1316
6100-151-001—American Indian Education Centers	General	750,000	1315
6100-156-001—Adult education	General	159,800,000	1314
6100-156-890—Federal adult education	Federal Trust	9,288,000	1314
6100-161-001—Special education	General	677,080,000	1325
6100-161-890—Federal special education	Federal Trust	78,691,000	1329
6100-166-887—Vocational education	Vocational Education Federal	67,456,000	1311
6100-171-178—Driver training	Driver Training Penalty Assessment	17,844,000	1298
6100-176-890—Refugee aid	Federal Trust	48,000	1285
6100-181-001—Curriculum services	General	1,070,000	1363
6100-181-140—Environmental education	Environmental License	500,000	1362
6100-186-001—Instructional materials	General	40,915,000	1307
6100-189-001—Instructional improvement	General	8,600,000	1307
6100-191-001—Staff development	General	14,386,000	1304
6100-196-001—Child development	General	248,546,000	1333
6100-196-890—Federal child development	Federal Trust	1,957,000	1342
6100-201-001—Child nutrition	General	25,390,000	1342
6100-201-890—Federal child nutrition	Federal Trust	296,709,000	1282
6100-206-001—Urban Impact Aid	General	67,103,000	1364
6100-211-001—Library local assistance	General	5,520,000	1365
6100-211-890—Federal local assistance	Federal Trust	5,216,000	
6100-216-001—State mandates	General	14,992,000	1317
6100-221-890—Federal block grant	Federal Trust	34,389,000	1312
6100-226-001—Cost-of-living increase	General	633,284,000	1267
Total		\$8,879,891,000	

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONSAnalysis
page

1. K-12 Apportionment Legislation. Recommend urgency legislation be enacted to revise the K-12 apportionment reporting process to (1) extend the deadline for school district apportionment reports, (2) provide the Department of Education more time to reconcile district reports, (3) include penalties on districts which submit reports late, (4) include penalties on districts which overestimate average daily attendance (ADA), and (5) change county re- 1274

- porting dates on school district property tax revenues.
2. Study on Foundations and Fundraising. Recommend adoption of supplemental language to direct the Department of Education to (1) conduct an analysis of school district fundraising and foundation activities and (2) recommend a state policy on such activities. 1276
 3. Single Session Kindergarten. Recommend urgency legislation be enacted to repeal the Education Code provisions limiting the use of kindergarten teachers. 1277
 4. *County Offices of Education COLA. Reduce Item 6100-226-001 by \$693,000.* Recommend the COLA for county offices be reduced by \$693,000 because the budget proposes a reduction of \$10 million for county office capital outlay and the higher COLA will not be necessary. 1279
 5. *County-Operated Regional Occupational Program. Reduce Item 6100-106-001 by \$2,810,000.* Recommend funding enrollment growth in county-operated Regional Occupational Programs (ROPs) at a rate of two-thirds of the revenue limit in order to be consistent with the funding rate proposed for regular K-12 apportionments. Further recommend that the policy for county-operated ROP adult enrollment growth be the same as the policy the Legislature adopts for school district adult enrollment growth. 1280
 6. Economic Impact Aid. Recommend adoption of Budget Bill language to provide that the minimum EIA allocation to school districts be increased to reflect cost-of-living adjustments provided for EIA in both the current and budget years. 1285
 7. Language Proficiency Reclassification. Recommend adoption of supplemental language to direct the Department of Education to add a component to the language census to (1) indicate the number of years each pupil who has been reclassified as fully English Proficient (FEP) was classified as limited English proficient and (2) indicate the primary language and grade level of each pupil reclassified as FEP. 1286
 8. Bilingual Teacher Training Programs. Recommend the Department of Education be directed to provide a status report to the Legislature by April 1, 1982 on (1) why it has not implemented an interagency agreement with the Commission for Teacher Preparation and Licensing for the joint review of ESEA Title VII bilingual teacher training programs and (2) why it has decided not to continue the legislative policy for such agreements in 1982-83. 1287
 9. State Preschool Program. Recommend the Department of Education report prior to budget hearings on the actual amount of funds needed for the proposed preschool inflation increase. Further recommend that Budget Bill language allocating the inflation increase be amended to provide inflation adjustments for low cost programs. 1289
 10. *School Environment and Safety Resources Unit. Reduce Item 6100-001-001 by \$164,000.* Recommend the School Environment and Safety Resources Unit be eliminated be- 1290

DEPARTMENT OF EDUCATION—Continued

- cause (1) statutory authority for the school violence and vandalism report has expired and (2) the unit's remaining functions duplicate those of other state programs.
11. **Migrant Education Mini-Corps.** Recommend adoption of supplemental language to direct the Department of Education to require in future Mini-Corps contracts that Mini-Corps participants at California State University campuses apply for school year stipends from regular college financial aid programs, making additional migrant education funds available for other programs. 1294
 12. **Mini-Corps Administration.** Recommend adoption of supplemental language to direct the Department of Education to delete 16 school year coordinators from the Mini-Corps contract and to redirect of these local assistance funds to other migrant education programs. 1295
 13. **Migrant Education Task Force.** Recommend the adoption of supplemental language to direct the Department of Education to discontinue participation in the Migrant Education Task Force and to redirect funds previously allocated for such participation to other migrant education programs. 1296
 14. **Migrant Education Evaluation.** Recommend adoption of supplemental language to direct the Department of Education to terminate the external evaluation of Migrant Education and to redirect the funds to local assistance. 1296
 15. **UCLA Partnership Program.** Recommend adoption of supplemental language to direct the Department of Education to terminate the UCLA Partnership program. Further recommend language to direct that the savings be used to develop statewide procedures for the identification of and programs for gifted and talented migrant pupils. 1297
 16. ***Driver Training. Reduce Item 6100-171-178 by \$17,844,000.*** Recommend reimbursement for school district driver training be discontinued because there is no evidence that such training reduces traffic accidents and thus warrants a state subsidy, for a savings of \$17,844,000 that would be made available to the General Fund by other provisions of the budget. Further recommend legislation be enacted to eliminate the requirement that persons 16 to 18 years of age complete driver training before they can be licensed. 1299
 17. ***Farm Labor Vehicle Instructors. Reduce Item 6100-001-001 by \$119,000.*** Recommend consolidation of the Farm Labor Vehicle Instructor Training program with the School Bus Instructor Training program because of program similarities and the small number of persons completing the Farm Labor Vehicle Instructor course. 1300
 18. ***School Bus Instructor Training Program Fees. Reduce Item 6100-001-178 by \$229,500.*** Recommend the Legislature adopt Budget Bill language to direct the State Board of Education to develop a schedule of fees for assessment to School Bus Instructor Training program participants to recover 50 percent of the program's cost, because public 1301

- and private transportation providers benefit equally with the state from the provision of this service.
19. ***Governor's (Investment in People) Initiative on Staff Development. Reduce Item 6100-191-001 by \$11,000,000.*** 1305
Recommend the proposed \$11 million expansion of staff development programs (Investment in People) be deleted because adequate information on how these funds would be used has not been presented to the Legislature.
 20. **Staff Development Plan.** 1306
Recommend adoption of supplemental language to direct the Department of Education to submit a plan to the legislative budget committees by December 1, 1982, for providing existing staff development allocations in a manner that provides more school districts with an opportunity to benefit from the program.
 21. ***Governor's (Investment in People) Initiative on Instructional Materials. Delete Item 6100-189-001.*** 1308
Recommend the proposed \$8.6 million expansion of funding for high school instructional materials be deleted because adequate information on how these funds would be used has not been presented to the Legislature.
 22. ***Gifted and Talented Education. Reduce Item 6100-001-001 by \$129,000.*** 1310
Recommend adoption of Budget Bill language to direct the Department of Education to include the Gifted and Talented Education program in the consolidated application, for a reduction of 1.7 positions, because administration of this program in the consolidated application would be more efficient from both the district's and state's standpoint.
 23. **Federal block grant.** 1313
Recommend the Legislature withhold action on the state operations funding, \$7,611,000, for the new federal block grant because justification has not been provided for the proposed \$1.6 million, 27.2 percent, increase in state operations.
 24. ***School Attendance Review Boards. Reduce Item 6100-216-001 by \$1,324,000.*** 1317
Recommend urgency legislation be enacted to repeal the mandate requiring counties to establish School Attendance Review Boards (SARBs). Further recommend adoption of Budget Bill language specifying, pending enactment of legislation, that no funds be appropriated for reimbursement of 1982-83 SARB claims because there is no compelling reason why the state should mandate and pay for these boards when other programs are being cut back.
 25. **Civic Center Act.** 1319
Recommend legislation be enacted to repeal the Civic Center Act to allow school districts more flexibility in determining which local activities should be subsidized with the free use of school facilities.
 26. **High School Graduation Standards.** 1319
Recommend (1) the Legislature establish a statewide minimum proficiency standard that graduating high school seniors must meet, (2) local school districts be allowed to set standards higher than the state standard, but which are not graduation requirements, and (3) the Department of Education be required to review periodically the district implementation

DEPARTMENT OF EDUCATION—Continued

- of the state standard.
27. Administrator-Teacher Ratio. Recommend legislation be enacted to repeal the ceiling on administrator-teacher ratios. Further recommend, if the ceiling and penalties are not repealed, that legislation be enacted to (1) include in the ratio both administrators and teachers who are funded from categorical aid programs and (2) ensure more accurate proration of teachers' time between administrative and classroom activities. 1319
 28. *Court Mandates. Reduce Item 6100-114-001 by \$8,470,000 and increase Item 6100-121-001 by \$8,470,000.* Recommend funds for court mandated bilingual education programs in four districts be allocated statewide through the Economic Impact Aid program because (1) *all* districts are subject to the same general requirement and (2) additional funds are needed for bilingual education to reflect a growing number of bilingual students. 1322
 29. *Federal Assistance for Special Education.* Recommend adoption of Budget Bill language to direct the Department of Education to allocate at least \$65,800,000 of the 1982-83 PL 94-142 grant to local entitlements. If the grant exceeds \$78,600,000, then at least 84 percent of the funds should be allocated to local entitlements. Potential savings to the General Fund of approximately \$4 million. 1329
 30. *Advisory Commission on Special Education. Reduce Item 6100-001-001 by \$67,000.* Recommend the Advisory Commission on Special Education be funded from federal PL 94-142 funds, thereby increasing the amount available in the General Fund that may be used by the Legislature to meet high priority state needs. 1330
 31. Child Development Program Overregulation. Recommend adoption of supplemental language directing the Departments of Education, Finance, and General Services to amend the provision of the Funding Terms and Conditions section of local agency child care contracts which addresses changes to local agency budgets. 1336
 32. *Child Development Program Licensing. Reduce Item 6100-001-001 by \$126,000.* Recommend that five staff service analyst positions be deleted due to reduced workload, for a General Fund savings of \$126,000. Further recommend that six staff service analyst positions, one staff services manager II position, and 1.5 office assistant II positions be limited to 1982-83, due to inadequate workload justification. 1337
 33. Child Care Service Subsidies. Recommend adoption of supplemental language directing the Department of Education to revise the parent fee schedule to delete state child care subsidies for families whose income level equals or exceeds the state's median income level for a comparable family size, in keeping with expressed legislative intent. 1338
 34. Child Development Program Consultant Services. Recommend adoption of supplemental language directing the 1339

Department of Education to develop consortia for the provision of program support services to local agencies, and that the department report to the legislative budget committees by November 30, 1982, on the number of consortia planned and implemented for 1982-83.

35. Employer Sponsored Child Development Programs. 1340
Recommend adoption of supplemental language directing the Department of Education to promote the establishment of employer-sponsored child care services.
36. Control Section 21.42—Handicapped Children's Centers. 1341
Withhold recommendation pending completion of a study by the Department of Education regarding reimbursement rates paid to child care centers serving handicapped individuals.
37. Surplus Property Position Reduction. Recommend 17 positions in the commodities section be limited-term, pending clarification of workload. 1345
38. New Supply Sources for Surplus Hardware. Recommend the Department of Education create a master plan to develop new supply sources for surplus hardware. 1345
39. *Surplus Property Data Processing. Reduce Item 6100-001-680 by \$283,000.* Recommend reduction of \$283,000 in surplus property state operations because the new data processing systems will result in reduced workload. 1346
40. Surplus Property Report. Recommend adoption of supplemental language directing the Department of Education to report on actions taken on and potential savings from implementing recommendations in the State Logistics and Material Management Unit's report on the Office of Surplus Property. 1346
41. School Construction Cost Rates. Recommend the Legislature adopt supplemental language directing the State Allocation Board to (1) revise its allowable base unit costs for K-12 school construction so that they are made comparable to rates allowed by the Board of Governors of the California Community Colleges and (2) make the revised standards effective July 1, 1982, with prior notification to applicant school districts. 1350
42. Priority Point Awarding. Recommend adoption of supplemental language directing the State Allocation Board to stop awarding construction priority points based on (1) the length of time an application has been waiting for approval and (2) past growth in average daily attendance. 1352
43. Lease-Purchase Fund Revenue. Recommend legislation be enacted to provide that the transfer of tidelands oil revenue to the State School Building Lease-Purchase Fund in 1983-84 and 1984-85 be an amount sufficient for an unencumbered balance of \$200 million on July 1, 1983 and 1984, exclusive of other fund revenues. Further recommend that the legislation provide for legislative determination through the annual Budget Act of minimum priority points for funding school construction. 1353
44. Lease Rates for Portable Classrooms. Recommend legislation be enacted to require lease rates covering the rental 1355

DEPARTMENT OF EDUCATION—Continued

- of state-owned portable classrooms to be equal to market rates. Further recommend Budget Bill language be adopted pending enactment of such legislation.
45. Intruder Alarm Systems. Recommend adoption of supplemental language to direct the Office of Local Assistance to determine the cost-effectiveness of installing intruder alarm systems in state-funded school construction projects and to require such systems when they are cost-effective. 1355
 46. *California Assessment Program. Reduce Item 6100-001-001 by \$13,000.* Recommend the Department of Education discontinue the Entry Level Test because similar information is already being collected. Further recommend the department develop a junior high school basic skills test in order to better meet the legislative goals for the California Assessment Program. 1361
 47. *Environmental Education Administration. Reduce Item 6100-001-001 by \$84,000.* Recommend all activities of the Conservation Education Service (CES) be supported fully by the Environmental License Plate Fund (ELPF), without General Fund support, to reflect accepted budgetary practice and provide the Legislature with more fiscal flexibility. 1362
 48. *Sutro Library Relocation. Reduce Item 6100-011-001 by \$250,000.* Recommend all costs associated with relocating the Sutro Library be funded with tidelands oil revenues from the Special Account for Capital Outlay because this account has been established specifically for funding these capital outlay related costs and making use of these funds, rather than General Fund support, will provide the Legislature with more fiscal flexibility. 1366
 49. Cost Estimate for Relocating the Sutro Library. Recommend the Department of Finance be directed to explain how it determined the costs associated with relocating the Sutro Library and what the administration intends to do if funding requested in the budget is inadequate to meet these costs. 1367
 50. *Transportation COLA Overbudgeted. Reduce Item 6100-226-001 by \$680,000.* Recommend the inflation increase for school district transportation be reduced to correct for overbudgeting. 1368
 51. *Career Education Incentive Act. Reduce Item 6100-001-001 by \$78,000.* Recommend the General Fund match for state administration of the federal Career Education Incentive Act be deleted because there is no match requirement in 1982-83. 1369
 52. Governor's Budget Display. Recommend adoption of supplemental language to direct the Department of Finance to include all position changes in the supplemental schedules dealing with authorized positions, and to make these schedules consistent with the program budget organization. 1369
 53. State Library Display. Recommend adoption of supplemental language to direct the Department of Finance to 1369

adjust the 1983-84 Governor's Budget and future budgets to display the State Library as a separate department budget.

Summary of Legislative Analyst's Recommended Fiscal Changes

<i>Activity</i>	<i>General Fund</i>	<i>Other Funds</i>
County offices of education	-\$693,000	—
County operated ROPs	-2,810,000	—
School environment and safety resources unit	-164,000	—
Driver training	—	-\$17,844,000
Farm labor vehicle instructors	-119,000	—
School bus driver training	—	-229,500
Staff development expansion	-11,000,000	—
Instructional materials expansion	-8,600,000	—
Gifted and talented administration	-129,000	—
School attendance review boards	-1,324,000	—
Court mandates	-8,470,000	—
Economic impact aid	8,470,000	—
Allocation of P.L. 94-142 funds	(-4,000,000) ^a	—
Advisory commission on special education	-67,000	—
Child care licensing	-126,000	—
Surplus property data processing	—	-283,000
California assessment program	-13,000	—
Environmental education administration	-84,000	—
Sutro Library relocation	-250,000	—
Transportation inflation	-680,000	—
Career education incentive act	-78,000	—
Totals	-\$26,137,000	-\$18,356,500

^a Nonadd potential General Fund savings.

These recommended changes reflect our analysis of where the budget contains funds that are in excess of individual program needs. Any funds released by these recommendations would be available for redirection by the Legislature to other high priority education or noneducation programs.

K-12 EDUCATION

GENERAL PROGRAM STATEMENT

K-12 Revenues

The budget proposes that \$13,118.4 million be made available for K-12 education in 1982-83. This is \$453.4 million, or 3.6 percent, more than the amount provided in 1981-82. Total revenues for K-12 education in the prior, current, and budget years are displayed in Table 1.

The state General Fund support for K-12 education is expected to increase \$485.3 million, or 6.2 percent, over the 1981-82 level, while the amount of local and federal funds are expected to decline. The loss of one-time 1981-82 revenues from taxes collected on unsecured property in 1978-79 accounts for the drop in the local contribution.

Federal Support is Unpredictable

The budget assumes that federal aid for education will decrease by \$31.0 million between 1981-82 and 1982-83, to a level of \$886.7 million (of this amount, \$33.1 million is for state operations and \$853.6 million is for local assistance). As the budget document observes, however, the amount of federal aid for the budget year is unpredictable and may differ from what

DEPARTMENT OF EDUCATION—Continued

is shown in the fiscal displays. Given the uncertainties surrounding the level of federal aid and the expressed intent of the Reagan administration to reduce federal education aid, the budget estimates are probably optimistic. When better information becomes available on the level of federal funding that can be expected, we will so advise the fiscal committees.

The budget anticipates that in 1982-83, the state will provide 64.1 percent of the available funds for K-12 education, local revenues will provide 29.1 percent, and the federal share will be approximately 6.8 percent.

Table 1
Total Revenues for K-12 Education
(in millions)

	<i>Actual</i> <i>1980-81</i>	<i>Estimated</i> <i>1981-82</i>	<i>Proposed</i> <i>1982-83</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
State:					
General Fund	\$7,507.5	\$7,766.6	\$8,251.9	\$485.3	6.2%
Other State Funds ^a	52.3	93.8	160.6	66.8	71.2
Subtotals, state	\$7,559.8	\$7,860.4	\$8,412.5	\$552.1	7.0%
Federal ^b	\$1,044.0	\$917.7	\$886.7	-\$31.0	-3.4%
Local:					
Property Tax Levies	\$1,945.6	\$2,573.4	\$2,448.1	-\$125.3	-4.9%
Debt Service	454.4	458.0	457.0	-1.0	-0.2
Miscellaneous	797.0	855.5	914.1	58.6	6.8
Subtotals, local	\$3,197.0	\$3,886.9	\$3,819.2	-\$67.7	-1.7%
Totals	\$11,800.8	\$12,665.0	\$13,118.4	\$453.4	3.6%

^a Special funds.

^b Includes federal impact aid (PL 81-874) which is not shown in the budget.

Significant Program Changes in 1982-83

Table 2 shows the component of the \$453.4 million net increase in total revenues for K-12 education. The most significant General Fund changes are the (1) apportionment cost-of-living increase (\$535.2 million), (2) other statutory cost-of-living increases (\$59.5 million), (3) deferred maintenance decrease (\$60.0 million), (4) school capital outlay decrease (\$45.8 million), (5) discretionary cost-of-living increases (\$42.7 million), (6) State Teachers' Retirement Fund increase (\$35.4 million), and (7) marginal average daily attendance reduction (\$25.8 million).

Table 2
Proposed 1982-83 Budget Changes
(in millions)

1981-82 Base		\$12,665.0
1. Changes to Maintain Existing Base:		520.5
State administration	\$0.4	
Apportionments—offset inflation	535.2	
Replacement of one-time funds	(401.6) ^a	
One-Time deficiency appropriation in current year	-110.0	
State Teachers' Retirement	35.4	
Other statutory inflation adjustments	59.5	
Increase in local property taxes	(244.1) ^a	
2. Program Change Proposals:		-118.8
Marginal average daily attendance	-\$25.8	

Eliminate district adult education growth	-4.3	
Recapture of interest, lease, and rent income	-16.0	
County capital outlay reduction	-10.0	
County ROP adult ADA reduction	-1.7	
Statutory inflation reduction	-4.1	
Deferred maintenance	-60.0	
School capital outlay	-45.8	
100 percent guarantee	-13.6	
Discretionary inflation	42.7	
Investment in people	19.6	
State library	0.2	
3. All Other		51.7
Total Change (Amount/Percent)	\$453.4	(3.6%)
Total, 1982-83	\$13,118.4	
General Fund	\$8,251.9	
Federal funds	886.7	
Other state funds	160.6	
Local funds	3,819.2	

^a This represents a change of funding source.

Cost-of-Living Increase (Item 6100-226-001). The budget provides \$633.3 million for cost-of-living increases, (COLAs), as follows: (1) general aid apportionments (base revenue limit)—the statutory cost-of-living increase of 6.93 percent per average daily attendance (\$520.3 million), (2) special education (\$46.9 million) and county office of education (\$14.9 million)—the statutory cost-of-living increase of 6.93 percent, (3) a 5.0 percent cost-of-living increase (\$7.6 million) for all other programs with statutory cost-of-living adjustments, and (4) a 5.0 percent cost-of-living increase (\$43.6 million) for those local assistance programs (except driver training, small district transportation general aid, and state, court, and federal mandates) that do not have statutory cost-of-living adjustments.

Elsewhere in this *Analysis* (see A-pages), we discuss the Governor's Budget proposals for all COLAs, and how these increases affect the budget.

One-Time Unsecured Property Tax Revenues. For 1981-82, school districts were allocated \$369.4 million in revenues from taxes levied on property listed on the unsecured roll in 1978-79. Of this amount, \$217.4 million was provided directly to school districts and \$152.0 million was provided from unsecured property tax revenues which were originally allocated to cities, counties, and special districts, but were transferred to school districts by Ch 101/81 (SB 102). The budget replaces these one-time revenues with General Fund aid to maintain the base level of support for apportionments.

One-Time Funding for 1980-81 Deficits. The Budget Act of 1981 appropriated \$110.0 million to (1) fund the 1980-81 school apportionment deficit (\$80.0 million) and (2) partially fund the special education deficit (\$30.0 million). Because these were one-time costs, the budget shows a reduction of \$110.0 million between the current and budget years.

Increase in Property Taxes. The budget estimates that the property tax will provide revenues of \$2,448.1 million for K-12 education in 1982-83. This is an increase of \$244.1 million, or 11.1 percent, over the current year base property tax revenues excluding the unsecured property tax revenues. This increase has the effect of reducing the amount of General Fund

DEPARTMENT OF EDUCATION—Continued

support needed to fund district revenue limits because property tax revenues offset the need for state aid on a dollar-for-dollar basis. When the one-time unsecured property tax revenues received in the current year are included in the total, property tax revenues show a decrease of \$125.3 million between 1981-82 and 1982-83.

One-Hundred Percent Revenue Limit Guarantee. In recent years, districts have been guaranteed an apportionment that is at least 102 percent of the prior year apportionment. The budget proposes that the statutory 102 percent revenue guarantee be replaced by a 100 percent guarantee.

The Department of Finance estimates that replacing the 102 percent revenue limit guarantee with a 100 percent guarantee will save the General Fund approximately \$13.6 million in 1982-83.

Rental, Lease, and Interest Revenues. For K-12 apportionments, the budget proposes to define as local income 10 percent of local revenues generated from rentals and leases of school facilities and interest earned on invested cash. Currently, these funds are not counted in apportionment calculations, and increase the amount available to the districts on a dollar-for-dollar basis. Under the Governor's proposal, 10 percent of these revenues would be included in the computation of the local contribution for revenue limits, thus reducing the required state contribution to local assistance. The Department of Finance estimates that in 1982-83, school districts will receive \$135 million in rental, lease, and interest income, and county offices of education will receive \$25 million. Consequently, this measure should result in a \$16 million savings to the General Fund.

Capital Outlay. The budget proposes a school district capital outlay reduction of \$105.8 million and a County Office of Education capital outlay reduction of \$10.0 million from the 1981-82 funding level. The school district capital outlay reduction results from (1) elimination of funding for deferred maintenance (\$60.0 million) and (2) a reduction in funds available for school construction (\$45.8 million).

Investment in People Proposal. Included in the budget is a \$19.6 million augmentation for grades 9 through 12 instructional materials in mathematics and sciences (\$8.6 million) and (\$11 million) for staff development in mathematics and sciences. This augmentation is part of the Governor's \$49 million Investment in People program.

Additional Property Tax Proposal. The budget "A-pages" outlines a proposal that would allow counties to reassess property on an accelerated basis. The budget estimates that approval by the Legislature and full implementation of the proposal statewide would increase education-related tax revenues by up to \$205 million in 1982-83. We estimate, however, that the school revenues would be approximately \$150 million. Were the proposal to happen, the amount of state aid required from the General Fund would decline. Because (1) the proposal would be optional to counties and (2) no reliable estimate of increased property tax revenues could be made until each county determined whether it would adopt the option, the budget does not show a reduction in General Fund support for schools resulting from this proposal.

Other Changes. The major components of the other changes are (1) a \$31.0 million reduction in federal funds primarily due to an anticipated \$15.0 million reduction in federal impact aid (PL 81-874), (2) a \$35.4 million increase in state contributions to the State Teachers' Retirement

Fund (this increase is discussed in our analysis of the fund), and (3) a \$58.6 million increase in school district miscellaneous revenues, primarily due to an increase in school meal charges.

Marginal Revenue Limit Funding. The budget proposes that school districts receive 67 percent of their revenue limit per average daily attendance (ADA) for *increases* in ADA in the first year. Currently, districts receive 100 percent of their revenue limit per ADA for increased ADA. Under the Governor's proposal, districts would receive 100 percent of their entitlement in the second year.

The Department of Finance estimates that funding first-year increases in ADA at 67 percent of district revenue limits will save the General Fund approximately \$25.8 million in 1982-83. For reasons which we next discuss, we recommend that this proposal be approved.

Marginal Revenue Limit Funding Adjustment

Currently, districts are funded at 100 percent of their revenue limit per ADA for increases in ADA. The Governor's Budget proposes to fund ADA growth at 67 percent of the districts' revenue limit per ADA. Compared to current law, this proposal would allow K-12 apportionments to be reduced by approximately \$25.8 million. While this proposal results in district receiving less than they would under current law, they still would receive an increase in revenues as a result of the increase in ADA.

Our analysis indicates that marginal funding for ADA growth is appropriate for the following reasons:

- This policy would be consistent with the state policy of funding all student increases in the three higher education segments at a rate less than the average cost. Currently, UC and CSU are provided funding for FTE increases at rates less than the average cost per FTE. The community colleges finance mechanism, also recognizes that declines and increases in ADA should be funded on an incremental basis.
- Such a policy would be consistent with the current policy of funding districts that lose ADA. Under current law, a district can temporarily increase its revenue limit by a specified proportion because of the decline in ADA, in recognition of the fact that in the short run costs do not decline at the same rate as ADA.
- The cost of providing services to additional ADA is generally less than the average cost of providing services to all ADA. This is because some components of school costs do not increase or decrease with modest changes in ADA. Districts experiencing modest increases in ADA generally are not required to build additional classrooms, hire additional teachers, or increase other fixed costs commensurate with the increase.

Strict application of the marginal funding proposal, however, would not take into account the unique problems faced by rapidly growing school districts. Our analysis indicates that rapidly growing districts may face larger increases in their marginal costs than districts experiencing modest increases in ADA. Given this, the Legislature may wish to require that each district be funded at a marginal rate of 67 percent of its revenue limit per ADA only for the first 3 percent of ADA growth. Beyond this point, the districts could be funded at 100 percent of its revenue limit per ADA. This would allow rapidly growing districts to cover the increases in overhead costs as well as their marginal costs.

We estimate that this adjustment would affect 205 districts, and would

DEPARTMENT OF EDUCATION—Continued

require an additional \$4.3 million.

K-12 Attendance

In 1982-83, approximately 4.3 million students will attend public elementary and secondary schools in 1,044 elementary, high, and unified school districts. This attendance level is an increase of 0.4 percent over the 1981-82 level. Table 3 shows K-12 attendance figures for the past, current, and budget years.

Table 3
Annual Average Daily Attendance (ADA) in
California Public Schools

	<i>Actual 1980-81</i>	<i>Estimated 1981-82</i>	<i>Proposed 1982-83</i>	<i>Percent Change</i>
Elementary	2,689,300	2,717,000	2,746,100	1.1%
High School	1,269,201	1,273,500	1,249,000	-1.9
Adult	171,054	157,200	161,100	2.5
County	12,611	13,800	13,500	-2.2
Regional Occupational Centers and Programs (ROC/P)	71,923	77,400	84,200	8.8
Totals	4,214,089	4,238,900	4,253,900	0.4%

ANALYSIS AND RECOMMENDATIONS**Budget Presentation**

Our analysis of the K-12 Education budget is organized along the lines of 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. Nonconsolidated Categoricals****3. State, Court, and Federal Mandates****4. Special Education****5. Child Care, Child Nutrition, and Surplus Property****6. State School Building Aid****II. State Operations****A. Department of Education****B. State Library****C. Technical Issues****I. LOCAL ASSISTANCE****GENERAL EDUCATION PROGRAM**

We define general education support funds as those funds which can be used at the local district's discretion, and which are not associated with any specific pupil services program. These funds generally will be used to provide services for all students, and include school apportionments, Urban Impact Aid, local revenues for debt service, and other miscellaneous activities such as school meal charges, federal PL 874 revenues, and state contributions to the State Teachers' Retirement Fund.

Funding

Table 4 shows total general education expenditures. The budget proposes \$8,346.2 million in general education apportionments for 1982-83. This is an increase of \$363.3 million, or 4.6 percent, over the amount provided in 1981-82. The state General Fund contributes 70.7 percent of the total while local property taxes account for 29.3 percent.

The total amount provided by the General Fund for all general education in 1982-83 is \$6,211.5 million. This is an increase of \$559.6 million, or 9.9 percent, from the prior year. General Fund expenditures include K-12 apportionments, Urban Impact Aid, and transfers to the State Teachers Retirement Fund.

Other general education expenditures not supported by the General Fund are expected to increase by a net \$42.6 million (5.0 percent), to \$1,720.2 million. Included in this net change are Federal Impact Aid, PL 874 which will drop by \$15.0 million (42.9 percent) to approximately \$20 million, and miscellaneous local revenues which will increase by \$58.6 million (6.8 percent), to \$914.1 million.

Table 4
General Education Expenditures
(in millions)

	<i>Actual 1980-81</i>	<i>Estimated 1981-82</i>	<i>Proposed 1982-83</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
A. General Education Apportionments					
State—General Fund ^a	\$5,365.7	\$5,409.5 ^b	\$5,898.1 ^c	\$488.6	9.0%
Local—property tax	1,945.6	2,204.0	2,448.1	244.1	11.1
Local—unsecured roll	—	369.4	0.0	-369.4	-100.0
Subtotals.....	\$7,311.3	\$7,982.9	\$8,346.2	\$363.3	4.6%
(Per ADA)	(\$1,808)	(\$1,956)	(\$2,039)	(\$83)	(4.2%)
B. Other General Education					
Federal PL 874.....	\$61.0	\$35.0	\$20.0	-\$15.0	-42.9%
General aid ^d	63.4	67.1	70.5	3.4	5.0
Direct state transfer to State Teachers' Retirement Fund.....	222.2	223.2	258.6	35.4	15.9
Local debt service.....	454.4	458.0	457.0	-1.0	-0.2
Miscellaneous	797.0	855.5	914.1	58.6	6.8
Subtotals.....	\$1,598.0	\$1,638.8	\$1,720.2	\$81.4	5.0%
Total, General Education Expenditures.....	\$8,909.3	\$9,621.7	\$10,066.4	\$444.7	4.6%
General Fund.....	\$5,627.2	\$5,651.9	\$6,211.5	\$559.6	9.9%
Other state funds.....	24.1	47.9	15.7	-32.2	-67.7
Federal funds	61.0	35.0	20.0	-15.0	-42.9
Local funds	3,197.0	3,886.9	3,819.2	-67.7	-1.7

^a Includes state school fund.

^b Includes \$80 million for funding of prior year deficit.

^c Includes \$11 million of transportation encroachment and \$369.4 million replacement of the 1981-82 local unsecured roll property tax revenues.

^d Includes Urban Impact Aid and Ch 323/77 aid.

Table 5 displays the proposed changes to the 1981-82 budget, as revised, and the resulting 1982-83 General Fund apportionment total. Both the 1981-82 base and the 1982-83 General Fund apportionment total include the State School Fund contribution.

Maintaining the Existing Budget. A number of adjustments to the 1981-82 base budget are required in order to maintain service levels

DEPARTMENT OF EDUCATION—Continued

through 1982–83. The major adjustments include: (1) an increase of \$369.4 million to replace the one-time tax revenue collected on unsecured property that were made available in 1981–82, (2) a reduction of \$244.1 million to reflect increases in local property tax revenues, and (3) a reduction of \$80 million that reflects the amount appropriated during the current year to fund the 1980–81 deficit in K–12 education. Net adjustments required to maintain current service levels total \$20.5 million.

Budget Change Proposals. In addition to these baseline adjustments, the budget provides for a 6.93 percent cost-of-living adjustment to the base budget totaling \$535.2 million, and five other program changes that result in a decrease of \$67.1 million. The six budget change proposals add up to a net increase of \$468.1 million. Consequently, the total change proposed in the General Fund contribution to K–12 apportionments is a \$488.6 million, or 9.0 percent, increase above the 1981–82 base budget. The total amount requested for 1982–83 amounts to \$5,898.1 million.

Table 5
General Education Apportionments
Summary of Changes From 1981–82 Budget
State General Fund^a
(in millions)

1981–82 Budget Revised.....		\$5,409.5
A. To Maintain Existing Budget		\$20.5
1. General Fund replacements of State School Fund revenue	(\$32.2) ^b	
2. Funding of prior year deficit.....	–80.0	
3. Child care legislation	–15.2	
4. Property tax increase	–244.1	
5. One-time unsecured property tax revenues	369.4	
6. Declining ADA	–14.6	
7. 102 percent revenue limit guarantee	10.0	
8. Other	–5.0	
		\$468.1
B. Budget Change Proposals		
1. Cost-of-Living Adjustments.....	535.2	
2. 100 percent revenue limit guarantee	–13.6	
3. Rent, lease, and interest income.....	–16.0	
4. Marginal revenue limit funding	–25.8	
5. County capital outlay reduction	–10.0	
6. County ROP adult ADA reduction	–1.7	
Total Change (Amount/Percent)		\$488.6 (9.0%)
Total General Fund, 1982–83		\$5,898.1

^a Includes State School Fund.

^b Nonadd. Represents a fund transfer.

SCHOOL APPORTIONMENTS
ITEM 6100-101-001

Problems With Apportionments Deficits

During the past two years, significant deficits in K–12 apportionments have been reported to the Legislature during the middle of June, requiring last minute increased state expenditures at a time when the budget

process was concluding. Of equal concern to the Legislature was the fact that estimates of the magnitude of the deficit bounced back and forth until the last moment.

This has occurred because, as shown in Table 6, the apportionment process is not synchronized with the budget process. This makes it difficult for districts and the Legislature to carry out their fiscal planning.

Recent experience suggest to us that the Legislature and school districts need more timely information on which to base budgets for school apportionments.

The Current Apportionment Process

The *apportionment* process is the allocation mechanism for disbursing state aid to school districts. As shown in Table 6, the first apportionment (Advance Apportionment) is made by July 15 of the fiscal year. It is based on (1) prior-year ADA and property tax revenues and (2) current-year estimated revenue limits. The Advance Apportionment is subsequently updated, using current-year estimated data, in the First Principal Apportionment, which must be completed by February 20. The last adjustment is the Second Principal Apportionment, which takes place June 25. (The Second Principal Apportionment and the Final Apportionment are combined, because both have a June 25 completion date.) The Second Principal is based on updated ADA, revenue limit, and property tax information.

If the amounts districts claims for apportionment aid are less than the appropriation, the unexpended balance will revert to the General Fund. If the amounts districts claim are more than the appropriation, the excess amounts claimed will be applied as a deficit to school district state apportionment aid. This occurs because the funding for state apportionment aid is fixed by the annual budget act. Although there is no obligation to fund the deficit, the Legislature has done so for the past two years.

Table 6
Time Lines for the Apportionment and Budget Process

<i>Month</i>	<i>Current Apportionment Process</i>	<i>Review for the Budget Year</i>	<i>Legislative Analyst Proposal</i>
July	Advance Apportionment (July 15)		Advance Apportionment (July 15) ^a
August			
September			
October			
November	P1 report from districts due (November 15)		
December			
January		Governor submits Budget	Reports from districts due (December 1) ^a SDE/district reconciliation (December 31) ^a Principal Adjustment (January 31) ^a
February	P1 Adjustment (February 20)	Legislative Review of Budget begins	
March			
April	P2 Report due (April 15)		
May		May Revision	
June	P2 Adjustment (June 25)	• Budget conference committee. • Legislature adopts budget. • Governor signs budget.	

^a These deadline dates are suggested only for illustration purposes.

DEPARTMENT OF EDUCATION—Continued**Problems With The Current System: An Example**

In February 1981, the Department of Education (SDE) reported that a \$96 million deficit was being applied to the First Principal Apportionment. This deficit was caused primarily by higher-than-anticipated ADA (approximately \$50 million) and lower-than-estimated property tax revenues (approximately \$30 million).

On May 7, 1981, the Department of Finance presented the May Revision for K-12 school apportionments. The department, with the concurrence of the Department of Education, estimated that the 1980-81 school apportionments would have a deficit of only \$8 million, \$88 million less than the deficit estimated in February. Two factors accounted for the reduction in the estimated deficit: (1) an anticipated reduction in average revenue limits and (2) an expected reduction in ADA.

The anticipated drop in ADA and in the average base revenue limit did not occur. Consequently, in June the Department of Education announced an \$80 million school fund deficit for 1980-81. This announcement was made at a time when each house had passed its version of the budget bill and a conference committee was concluding its deliberations on the budget, with little fiscal leeway to absorb unexpected costs. Thus, the news of the deficit came at a very inopportune time.

The Apportionment Process Needs Revision

We recommend that urgency legislation be enacted to revise the K-12 apportionment reporting process because the Legislature and school districts need final planning data at an earlier stage in the budget cycle. The legislation should (1) extend the current deadline for districts to submit their apportionment reports, (2) provide the SDE more time to reconcile district reports, (3) impose penalties on districts which submit data late, (4) impose penalties on districts which overestimate ADA, and (5) change county reporting dates on property tax revenues to districts.

Our analysis indicates that the best way of synchronizing the budget and apportionment processes, and thus avoiding the kinds of disruptions exemplified by the 1980-81 experience, is to reduce the required number of annual apportionment adjustments.

Under current law, districts are required to submit reports twice each year to the state for current-year apportionment aid. This requires the state to adjust the apportionment funds twice each year during the process. A single annual report system would be preferable to the existing system for three reasons because:

- *It would provide the Legislature information on a more timely basis.* In fact, as suggested in Table 6, the Legislature could receive apportionment information prior to its deliberation on the budget, allowing it ample time to carry out its fiscal planning in light of known deficits or surpluses in K-12 apportionments.
- *It would reduce the amount of paperwork for school districts and county offices of education.* Because districts would have fewer reports to submit to the state, districts and county offices could redirect resources to other priority needs.
- *It would provide districts ample time to adjust their budgets to any unfunded deficit in state aid.* During our field visits to local districts, we were told that district officials could adjust their budgets for defi-

cits in state aid if final state aid levels were determined at an earlier point in the school year.

A single annual report system would not prevent significant deficits from being reported to the Legislature. It would, however, provide apportionment information earlier in the budget cycle so that the legislative response can be made on a more rational and less reactive basis. For the reasons cited, we recommend that legislation be enacted to revise the apportionment process. Specifically, we recommend that the legislation:

1. ***Extend the current deadline for districts to submit their apportionment reports.*** Under the current system, districts submit their apportionment reports on November 15 each year. Because the new system would be based on one report, we recommend that the districts be provided more lead time to submit their reports (for example, until December 1).

2. ***Provide the Department of Education with flexibility to reconcile the submitted apportionment reports prior to the Principal Apportionment.*** Currently, the department has little time to contact districts prior to the announcement of the P1 and P2 apportionments. Providing the department some time in which to reconcile apportionment reports with districts would reduce errors.

3. ***Strengthen the districts' incentives for submitting data to the state on time.*** Currently, school districts, county offices of education, and county auditors have little incentive to submit their reports to the state on time. Because many districts and counties submit their reports late, the information needed by the Legislature is either delayed or is less reliable data due to the smaller sample size on which it is based. To correct this problem, penalties should be applied to districts and counties that submit late reports. We recommend a penalty equal to 0.2 percent of the district's state aid entitlement for each day the report is late.

4. ***Levy an interest penalty against those districts which overestimate ADA.*** Districts which overestimate ADA during the apportionment process receive a windfall because they can earn interest on state apportionment aid for "phantom" ADA. This occurs because the state aid claimed for excess ADA would not be returned to the state until the subsequent year, when adjustments would be made for the Advance Apportionment. To reduce the districts' incentive to overestimate ADA, we recommend districts be required to pay an interest penalty at a rate equal to the Pooled Money Investment Fund during the period in which they held funds for phantom ADA. Our discussions with school district staff indicate they are able to estimate ADA within a small range of error. Consequently, the penalty should apply to districts which overestimate ADA in excess of $\frac{1}{2}$ percent of their actual total ADA for the year. Small school districts with an ADA of less than 2,501 should be allowed an error margin of 1.0 percent in recognition of their unique circumstances.

5. ***Change County Reporting Dates.*** Under current law, each county auditor is required to submit information to the Department of Education on the amount of property tax revenues for each district within his or her county. We recommend the required reporting dates be changed from November 15 to December 31, to enable county auditors to report information which would reflect their tax collections, as of December 15.

DEPARTMENT OF EDUCATION—Continued**Fiscal Effect**

Because this recommendation only affects the apportionment mechanism and not the level of apportionment aid or when it is disbursed, we estimate there would be no increase in state General Fund costs in 1982-83 or thereafter if the recommendation were approved. We estimate, however, that the recommendation could result in General Fund revenues in 1983-84 and thereafter if districts or counties incurred penalties.

Because our recommendation will provide more timely information to the Legislature and school districts, and consequently more certainty in the budget process, we recommend urgency legislation be enacted to implement it for the 1982-83 fiscal year.

Study on Foundations and Fundraising Needed

We recommend that the Legislature adopt supplemental language directing the Department of Education to (1) conduct an analysis of fundraising and foundation activities undertaken by local school districts and (2) recommend a state policy on such activities.

School districts generally receive their revenues from three major sources: the local property tax, state local assistance, and federal aid. In addition, some school districts have been able to supplement their education programs through fundraising activities, the creation of foundations, and donations from auxiliary organizations. Examples of such efforts include:

- A foundation created by parents in the Beverly Hills Unified School District to supplement the district's education program.
- A telethon for the Los Angeles Unified School District athletic program.
- A transportation program organized, funded, and operated by parents in the Palos Verdes Peninsula Unified School District.

It is not clear to what extent these activities are supporting the districts' base education program, rather than supplemental programs. Consequently, we recommend the department undertake a study to determine the extent of these activities statewide. In conducting the study, we recommend the department consider:

- The long-range implications these activities may have on the state budget. (If fundraising efforts are curtailed, will there be new demands on the Legislature to replace these district revenues?)
- The effect these activities have on the state's effort to comply with the California Supreme Court's decision in the *Serrano v. Priest* case. (Should the revenues generated from fundraising efforts be equalized or be treated as an offset to state aid?)
- The effect of restrictions on fundraising and foundation activities. (Should there be restrictions on the use of funds generated and on the types of fundraising activities?)

Because there is no statewide policy governing fundraising and foundation activities, we recommend the department undertake a study to provide data and recommendations on this issue.

Single Session Kindergarten

We recommend that urgency legislation be enacted to repeal the Education Code provisions requiring school districts to limit the use of their kindergarten teachers to the instruction of one kindergarten class daily.

Under current law, a school district is required to meet the following three conditions in order to receive state apportionments for kindergarten average daily attendance (ADA):

- A class must meet at least 180 minutes (3 hours) but no more than 240 minutes (4 hours) per day.
- The teacher must be assigned to only one session of kindergarten.
- The teacher must be employed on a full-time basis.

Chapter 100, Statutes of 1981 (AB 777), requires the kindergarten teacher to be *available* for assistance or assignment in the instructional program of the primary grades (other than kindergarten) when not involved in the teacher's own kindergarten program. It does not, however, *require* school districts to assign kindergarten teachers to non-kindergarten duties, nor does it permit one kindergarten teacher to conduct two kindergarten sessions.

The provisions of current law originally were adopted in order to give kindergarten teachers more time to meet with the parents of students, and to prepare materials for class. It was anticipated that this would reduce remedial problems that otherwise would have to be addressed in later grades. The restrictions that apply to kindergarten teachers do not apply to teachers at other grade levels.

As a result of current law, school districts must pay kindergarten teachers for a full school day, even though a kindergarten teacher spends only between three and four hours a day in a kindergarten class. The remaining hours in the work day are set aside for class preparation and for meetings with parents, unless the teacher is assigned to some other primary grade level duties. In contrast, a primary grade teacher spends up to six hours in class and has only two hours to prepare assignments, correct homework and examinations, meet with parents, and perform other duties.

This Mandate Does Not Produce Benefits Commensurate With Its Cost

Resolution Chapter 62, Statutes of 1980 (SCR 58) required our office to evaluate and make recommendations on various specified local mandated programs. The requirement that kindergarten teachers be limited to a single kindergarten class is one of the mandates we were directed to review. In our report on state-mandated local programs (Report 82-2), we noted that:

- *No evidence is available to show that student performance has been improved* by limiting the amount of time that kindergarten teachers spend in class.
- *There is no reason to believe that kindergarten teachers should spend less time in the classroom* than teachers at other grade levels.
- Relative to teachers at other grade levels, *kindergarten teachers probably need to spend less time* preparing and correcting homework and examinations.
- *The mandate may encourage districts to increase the size of certain kindergarten classes.* Existing law requires that school districts receive only 3 percent of full ADA money for each kindergarten student enrolled in a class with over 33 students. In some cases, however, it may be less costly for districts to pay the class size penalty than to hire

DEPARTMENT OF EDUCATION—Continued

an additional kindergarten teacher when it has more than 33 kindergarten students. For example, a school district with 40 kindergarten students could either include all 40 students in the same class and incur penalties of \$12,000, or hire another full-time kindergarten teacher for a second kindergarten session. Given the requirement that a kindergarten teacher must be a full-time employee, in this case it would be less costly to the districts to pay the class-size penalty.

- In those cases where districts choose not to increase class size when confronted with more than 33 kindergarten students per class, *this mandate results in a more expensive education system*. Without this mandate, the district in the example discussed above would have other options for accommodating the 40 students: it could either assign one teacher to teach two three-hour kindergarten sessions of 20 students each, at no additional cost, or hire a *part-time* teacher to teach an additional session. It is possible that the cost of a part-time teacher would be less than the class size penalty. Consequently, school districts are prevented from achieving potential cost savings through the use of part-time staff or employing one teacher to teach two classes.

Because this mandate increases state and local costs, produces no demonstrable benefits, and may have an adverse impact on class sizes, we recommend that it be repealed through urgency legislation.

Fiscal Effect. If the single session kindergarten mandate is repealed and if districts either increase the number of sessions taught by kindergarten teachers or hire part-time kindergarten teachers, the districts would receive a windfall under the existing school finance mechanism. Currently, one kindergarten class generates sufficient revenue to pay for the teacher and other class costs. If one teacher were to teach two classes, the school finance mechanism would provide an amount sufficient to support two teachers, thus providing double-funding for teacher costs.

The purpose of our recommendation, however, is not to divert state funds away from local school districts. Rather it is to eliminate a mandate which results in school districts incurring costs that are unnecessary or unjustified. Accordingly, repeal of this mandate need not result in a reallocation of state funds away from K-12 education.

COUNTY OFFICES OF EDUCATION
(Item 6100-106-001)

Overview and Funding

The budget proposes \$137.5 million for apportionment to county offices of education in 1982-83, for support of the following programs and services: (1) county office operations, (2) "direct" services (primarily health and guidance) for small districts, (3) "other purpose" services (including audio visual, curriculum development, library, and staff development), (4) juvenile hall program, (5) Regional Occupational Programs, (6) opportunity schools, (7) technical, agricultural, and natural resource conservation schools, (8) pregnant minor programs, and (9) other special classes (county jails, handicapped adults).

The budget proposal for county offices represents an increase of \$14.2 million, or 11.5 percent, over the current year level. This increase reflects (1) an inflation adjustment of \$14.9 million, (2) an increase of \$8.4 million

for enrollment growth in county-operated programs, (3) an increase of \$3.4 million to compensate for a reduction in local property tax revenues, (4) a reduction of \$10 million for capital outlay, and (5) a reduction of \$2.5 million to reflect 10 percent of the county income from interest, rents and leases.

Capital Outlay

In 1980-81, county offices of education received \$33.5 million in state funds for capital outlay and equipment. The Legislature reduced this portion of the county office operations revenue limit by \$18.7 million (55.9 percent) in 1981-82, leaving \$14.8 million. This amount was increased by 7.2 percent, to \$15.9 million, as a cost-of-living adjustment. To offset the loss of funds, the Legislature permitted the county offices to apply to the State Allocation Board for capital outlay and related equipment support from the Lease-Purchase Fund.

The 1982-83 budget proposes to reduce the remaining \$15.9 million available in the current year by \$10 million, on the basis that these are not recurring annual expenses. This would provide county offices with \$5.9 million plus \$0.4 million for the 1982-83 COLA, making a total of \$6.3 million available for capital outlay in the budget year.

Our review of the county offices indicates that existing capital outlay funds are used primarily for the purchase of equipment which often is not related to a new capital outlay project. This includes audio visual equipment, data processing equipment, and classroom equipment for special education, juvenile halls, and Regional Occupational Programs. Unless such equipment is associated with a construction project, it cannot be funded through the Lease-Purchase Fund.

In 1979-80, counties reported \$19.3 million in expenditures on equipment. This indicates that a reduction to \$6.3 million for this purpose could have a significant adverse impact on county-operated programs. We have no analytical basis, however, for determining the appropriate level of funding for equipment replacement or whether there actually would be an adverse impact on county programs.

COLA Adjustment Recommended

We recommend that the COLA for county office capital outlay be reduced, for a General Fund savings of \$693,000, because the budget proposes a reduction of \$10 million for county office capital outlay and a higher COLA will not be necessary. (Reduce Item 6100-226-001 by \$693,000.)

The budget includes funding for a statutory cost-of-living adjustment (COLA) amounting to \$14,888,000 (6.93 percent) for county offices in 1982-83. In computing the amount of the required COLA, however, the Department of Finance failed to adjust the base for the proposed \$10 million reduction in capital outlay. Thus, the budget request is \$693,000 above the amount required for a 6.93 percent COLA. Consequently, we recommend an adjustment to prevent overfunding the statutory COLA for county offices.

Legislative Analyst's Report on County Offices of Education

The Supplemental Report to the Budget Act of 1981 directed the Legislative Analyst to "review the operation of county offices of education to determine the necessity of the services provided by such offices to school districts and directly to pupils. Such review shall include consideration of

DEPARTMENT OF EDUCATION—Continued

reorganizing such offices into regional or other configurations so as to improve efficiency and effectiveness.”

Our review of the county offices will be published this spring as a separate report.

**REGIONAL OCCUPATIONAL CENTERS
AND PROGRAMS****Overview**

Regional Occupational Centers and Programs (ROC/Ps), which were authorized by Ch 760/65, provide vocational training to high school pupils and adults. There are 65 ROC/Ps in the state. Of these, 41 are operated by county superintendents of schools and 24 are operated by districts (mostly through joint powers agreements). In 1980-81, they enrolled 71,923 average daily attendance (ADA), consisting of 49,357 high school students and 22,566 adults.

Courses cover a wide range of job-related training. In the San Jose ROC/P, for example, 39 courses are offered in the following occupational fields: agricultural, business, construction, electromechanics, food service, health service, mechanics and maintenance, manufacturing, visual communications, and miscellaneous services. Training is usually conducted in facilities on school sites, but business sites are also utilized. High school pupils are provided with transportation between their school and the ROC/P facility.

County Programs Funded at a Higher Rate Than District Programs

State funds are not budgeted separately for ROC/Ps; the ROC/Ps claim a share of the funds budgeted for apportionment to adult education and K-12 education including County Offices of Education, based on their ADA. We estimate that ROC/P expenditures (total revenue limit funding) will amount to approximately \$135 million in 1981-82.

Under current law, *county ROPs* receive the county revenue limit per unit of ADA, regardless of whether the ADA represents adult or high school pupils. The statewide average county revenue limit for ROPs is \$1,881 during the current year. *District-operated* ROC/Ps, in contrast, receive the district's K-12 adult revenue limit for each adult ADA and the district's regular K-12 revenue limit for each high school ADA. The statewide average revenue limit is \$964 for adults and \$1,867 for high school students (using the unified school district average to estimate the high school rate). Consequently, county programs, on the average, are funded at a higher rate than district programs.

Funding Enrollment Growth in ROPs

We recommend that funding for enrollment growth in county-operated Regional Occupational Programs be provided at the same incremental rate as proposed for regular K-12 apportionments—a rate of two-thirds of the revenue limit—for a General Fund savings of \$2,810,000. We further recommend that the Legislature adopt the same policies for county-operated Regional Occupational Programs (ROPs) that it adopts for district-operated programs regarding limits on adult enrollment growth. (Reduce Item 6100-106-001 by \$2,810,000.)

The budget is inconsistent in the way it budgets for growth and in the funding rates it proposes for ROPs.

Policy on Growth. There is no limit on the funds that county and district ROPs may receive for growth in high school pupil enrollment. The budget, however, proposes two different policies for adult enrollment growth:

- Growth in adult ADA in county ROPs would be funded up to a limit of 2.5 percent.
- Growth in adult ADA in district-operated program would not be funded. (The budget also proposes no state funding for adult growth in K-12 adult education programs or in community college programs).

Funding for Growth. The budget proposes the following funding arrangements for ROPs:

- Full revenue limit funding would be provided for adult and high school enrollment growth in county-operated ROPs.
- Two-thirds revenue limit funding would be provided for high school enrollment growth in district-operated programs. (This is not applicable to adult programs because the budget does not provide for state funded adult growth in district programs.)

As discussed elsewhere in the *Analysis*, we believe that marginal funding for growth in the K-12 program is appropriate because incremental costs for such programs are lower than average costs. For this reason, and to establish a consistent policy on funding growth in county and district programs, we recommend that the Legislature apply marginal revenue funding to county-operated ROPs. This would result in a General Fund savings of \$2.8 million.

Amount of Growth. We have no analytical basis for determining how much growth in adult enrollment should be funded in the budget. We find no justification, however, for budgeting county and district ROP growth differently. Consequently, we recommend that the Legislature apply the same policy regarding growth to both county and district programs. If state funded adult ADA in county ROPs were limited to the current year level (no growth), the savings to the General Fund would be \$539,000.

Each additional percent of growth in adult ADA would result in the following General Fund costs:

District-operated ROPs:

- \$122,000—assuming full revenue limit funding.
- \$81,000—assuming two-thirds revenue limit funding.

County-operated ROPs:

- \$215,000—assuming full revenue limit funding.
- \$143,000—assuming two-thirds revenue limit funding.

Additional ROC/P Issues

Our review of ROC/Ps indicates that, in addition to the questions of growth and incremental funding, the following issues warrant legislative consideration:

- **Program coordination.** Is there unnecessary duplication of effort by ROC/Ps and community colleges in vocational training programs? Current law requires delineation of functions agreements for adult education, but this does not ensure that courses and programs are operated efficiently where ROC/Ps and community colleges offer similar programs in the same geographical area.
- **Program effectiveness.** How effective are the ROC/Ps? While ROC/

DEPARTMENT OF EDUCATION—Continued

P directors believe they are successful in placing their pupils in jobs, an adequate study of program effectiveness has not been conducted.

- **Budget information.** Should the budget be modified to show ROC/P funding as a separate program? ROC/Ps are not budgeted as a separate program. As a result, funding of this program is not identified as a specific component of the Governor's Budget; it is part of the K-12 apportionment. This makes it difficult for the Legislature to obtain information on ROC/Ps and to review the program in the budget process.

URBAN IMPACT AID AND CHAPTER 323 (MEADE) AID
(Item 6100-206-001)

Overview

In 1976 and 1977, the Legislature created new funding mechanisms to provide additional general aid to certain school districts. For 1982-83 the budget proposes that 19 urban districts receive a total of approximately \$60.9 million under the largest of these programs—Urban Impact Aid—and that over 250 districts share \$9.6 million under the other program—Ch 323/77 aid. In authorizing these programs, the Legislature believed that certain districts, because of their geographic setting and demographic characteristics experience higher costs in educating pupils.

Table 7 displays the funding levels for these two programs for the past, current, and budget year. As the table indicates, the budget proposes a 5 percent cost-of-living increase for both programs in 1982-83.

Table 7
Urban Impact Aid and Chapter 323 General Aid
(in thousands)

	<i>Actual</i> 1980-81	<i>Estimated</i> 1981-82	<i>Proposed</i> 1982-83	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
Urban Impact Aid.....	\$54,720	\$58,003	\$60,903	\$2,900	5%
Chapter 323 General Aid	8,652	9,009	9,555	455	5
Totals	\$63,372	\$67,102	\$70,459	\$3,355	5%

Discussion of Alternative Funding Mechanism

Urban Impact Aid and Chapter 323 aid are *categorical funding mechanisms* which provide *general aid* to selected districts. The funds provided under these programs can be used to fund any expenditure of the district. Unlike funding provided under other categorical programs, these funds are not earmarked for a specific educational purpose (for example, instructional television) or a specific group of pupils (for example, economically disadvantaged students).

Under existing law, a school districts' revenue limit does not reflect funding received under categorical programs, including Urban Impact Aid and Chapter 323 aid. Thus, these funds are not subject to, or taken into account by the current equalization process established by the Legislature.

In order to gradually equalize general aid revenues, as required by the California Supreme Court in the *Serrano v. Priest* decision, the Legislature has required revenue limit inflation adjustments to be calculated using a sliding scale formula which, over time, reduces expenditure differences

between districts. Our analysis indicates that the current equalization process is hampered because Urban Impact Aid and Chapter 323 aid funds are not included in the annual calculation of each district's revenue limit inflation adjustment. This situation means that a low revenue limit school district which does not receive Urban Impact or Chapter 323 aid funds will never reach equalization, *exclusive of other categorical aid*, with districts which receive the Urban Impact and Chapter 323 aid.

If the Legislature chose to include Urban Impact Aid and Chapter 323 aid in base revenue limits, it would accomplish two purposes. First, it would speed-up the Serrano equalization process. Second, it would result in a General Fund savings that could be used to meet other legislative priorities, either in education or in other high priority areas. The effect of bringing these two general aid programs into the base revenue limit on the districts which currently receives Urban Impact or Chapter 323 funds would vary, depending on the districts' current revenue limits. Those districts which currently receive an inflation adjustment above the minimum level would receive a somewhat smaller inflation adjustment. No district, however, would experience an actual reduction in revenue limits between years.

Impact on General Fund Requirements. The net effect of subjecting Urban Impact Aid and Chapter 323 aid to the equalization process would be to reduce the amount needed from the General Fund for school finance equalization aid by \$17,736,000 in 1982-83. Additionally, if these aid funds were included in revenue limits, there is no reason to provide the separate inflation adjustment (\$3,355,000) proposed for Urban Impact Aid and Chapter 323 aid in the budget for a total General Fund savings of \$21,091,000.

K-12 Education Funding Priorities

If the Legislature decides to make additional funds available for K-12 education programs beyond what is included in the Governor's Budget, we believe it may wish to consider the following:

- ***Funding for Special Education.*** The budget proposed \$802.7 million to fund local special education programs pursuant to Ch 797/80 as amended by Ch 1094/81. Our analysis indicates that the \$802.7 million provided in the budget will not be sufficient to permit full funding of special education costs. Although the actual program costs will not be known until local cost data is analyzed in spring 1982, elsewhere in this analysis we discuss that the 1982-83 deficit could be more than \$53.3 million.

The Legislature may wish to consider using any additional funds available for education to reduce or eliminate this deficit.

- ***Fully Offsetting the Effects of Inflation.*** The budget proposes (1) a 6.93 percent cost-of-living adjustment (COLA) for school finance and special education apportionments and (2) a 5 percent COLA for most other categorical programs.

The Department of Finance estimates that during the budget year state and local governments generally will experience price increases of the goods and services they purchase of 8.5 percent. The budget projects school district ADA to increase by 0.4 percent. Therefore, to assure that districts are able to purchase the same level of service as purchased during the current year, assuming no increases in productivity, an 8.9 percent cost-of-living adjustment would be needed in 1982-83.

DEPARTMENT OF EDUCATION—Continued**1. CONSOLIDATED CATEGORICALS**

This section analyzes the amounts proposed for state and federal categorical aid programs administered through the Consolidated Program Division of the Department of Education. These programs and their related expenditures are shown in Table 8.

Table 8
Consolidated Categorical Aid Programs
(in thousands)

	<i>Actual</i> 1980-81	<i>Estimated</i> 1981-82	<i>Proposed</i> 1982-83	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
State Administration ^{a, c, d}	\$7,856	\$8,365	\$8,530	\$165	1.2%
Local Assistance:					
School Improvement Program ^c	152,419	162,695	170,830	8,135	5.0
Economic Impact Aid ^c	161,471	171,737	180,322	8,585	5.0
Miller-Unruh Reading Program ^c					
ESEA-Title I ^d	299,060	252,773	252,776	3	—
Native American Indian Education ^{b, c}	301	319	333	14	4.4
Preschool	28,480	30,344	31,858	1,517	5.0
Subtotals	\$656,996	\$634,046	\$653,110	\$19,064	3.0%
Totals	\$664,852	\$642,411	\$661,640	\$19,229	3.0%
General Fund	\$362,319	\$386,123	\$405,273	\$19,150	5.0%
Federal Funds	302,533	256,288	256,367	79	—

^a Does not include preschool state administration.

^b Discussed in nonconsolidated programs with Indian Education Centers.

^c Program support from General Fund.

^d Program support from federal funds.

ECONOMIC IMPACT AID AND ESEA, TITLE I
(Items 6100-121-001 and 6100-136-890)

Overview

Two major education programs provide compensatory education services to educationally disadvantaged students: the federal Elementary and Secondary Education Act (ESEA) Title I, and state Economic Impact Aid (EIA). Economic Impact Aid provides funds for (1) the state compensatory education program (EIA-SCE) and (2) bilingual education programs for limited English proficient students (EIA-LEP).

Both funding mechanisms provide for supplemental educational services, particularly in basic skills, to children who (1) have difficulty in reading, language development, and mathematics and (2) attend schools which (a) are located in high-poverty areas and/or (b) have an excessive number of children with poor academic skills.

Children Served

The budget reports that in 1980-81 a total of 922,000 children were served by these programs. Approximately 311,000 pupils were served by Title I programs only, 87,000 were served by EIA-SCE programs only, and an additional 430,000 were served by both programs. Of those pupils served by Title I and/or EIA-SCE, approximately 200,000 were limited English proficient students. An additional 94,000 LEP pupils were served

solely by EIA-LEP.

Funding

Table 8 displays the local assistance expenditures for these programs. The budget proposes to continue the previous year's base appropriations for EIA and for Title I, and provide a 5 percent cost-of-living adjustment for EIA.

Recommend That EIA Cost-of-Living Adjustment be Applied to Funding "Floor"

We recommend that the Legislature adopt Budget Bill language to provide that the minimum EIA allocation to school districts be increased for cost-of-living adjustments given to EIA.

The 1980 Budget Act included a "floor" in the EIA formula so that every district which qualified for any EIA assistance will receive a minimum entitlement of \$5,000. This was done because: (1) districts receiving less than \$5,000 are not able to establish a program with less funds and (2) a Department of Education cost study indicates that \$5,000 would be sufficient to fund at least one part-time aide.

Because of a technical oversight, the EIA "floor" was maintained at the \$5,000 level in 1981-82 and was not adjusted for inflation. The proposed budget also overlooks the EIA floor and does not propose to increase the floor for 1982-83 by the same 5 percent COLA provided for EIA.

Because inflation has had the same impact on the cost estimates used in 1980-81 to establish the EIA floor as it has on regular EIA costs, we recommend that the floor receive the same percentage COLA for the two year period (1981-82 and 1982-83) as the regular EIA program. The effect of this recommendation would be to increase the minimum EIA entitlement in 1982-83 from \$5,000 to \$5,565. Approval of this recommendation would require no increase in funding for EIA. There would be, however, a minor reallocation of EIA funds to the few districts currently receiving the minimum EIA entitlements.

BILINGUAL EDUCATION

Overview

As indicated previously, state funding for bilingual programs is provided primarily under the Economic Impact Aid program. Additional state and federal funding for bilingual education is provided through federal programs such as migrant education, the Elementary and Secondary Education Act (ESEA) Title VII, the Comprehensive Refugee Assistance Act (Item 6100-176-890), ESEA Title I, as well as through state programs such as Indian Education, and Demonstration Programs in Reading and Mathematics.

Because of the multiplicity of programs and funding sources for bilingual education, California's total expenditures for bilingual education cannot be determined.

This section presents information regarding (1) the annual census of pupil language proficiency and (2) bilingual teacher training programs.

Annual Census of Limited English Proficient (LEP) Pupils

The Education Code requires that each school district conduct an annual census to determine the primary language of each pupil enrolled in the district, and to assess the language skills of all pupils whose primary language is other than English. Table 9 shows the actual number of limited

DEPARTMENT OF EDUCATION—Continued

English proficient (LEP) pupils, as reported by each district to the State Department of Education.

Table 9
Actual Number of Limited English Proficient Pupils, K-12

	<i>Number of Children^a</i>	<i>Change from Previous Year</i>	
		<i>Amount</i>	<i>Percent</i>
1977 (Fall)	233,444	—	—
1979 (Spring)	288,400	54,956	23.5%
1980 (Spring)	325,748 ^b	37,348	12.0%
1981 (Spring)	376,794 ^b	51,046	15.7%

^a Does not include preschool, continuation school, adult, juvenile hall, private schools, and Bureau of Indian Affairs schools.

^b Includes some "ungraded" pupils who were not counted previously.

The 1981 census count of 376,794 LEP pupils is 15.7 percent above the 1980 census count. Of the LEP pupils identified in 1981, Spanish-speaking pupils constitute 285,567 (75.7 percent) of the total. Other major language groups include Vietnamese, with 22,826 pupils (6 percent), and Cantonese with 14,196 pupils (3.7 percent).

The spring 1981 census also indicates that an additional 433,820 pupils are fully English proficient (FEP) but have a primary language other than English.

Need for Additional Census Information

We recommend that the Legislature adopt supplemental language to direct the Department of Education to add a component to its annual language census which would (1) indicate the number of years each pupil who has been reclassified as fully English proficient (FEP) was previously identified as limited English proficient (LEP) and (2) indicate the primary language of these pupils and their grade level at the time of reclassification.

When compiled and verified by the Department of Education, the statewide census of language proficiency is a valuable informational tool to educators, administrators, and policy-makers. The census provides data pertaining to those pupils who have limited English proficiency, and also indicates the *total* number of LEP pupils who have been reclassified as FEP. It does not, however, provide useful data on (1) how long these pupils were in LEP programs before they attained full English proficiency or (2) at what grade level the pupil was reclassified as FEP.

During our field visits, school districts indicated a need for data which shows (1) the length of time a LEP pupil is enrolled in a bilingual classroom before being reclassified as FEP and (2) the grade levels of those pupils being reclassified, because such information would aid in identifying programs which demonstrate unusually rapid or unusually slow reclassification rates.

Our analysis indicates that this additional information will be valuable because:

- It will facilitate inter-district program comparisons of reclassification criteria and of program success, as measured through reclassification rates.
- The rate of reclassification can be useful in evaluating the overall effectiveness of the state's programs for LEP pupils.

Because all districts already participate in the annual language proficiency census, this procedure is the most efficient means for collecting the additional data. For these reasons, we recommend that the Department of Education increase the scope of the current annual census of language proficiency.

The department staff advise us that they are already in the process of making other revisions to the language census report. Consequently, changes designed to yield the additional information would not result in increased Department of Education administrative costs.

Bilingual Teacher Training Programs

We recommend that the Legislature direct the State Department of Education (SDE) to provide a status report to the Legislature by April 1, 1982 on (1) why it has not implemented, as required by the Legislature, an interagency agreement with the Commission for Teacher Preparation and Licensing (CTPL) relating to their joint review of ESEA Title VII applications by institutions of higher education for bilingual teacher training programs and (2) why it has decided not to continue the legislative policy for such an agreement in 1982-83.

ESEA Title VII provides federal funding for bilingual education programs conducted by various educational agencies including institutions of higher education (IHEs). The State Department of Education applies for and receives an annual Title VII grant to provide coordination and assistance to these various agencies.

In last year's *Analysis*, we recommended, and the Legislature adopted language in the *Supplemental Report of the 1981 Budget Act* directing the SDE to establish an interagency agreement with the CTPL for joint participation in providing assistance to IHEs which were developing Title VII programs for the training of bilingual education teachers. At the time this 1982-83 *Analysis* was prepared, the SDE had not complied with this legislative directive. The SDE also informs us that provision for joint CTPL and SDE assistance to IHEs has not been included in the department's 1982-83 application recently submitted to the federal government. Nevertheless, we are advised that the CTPL has begun providing some assistance to IHEs for 1981-82 programs in anticipation of the SDE developing an interagency agreement and transferring Title VII funds to the commission as required.

Because the SDE has not complied with the Legislature's directive we recommend that the SDE report to the Legislature on (1) why it has not implemented the legislative directive to transfer Title VII funds to the CTPL and (2) why it has decided not to continue the legislative directive in 1982-83.

SCHOOL IMPROVEMENT PROGRAM (Item 6100-116-001)

Overview and Funding

The School Improvement Program (SIP) provides funding to schools, on a per-ADA basis, for expenditure pursuant to the decisions made by local School Site Councils.

As shown in Table 8, the budget proposes \$170.8 million for the School Improvement Program in 1982-83. This consists of the amount appropriated for SIP implementation grants in the current year (\$162.7 million), plus a five percent inflation adjustment (\$8.1 million).

DEPARTMENT OF EDUCATION—Continued

The budget request actually represents only a 1.0 percent increase over the baseline program level. This is because the current year appropriation includes \$6.2 million for 149 secondary schools entering the operational phase of the program, commencing January 1982. The budget does not include additional funds for the full-year costs of their participation in 1982-83. Full-year funding for these schools would require an augmentation of \$6.5 million in 1982-83, assuming 5.0 percent for inflation.

The budget also proposes to authorize the Department of Education to provide full-year funding for the 149 secondary schools by redirecting funds from other SIP schools. This would require a reduction averaging approximately 4 percent in SIP implementation grants. At the time this analysis was prepared, a detailed redirection plan was not available from the department. The Department of Finance should be prepared to explain the budget proposal and discuss its impact on district programs during the budget hearings. In addition, the Department of Education should discuss what actions it will take to redirect funding if the Legislature appropriates the amount requested in the budget.

Independent Evaluation

As required by Ch 894/77 (AB 65), the Department of Education contracted for a \$771,241 independent evaluation of SIP. The final report is due October, 1982.

The evaluation will include a description of the patterns of program implementation, an analysis of the extent to which SIP programs can improve the quality of instruction, and a specification of the conditions under which state program components and implementation strategies are effective in creating well-implemented programs. To accomplish these tasks, the evaluators are conducting a survey of SIP participants in approximately 200 schools and intensive fieldwork in approximately 50 schools.

MILLER-UNRUH READING PROGRAM
(Item 6100-126-001)

Overview

The Miller-Unruh Reading Program is designed to upgrade the reading achievement of low-performing K-6 pupils by funding school district reading specialists.

Funding

Table 10 shows Miller-Unruh program participation and funding. The budget proposes \$17.0 million in local assistance funds for the Miller-Unruh program, an increase of 5.0 percent over the current year.

We recommend approval.

Table 10
Miller-Unruh Reading Program
Participation and Local Assistance Funding

	<i>Actual</i> 1980-81	<i>Estimated</i> 1981-82	<i>Proposed</i> 1982-83	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
Appropriation (General Fund, in thousands) ..	\$15,265	\$16,182	\$16,992	\$810	5.0%
Number of districts	167	167	167	—	—
Number of teachers	1,015	975	975	—	—
Estimated statewide average elementary teachers' salary	\$20,413	\$21,434 ^a	\$22,506 ^a	\$1,072	5.0%
Average amount paid per full-year position	\$15,000	\$16,596	\$17,427	\$831	5.0%
Percent of statewide average elementary teachers' salary paid by state	73%	77%	77%		

^a Assumes 5.0 percent statewide average elementary teacher's salary increase.

STATE PRESCHOOL PROGRAM

Overview

The objective of the State Preschool program is to provide an educational preschool experience for children from low-income families. Preschool programs are administered by 116 school districts which enroll 11,300 children, and by 76 nonprofit agencies which enroll 8,000 children.

Table 11 shows actual, estimated, and projected expenditures for this program.

Table 11
State Preschool Expenditures
(in thousands)

	<i>Actual</i> <i>1980-81</i>	<i>Estimated</i> <i>1981-82</i>	<i>Proposed</i> <i>1982-83</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
State Operations.....	\$365	\$610 ^b	\$523	-\$87	-14.3%
Local Assistance *.....	28,480	30,341	31,858	1,517	5.0
Scholarship Incentive Program	(225)	(239)	(251)	(12)	(5.0)
Totals.....	\$28,845	\$30,951	\$32,381	\$1,430	4.6%

^a Includes total local assistance including amounts funded through the consolidated application process.

^b Includes \$100,000 in one-time federal funds for audits of Headstart programs.

The budget proposes expenditures of \$523,395 for state operations and \$31.8 million for local assistance in support of state preschool programs in the budget year. This includes approximately \$251,000 for the Scholarship Incentive Program. The proposed budget for state operations is \$86,390 less than estimated current year expenditures of \$609,785. The \$609,785, however, includes \$100,000 in one-time federal funds for audits of Headstart programs. Using only the current year General Fund expenditures for Preschool state operations (\$509,785), the budget request represents a \$13,610, or 2.6 percent, increase over estimated current year General Fund expenditures.

Preschool Equalization

We recommend that the Legislature direct the Department of Education to report during budget hearings on the actual amount of funds needed for local assistance equalization inflation increases. We further recommend adoption of Budget Bill language to provide for equalization of inflation increases provided to programs with 1981-82 per capita costs below \$1,549.

The budget proposes a 5 percent cost-of-living increase for preschool local assistance, at a cost of \$1.5 million. The funds would be allocated

DEPARTMENT OF EDUCATION—Continued

among preschool programs on a sliding scale, as specified in budget language. Low cost programs would be allocated an inflation adjustment sufficient to increase their funding per-child to \$1,626. This is the 1981-82 average expenditure per child statewide (\$1,549), increased by the 5 percent inflation adjustment. Programs with costs above \$1,626 would not receive an inflation increase. This equalization process was begun in the 1980 Budget Act, and continued in the 1981 Budget Act.

Amount Needed for Inflation Allowances. The proposed \$1.5 million inflation adjustment, however, assumes that each program's apportionment receives a full five percent inflation increase. Under the equalization process only those programs with a 1981-82 cost-per-child of \$1,549 or less would receive a full five percent adjustment; with higher cost programs receiving less than a five percent increase or no increase. Therefore, the proposed appropriation for inflation adjustments is overbudgeted by an undetermined amount because some programs will not receive the full inflation increase.

At the time this analysis was written, sufficient data was not available to compute the amount overbudgeted because the per child expenditures for all programs were not available. Accordingly, we recommend that the Department of Education report at the budget hearings, the actual amount of funds needed for local assistance inflation increases under the proposed equalization process.

Technical Language Issue. We further recommend that the budget control language which provides for the inflation increase equalization be amended to provide for inflation increases granted to programs with per capita costs per child below \$1,549. Due to a technical error, these programs were not specifically addressed in the budget control language. Therefore, the language should be amended to correct this oversight.

SCHOOL ENVIRONMENT AND SAFETY RESOURCES UNIT**Recommend Unit be Eliminated**

We recommend that the School Environment and Safety Resources Unit (3.5 positions) be eliminated because (1) statutory authority for a school violence and vandalism report to be prepared by the unit has expired and (2) the unit's remaining functions duplicate those of other state programs, for a General Fund savings of \$164,000. (Reduce Item 6100-001-001 by \$164,000.)

The budget proposes to fund the School Environment and Safety Resources Unit (SESR) at its 1981-82 level—\$164,000—from the General Fund. The SESR includes 3.5 positions which (1) collect and report district data on the incidence of school-related crimes, (2) seek to identify exemplary programs and techniques to combat school violence and vandalism, and (3) attempt to identify the causes of violence and vandalism in schools.

We recommend elimination of the unit because:

- Statutory authority has expired for the collection of data and reporting on the incidence of school-related crimes.
- Continued collection of data and reporting on an annual basis is not efficient.
- The Department of Education's Office of Intergroup Relations has already conducted several studies to identify the causes of school violence.

- The Department of Justice's School Safety Center has developed successful programs to identify exemplary programs for combating school violence and vandalism.

Authorization for Data Collection and Report has Expired. A significant statutory responsibility of this unit has been to collect information pertaining to school violence and vandalism. Ch 1206/80, however, required the department to prepare an annual report on school-related crimes, only in 1981 and in 1982. The intent of this measure was to gather information on school crime and violence during a two-year period. The department will have met the intent of the law when it completes its first report, which the department states is forthcoming. The continued collection of data and preparation of additional reports is no longer required.

Continual Data Collection Unnecessary. Preliminary figures from the yet-to-be released Department of Education report appear to indicate a significant amount of school-related crime has occurred statewide in the 1980-81 school year. The final report will provide detailed data on the types of criminal activity which have occurred, and will aid in the continuing development by various public agencies of preventive strategies. Our analysis indicates, however, that to continue to collect this data each year is unnecessary. A sufficient period of time has not elapsed since the last round of data collection to provide a basis for determining the effectiveness of strategies adopted to reduce violence and vandalism. Rather than conduct annual surveys year after year, we recommend that data be collected every five years—providing a more cost-efficient method for determining trends in the incidence of school-related crime.

Unnecessary Duplication of Other Department of Education Activities. Our analysis indicates that recent SESR attempts to ascertain the cause of violence and vandalism in schools are duplicative of activities carried out by the department's Office of Intergroup Relations.

The Office of Intergroup Relations has conducted several studies in an attempt to identify the problems which cause disruption to the school environment. In addition, the office has addressed the problem of school-related criminal activity by providing (1) assistance to school personnel in developing conflict management skills, (2) assistance in the prevention of disruptive conflict, (3) intervention in crisis situations, and (4) the provision of training for administrators in improving the human environment of schools.

Unnecessary Duplication of Department of Justice Activities. Our analysis also indicates that planned SESR programs to identify exemplary programs and techniques to combat school violence and vandalism duplicate programs already conducted by the Department of Justice's School Safety Center. The School Safety Center already provides leadership, support, and direction to school districts in preventing school-related crime, and as one of its primary activities, publishes "Campus Strife," a quarterly journal which highlights successful school crime and vandalism control programs.

Because the functions of the School Environment and Safety Center are no longer authorized and because other statewide programs are attempting to deal with school-related crime and develop prevention techniques, we recommend elimination of the unit, for a General Fund savings of \$164,000.

DEPARTMENT OF EDUCATION—Continued

2. NONCONSOLIDATED CATEGORICAL PROGRAMS

This section discusses the categorical aid programs that are not covered by the consolidated application process, and are not part of other major programs.

Table 12 shows the local assistance expenditures and funding for these categorical aid programs.

Table 12
Nonconsolidated Categoricals Local Assistance Expenditures and Funding
(in thousands)

	<i>Actual</i> <i>1980-81</i>	<i>Estimated</i> <i>1981-82</i>	<i>Proposed</i> <i>1982-83</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
ESEA, Title I—Migrant ^f	\$49,334	\$63,453	\$63,442	—\$11	—
Demonstration programs in reading and mathematics ^g	3,179	3,558	3,738	180	5.0%
Driver training ^g	18,341	17,844	17,844	—	—
Transportation ^g	92,279	190,243	187,878	—2,365	—1.2
Instructional materials ^g	41,114	39,968	51,323	11,355	27.4
School personnel staff development ^g	894	947	8,598	7,650	807.0
Resource centers ^g	1,481	1,678	5,158	3,480	207.4
Professional development centers ^g	716	760	800	40	5.3
New careers ^g	324	229	—	—229	—100.0
Indian education centers ^g	708	750	785	35	4.6
Native American Indian education program ^g	301	319	333	14	4.4
Vocational education ^{g,f,s}	75,899	80,779	80,806	27	0.1
Adult education apportionments ^g	149,504	170,115	165,360	—4,755	—2.8
Adult basic education ^{f,s}	6,970	9,873	9,875	2	—
Career guidance centers ^g	223	—	—	—	—
Innovative programs ^f	(15,356) ^a	(14,619) ^a	(—) ^a	(—14,619) ^a	(—100.0) ^a
Federal block grant ^f	30,995	35,940	34,389	—1,551	—4.3
Environmental education ^g	484	483	483	—	—
Gifted and talented ^g	15,527	16,887	17,722	835	5.0
Instructional television ^g	887	871	915	44	5.0
Totals	\$489,160	\$634,698	\$649,449	\$14,751	2.3%
General Fund	\$307,589	\$426,326	\$442,635	\$16,309	3.8%
Federal funds	147,742	176,134	174,575	—1,559	—0.9
Other state funds and reimbursements	33,829	32,238	32,239	1	—

^a Included in federal block grant.

^f Indicates Federal funds support.

^g Indicates General Fund support.

^s Indicates support from other state funds and reimbursements.

ESEA TITLE I-MIGRANT
(Item 6100-141-890)

Overview

The federal ESEA Title I-Migrant Program was established in 1965 to provide supplementary educational services to children of migrant and formerly migrant parents. California has nine regional offices which are responsible for program administration. In addition, five school districts receive funds directly from the State Department of Education.

There were 1,355 schools in 328 districts participating in migrant education programs in 1980-81. These schools enrolled approximately 127,000 migrant students, 24,000 more than in 1979-80.

As shown in Table 13, California expects to receive \$65.7 million in federal migrant education funds for 1982-83. The budget proposes to allocate \$63.4 million of this amount for local assistance—slightly less than the amount allocated in 1981-82. The balance—\$2.3 million—would be allocated for state operations, for an increase of \$142,000, or 6.6 percent, above the current-year level.

Table 13
Federal ESEA Title I-Migrant Funds
(in thousands)

	<i>Actual</i> <i>1980-81</i>	<i>Estimated</i> <i>1981-82</i>	<i>Proposed</i> <i>1982-83</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
State Operations	\$1,833	\$2,147	\$2,289	\$142	6.6%
Local Assistance	49,334	63,453	63,442	-11	—
Totals	\$51,167	\$65,600	\$65,731	\$131	0.2%

Redirection of Special Project Funds

The State Department of Education contracts with local educational agencies and private organizations in support of migrant education special projects. Federal Title I-Migrant funds are allocated for local assistance for these projects. In 1981-82, the department contracted for seven special projects, at a cost of \$4.4 million in federal funds.

Our review of these projects indicates that by eliminating unnecessary and duplicative program components a minimum of approximately \$1 million could be made available for other higher priority migrant education activities.

The following sections of this analysis discuss and make recommendations on four of the special projects within the ESEA Title I-Migrant program.

Table 14 displays the special projects from which migrant education funds for local assistance can be redirected.

Table 14
Summary of Recommended Redirection of
Migrant Special Project Funds
(1981-82 contracts)

	<i>Contract Total</i>	<i>Recommended Redirection</i>
Mini-Corps ^a	\$3,132,500 ^b	\$764,000
ECS task force	60,000	60,000
External evaluation	766,000 ^c	125,000
Partnership program	48,000	48,000
Totals	\$4,006,500	\$997,000

^a Includes two recommendations.

^b Estimate including summer school program.

^c Includes contracts for 1980-81 and 1981-82.

DEPARTMENT OF EDUCATION—Continued**Recommend Alternative Funding Source for Mini-Corps Stipends**

We recommend that the Legislature adopt supplemental language to direct the State Department of Education to require that Mini-Corps participants at California State University (CSU) campuses receive their school year stipends from regular college financial aid programs, and not from Migrant Education funds, because paying stipends to college students is an unnecessary use of Migrant Education funds, for a Federal Trust Fund redirection of \$400,000 of local assistance monies.

The State Department of Education contracts annually with the Butte County Superintendent of Schools to conduct the statewide Mini-Corps program. In 1980-81, the contract amount totaled \$3,132,500. Mini-Corps operates both a nine-month school year program and a summer school program. Both programs seek to (1) provide categorical services to migrant education pupils, primarily by using college students as teacher aides and (2) increase the number of bilingual professionals available to provide services to migrant children. Mini-Corps participants are enrolled in 16 community colleges and state universities, and are typically former migrants. During 1981-82, 328 college students are participating in the school year Mini-Corps program.

During the current year, 188 California State University (CSU) students are each receiving nine-month stipends of approximately \$2,600 through the Mini-Corps contract. This amounts to \$490,000 in migrant education local assistance funds. The 140 community college students are receiving similar stipends, which are funded through college financial aid programs. Community college students also receive an additional \$50 monthly stipend for transportation costs.

Our review of school year stipends awarded to Mini-Corps participants indicates that except for a \$50 monthly travel reimbursement, community college participants are paid entirely from federal work-study and Extended Opportunity Program and Services (EOPS) funds provided through the regular campuses financial aid mechanisms. In contrast, stipends for CSU students are paid from federal Migrant funds, outside of the normal campus mechanisms.

We can find no analytical reason for using different financial aid funding procedures for the two groups of participants. Accordingly, we recommend that Mini-Corps participants at CSU campuses also apply for their stipends through the regular financial aid programs. Our analysis indicates that CSU Mini-Corps participants will have little if any difficulty in qualifying for the aid programs because the academic and financial need criteria for work study and the Mini-Corps program are similar. Actual work-study grants may be somewhat less than the stipends funded with migrant education funds. Mini-Corps participants may also be eligible for state Bilingual Teacher Development Grants and other state and federal grants and loans.

In 1981-82, the CSU received approximately \$10 million in federal work study funds. Our analysis indicates that the addition of a limited number of Mini-Corps participants to the work study program will have little, if any, impact on the overall work study program.

Because the program is similar to many others that provide work-study financial aid to students, funding stipends from limited Migrant Education funds is unnecessary. In addition, by making stipend awards through each

campus financial aid office, each student's financial aid package can be developed more accurately and the stipend award can be integrated with other financial assistance.

Consequently, we recommend that \$400,000 of Title I-Migrant funds be deleted from the Mini-Corps contract. The effect of this recommendation will be that (1) all Mini-Corps participants will receive similar stipends through financial aid programs, as well as \$50 monthly stipends from migrant education funds for travel and (2) the Department of Education will save \$400,000 in migrant education funds which can be used for higher priority migrant education programs.

Reduction in Mini-Corps Administration Recommended

We recommend that the Legislature adopt supplemental language to direct the State Department of Education to stop contracting for the services of Mini-Corps School Year Coordinators because these positions are unnecessary, for a minimum Federal Trust Fund redirection of \$364,000.

Our review of the 10-month 1981-82 Mini-Corps contract indicates that, exclusive of participant stipends, over \$1 million is included in the Mini-Corps budget to administer the 328-participant teacher assistant program during the school year—a cost of \$3,100 per participant. Of the 29 budgeted professional positions, 16 are School Year Coordinators located in the areas where Mini-Corps activities are conducted, and 13 are located at Mini-Corps headquarters in Sacramento and Oroville, some of whom provide a variety of student services to participants. We estimate that the 16 Coordinator positions cost \$364,000, including salaries, benefits, and indirect costs but exclusive of operating expenses such as travel and clerical support.

Our analysis of the Mini-Corps budget and our field visits indicate that there is an unnecessary amount of supervision and coordination of Mini-Corps participants. A Mini-Corps teacher assistant works under a certificated classroom teacher who provides direct and constant supervision. The teacher assistant can also be supervised and assisted by staff from the migrant education regional office. Further supervision and coordination is provided by Mini-Corps School Year Coordinators and other Mini-Corps Field Coordinators and Associate Directors.

In sum, we recommend that 16 School Year Coordinator positions be eliminated because:

- Classroom teachers provide direct, day-to-day supervision, leadership, and training. Other school and school district administrators also provide indirect supervision.
- Migrant education regional office staff can provide effective coordination in relation to the needs of migrant education programs in the area.
- Mini-Corps School Year Coordinators are an expensive, additional administrative level in the Mini-Corps program. The 13 other professionals can provide any necessary leadership, coordination, and student services for the Mini-Corps program.

Because their responsibilities are unnecessary for the continued successful operation of the Mini-Corps teacher assistant program, School Year Coordinators can be eliminated without having an adverse impact. By limiting future Mini-Corps contracts to exclude these positions, the State Department of Education will avoid \$364,000 in Mini-Corps salary, benefit,

DEPARTMENT OF EDUCATION—Continued

and indirect costs, which could be redirected to other migrant education programs.

ECS Migrant Education Task Force

We recommend that the Legislature adopt supplemental language to direct that the Department of Education no longer participate in the Education Commission of the States' (ECS) Migrant Education Task Force, because California's participation in the Task Force does not result in significant benefit to the state, for a Federal Trust Fund redirection of \$60,000.

The Department of Education contracts annually to participate in the Education Commission of the States' (ECS) Migrant Education Task Force. It does so on a voluntary basis. The interstate compact, which involves ten of the 50 states, is funded by member contributions equal to .25 percent of each states' total migrant education grant award for administration. The Florida Department of Education serves as the fiscal agent for the task force.

The ECS proposal for 1981 states that the goals of the task force are to: (1) improve the economic, political and educational status of migrant children by expanding the awareness of decision makers, concerned persons, and other groups so that they can assist in developing and maintaining advocacy and support services and (2) seek active involvement in the ECS task force of nonparticipating states.

California's 1981 contribution—\$60,000—was larger than that provided by any of the ten states. Furthermore, an unknown additional amount of migrant education state operations funds are spent so that State Department of Education staff can travel out-of-state to task force meetings and activities.

The current contract expired in December 1981, and at the time this analysis was prepared, the department had not indicated whether or not it will enter into a new contract.

We recommend that the State Department of Education discontinue California's participation in the task force because:

- Advocacy is a prime task force activity and the Legislature has indicated that this is a low priority activity for California's migrant education program.
- Task force conferences and publications duplicate the activities of the Federal Department of Education.
- Task force activities pertaining to interstate migrant pupils, a secondary function of the task force, are of little value to California because the state "shares" few pupils with the other task force members.

For these reasons, we recommend that California no longer contribute to the support of the task force. This would allow \$60,000 of state operations funds to be redirected to other migrant education local assistance programs. In addition, an unknown amount of funds spent on out-of-state travel and other task force activities would be redirected to state operations directly benefiting California.

Recommend Discontinuing External Evaluation

We recommend that the Legislature adopt supplemental language to direct the Department of Education to terminate the migrant education program external evaluation contract because additional studies of the

program are unnecessary, for a Federal Trust Fund redirection of \$125,000.

In April 1980, the Department of Education contracted for the first in a series of external evaluations of the state's Migrant Education program. The cost of that contract and subsequent contract amendments totals approximately \$890,000. Before this contract was signed, each migrant regional office conducted its own evaluation which was then reported to the Department of Education. This practice was discontinued because (1) individual regional evaluations were thought to be more expensive than one statewide evaluation, and (2) the objectivity of the evaluation was questionable, since regions were responsible for evaluating their own program.

After a competitive proposal process, the SDE awarded a \$428,846 contract to a contractor in March 1980 for an external evaluation. In July 1981, the department amended the original contract to provide an additional \$462,228 without conducting a competitive bidding process. Through 1981-82, a total of \$766,000 has been spent. The SDE advises us that an additional \$125,000 included in the amended contract will be spent in 1982-83.

Our analysis of the external evaluation indicates that it is of little benefit to the state. It is primarily a *descriptive* summary of migrant education activities, and includes little *evaluation* in areas such as funding, interagency coordination, the Migrant Student Record Transfer System (MSRTS), and program dissemination. Much of the evaluation describes how various migrant education program participants perceive the implementation of their program. In addition to a statewide report, the contractor also provided individual evaluations to each of the regions and districts participating in the study.

While the federal government requires an annual report from the state evaluating program effectiveness, the federal regulations allow the state to submit representative samples of the state's migrant education programs for the evaluation, in lieu of a full scale evaluation. Consequently, an evaluation such as the one called for by the contract is unnecessary to comply with federal requirements. Further, our analysis indicates that this large-scale evaluation does not need to be continued because (1) a large amount of information on migrant education has already been collected and (2) numerous studies of migrant education have been completed at the state and federal level. Our analysis also indicates that the department's Office of Program Evaluation and Research (OPER) has the capacity to develop the necessary reports for the federal Department of Education. (For 1982-83, the budget proposes a reallocation of \$79,000 in federal migrant education funds to OPER).

We find little or no immediate need for further in-depth research regarding migrant education, and therefore recommend that the existing evaluation contract be canceled, as allowed for in the contract, for a Federal Trust Fund redirection of \$125,000 to migrant education local programs.

UCLA Partnership Program

We recommend that the Legislature adopt supplemental language to direct the State Department of Education (SDE) to discontinue the contract for the UCLA Partnership Program because the program is too expensive to be implemented on a statewide basis and duplicates existing UC and CSU student outreach activities which are less costly, for a Federal Trust Fund reallocation of \$48,000. We further recommend that the SDE use these funds to develop statewide procedures for the identification of

DEPARTMENT OF EDUCATION—Continued

and programs for gifted and talented migrant pupils within the current Gifted and Talented Education (GATE) program. (Reduce Item 6100-141-890 by \$48,000 and increase Item 6100-001-890 by \$48,000).

The SDE contracts with the Tulare County Department of Education to operate a special summer program for exceptional migrant education high school students to study on the UCLA campus and participate in recreational activities. During the summer of 1981, the Partnership Program brought 50 migrant and formerly migrant pupils to the UCLA campus for one month, at a total cost of \$48,000. Specifically, the UCLA Partnership Program seeks to (1) provide exceptional migrant students with enrichment instructional services, (2) expose the students to a college environment, and (3) enhance the students' academic attainment in order to increase their chances of continuing their education at a college level.

The Partnership Program was developed to meet the needs of some exceptional migrant pupils who, because of their transiency, are not being served by regular school-site Gifted and Talented Education (GATE) programs. Although we are unable to estimate the number of exceptional migrant children who are eligible for, but not participating in GATE programs, our analysis indicates that the nature of GATE pupil identification and programs serves to exclude pupils who continually change schools.

Our analysis indicates that the SDE Partnership Program duplicates other student outreach programs operated by the California State University (CSU) and the University of California (UC) which are designed to increase the participation of under-represented groups in higher education. These programs generally are less costly, and less lengthy than the partnership program.

In addition, we find that the Partnership Program serves few pupils at a relatively high cost, and therefore cannot be implemented on a statewide basis for all eligible exceptional migrant children. The per pupil cost of the Partnership program is almost \$1,000 for one month, (by comparison, the GATE program per pupil cost is approximately \$100 per year).

For these reasons, we recommend termination of the Partnership Program. At the same time, we recommend that the SDE continue to seek ways of meeting the needs of exceptional migrant children. These children should be served by regular GATE programs which (1) are more cost effective than the Partnership Program and (2) do not duplicate CSU and UC programs. Accordingly, we recommend that savings from the termination of the Partnership Program be redirected by the SDE to develop statewide procedures for GATE pupil identification and programs which will increase the participation of migrant pupils in GATE programs.

DRIVER TRAINING/TRAFFIC SAFETY EDUCATION
(Items 6100-001-178 and 6100-171-178)**Overview**

The Department of Education administers a driver training program which includes both a laboratory phase (behind-the-wheel training) and classroom driver education. Current law limits state reimbursement for the cost of the laboratory phase for nonhandicapped students to the lesser of \$60 per pupil, or the actual costs incurred. For handicapped students, the state reimbursement is limited to \$200 per pupil. These costs are

funded from the Driver Training Penalty Assessment Fund.

The department also administers a School Bus Driver Instructor Training program and a Farm Labor Vehicle Instructor Training program which prepare teachers for the instruction of driver training classes for prospective operators of these vehicles.

Table 15 displays the funding levels for these programs for the past, current, and budget years.

Table 15
Allocations for Driver Training
(in thousands)

	<i>Actual</i> <i>1980-81</i>	<i>Estimated</i> <i>1981-82</i>	<i>Proposed</i> <i>1982-83</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
Driver Training					
1. State Operations.....	\$276	\$100	\$99	\$1	1%
2. Local Assistance:					
A. Regular	17,170	16,569	16,569	—	—
B. Handicapped	1,171	1,275	1,275	—	—
Subtotals	\$18,341	\$17,844	\$17,844	—	—
School Bus Driver Instructor Training	—	\$457 ^a	\$459	\$2	0.4%
Farm Labor Vehicle Instructor Training	\$106	115	119	4	3.5
Totals	\$18,723	\$18,516	\$18,521	\$5	—

^a The School Bus Driver Instructor Training program was federally funded through September 30, 1981. The Legislature appropriated additional Driver Training Penalty Assessment funds to support the program for the remainder of the fiscal year. Approximately \$112,000 of the \$457,000 appropriated in the current year are federal funds which the budget proposes to replace with monies from the Driver Training Penalty Assessment Fund in 1982-83.

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 have been required in the various types of programs offered in California. Completion of the study is not expected until the spring of 1983.

Driver Training

We recommend that the state discontinue reimbursement for district driver training programs because there is no evidence that such training warrants a state subsidy, given other demands on limited funds available for instruction. This would result in a savings to the Driver Training Penalty Assessment Fund of \$17,844,000. (Reduce Item 6100-171-178 by \$17,844,000). Pursuant to Control Section 19.17 (see below) this recommendation would increase the amount available to the General Fund by \$17,844,000.

We further recommend that legislation be enacted to eliminate the requirement that persons 16 to 18 years of age receive driver training before they can be licensed, because the current licensing procedures of the Department of Motor Vehicles should ensure that unsafe drivers are not licensed.

DEPARTMENT OF EDUCATION—Continued

Resolution Chapter 62, Statutes of 1980 (SCR 58), requires the Legislative Analyst to prepare a report which evaluates and makes recommendations on certain specified local mandated programs. One of the programs we were required to review is the driver training program. Our findings and recommendations on this and other mandates addressed by Resolution Chapter 62 are contained in *An Analysis of 21 State Mandated Programs* (Report 82-2, January 1982).

In our analysis of the driver training program, we found that:

- State funds only cover a portion of the total costs of driver training.
- Many school districts believe that state law, in effect, forces them to continue their driver training program, even though it is no longer mandated per se, because the vehicle code still requires that persons 16 to 18 years of age complete some form of driver training prior to receiving a driver's license.
- There is no evidence to indicate that the completion of a driver training program reduces the number of traffic accidents, and thus warrants a state subsidy.

On this basis, we recommend that the state discontinue reimbursing districts for the costs of their driver training programs.

We further recommend that legislation be enacted to eliminate the requirement that persons 16 to 18 years of age receive driver training before they can be licensed. The written and on-road driving tests administered by the Department of Motor Vehicles should be sufficient to ensure that persons not adequately prepared to safely operate a motor vehicle do not receive a driver's license. If these tests are not rigorous enough to achieve this objective, they should be improved. In any case, the available empirical data do not demonstrate that driver training is an effective substitute for DMV testing procedures.

Section 19.17—Driver Training Fund Balance Reversion***We recommend approval.***

This section provides that the unencumbered balance in the Driver Training Penalty Assessment Fund, on June 30, 1983, be transferred to the General Fund.

This section continues existing legislative policy, as reflected in the 1981 Budget Act. By reverting the unencumbered balance in this fund to the General Fund, the Legislature will have more fiscal flexibility in meeting legislative priorities in the education area and other areas. We therefore recommend approval.

Farm Labor Vehicle Instructors

We recommend the consolidation of the Farm Labor Vehicle and School Bus Instructor training programs, due to the small number of persons completing the Farm Labor Vehicle Instructor course, for a General Fund savings of \$119,000. (Reduce Item 6100-001-001 by \$119,000).

Current law requires that all drivers of farm labor vehicles have either a farm labor vehicle or a school bus driver certificate, plus a driver's license for the appropriate class of vehicle to be operated.

Before being issued the required certificate, the applicant must (1) complete a driver training course developed by the Department of Education and taught by an instructor having a valid driver training instruction certificate, and (2) pass an examination administered by the

California Highway Patrol.

The Farm Labor Vehicle Instructor Training program was established to provide training without charge to persons desiring certification as Farm Labor Vehicle Driver Training Teachers, and is the only program offering this training in the state. The budget requests \$119,000 to continue this program in the budget year.

From September 1975 to October 1980, a total of 38 instructors have been trained in nine classes. Attendance in these classes ranged from two to six pupils. Of the graduates, 32 out of the 38 are currently employed as farm labor vehicle driver training teachers.

Since only eight students (on average) are expected to complete this course, the average cost of providing this training will approximate \$14,875 per student in the current year.

The cost of training a pupil in the School Bus Instructor Training program (which the department also administers) will approximate \$2,285 per student for about 200 students in the current year. The average class size in this program is approximately eight students per instructor. The instructors are also qualified to teach the Farm Labor Vehicle Instructor Training Program.

Our analysis indicates that the Farm Labor Vehicle program course could be consolidated with the School Bus Instructor Training program, at no additional cost to the latter program.

Accordingly, we recommend the consolidation of the Farm Labor Vehicle Instructor program into the School Bus Instructor Training program for a General Fund savings of \$119,000, based on (1) the small number of students completing the Farm Labor Vehicle Instructor Program (2) the significant difference in the cost per student between these two programs, (3) the fact that teachers in the School Bus Instructor program are also qualified to teach the other program, and (4) the small class sizes in the School Bus Instructor program.

Fee Charges Needed

We recommend that the Legislature adopt Budget Bill language to direct the State Board of Education to develop a schedule of fees for assessment to the School Bus Instructor Training program participants, to recover 50 percent of the program's cost, for a savings to the Driver Training Penalty Assessment Fund of \$229,500, because public and private transportation providers benefit equally with the state from the provision of this service. Pursuant to Control Section 19.17 this recommendation would increase the amount available to the General Fund by \$229,500. (Reduce Item 6100-001-178 by \$229,500).

Teachers of school bus driver training courses must possess a school bus instructor certificate in order for their graduates to qualify for a certificate authorizing operation of those vehicles.

The Department of Education currently provides an instructor training course for these teachers at the Highway Patrol Academy. The course enrolls approximately 200 pupils per year from school districts, county offices of education, private schools, school bus contractors, and school pupil activity bus operators such as Greyhound Bus Lines.

In years past, the federal government funded the entire cost of the School Bus Instructor Training program. Federal reimbursement for the program, however, was discontinued in the current year. To replace these funds, the budget proposes an appropriation of \$459,000 from the Driver Training Penalty Assessment Fund for 1982-83.

DEPARTMENT OF EDUCATION—Continued

The department is the only entity in the state which provides this course, and it incurs the full cost of instruction, books and supplies, student room and board for three weeks, and the cost of round-trip transportation to the course. Applicants are not assessed any fees, because this was not allowed by federal regulation. Even though the federal government has stopped funding this program, the state continues to provide instruction free of charge. We see no reason to continue this policy, particularly given the fact that the state is paying the full cost of the program. The state is not the sole beneficiary of the program. Specifically, private transportation providers benefit from this program because it enables them to obtain, without charge, the necessary instruction required for their employees to qualify for operator's licenses and thus enables them to offer the transportation services for a profit.

Similarly, this program benefits public transportation providers because it enables them to offer these transportation services—for which they receive state aid—to district school children.

Because local school districts and private transportation providers benefit equally with the state from the provision of this service, they should incur an equal share of the program's cost. Accordingly, we recommend that the Legislature direct the State Board of Education to develop a schedule of fees to be assessed to program participants to recover 50 percent of the state's cost of providing this service.

HOME-TO-SCHOOL TRANSPORTATION
(Item 6100-111-001)**Overview**

The school transportation program provides state aid to school districts providing home-to-school transportation to children attending district schools.

State aid is provided through two means—regular transportation aid and small school district transportation aid. Regular transportation aid reimburses approved transportation costs which were incurred in accordance with regulations adopted by the SDE.

Previously, the amount of such aid provided to a district was based upon local assessed property valuations and state reimbursement rates. Chapter 100, Statutes of 1981 (AB 777), repealed these provisions, however, and provided that reimbursements to the school districts for the 1981-82 fiscal year be based on approved 1979-80 transportation costs plus a six percent inflation factor. Because this statute provided a funding mechanism only for the current year, new authorizing legislation will have to be enacted in order to continue regular transportation aid in the budget year. There is no provision in the companion budget bills, AB 2361 and SB 1326, relating to this provision.

Small school district transportation aid provides additional general state aid to school districts with 2,500 or less average daily attendance, which incurred transportation costs in excess of 3 percent of their total General Fund education expenses in 1977-78. There is no requirement, however, that this aid be spent on transportation. It may be used for a variety of other purposes. Table 16 displays the funding levels for this program in the past, current and budget years.

Table 16
Home-To-School Transportation Aid
 (in thousands)

	<i>Actual</i>	<i>Estimated</i>	<i>Proposed</i>	<i>Change</i>	
	<i>1980-81</i>	<i>1981-82</i>	<i>1982-83</i>	<i>Amount</i>	<i>Percent</i>
Regular transportation aid	\$74,568	\$172,725 ^a	\$170,360 ^b	-\$2,365	-1.4%
Small district transportation aid	17,518	17,518	17,518	—	—
Totals	\$92,086	\$190,243	\$187,878	-\$2,365	-1.2%

^a Amount includes \$93.7 million of transportation costs which were previously financed from district general aid funds.

^b Amount does not include \$11.0 million in transportation aid for the Los Angeles Unified School District which is accounted for as K-12 general revenue limit state aid, as authorized by Ch. 1093/81 (AB 61), which is included under regular transportation aid for the current year.

The budget proposes an appropriation of \$170.4 million for regular transportation aid in 1982-83—the same amount approved by the Legislature for the current year (excluding Los Angeles Unified School District), plus a 5 percent inflation adjustment.

Small School District Aid

Small School District Aid is a categorical program which provides additional funds to certain eligible school districts. To receive this aid, districts must have had (1) 2,500 or less ADA in 1978-79 and (2) school transportation costs in 1977-78 exceeding 3 percent of their General Fund education expenses for that year.

These funds are not appropriated to serve any specific purpose or groups of pupils, as are the funds provided under other categorical aid programs. Instead, they can be used for any educational purposes, and thus the funds are similar to general revenue limit state aid.

Current law provides that each district shall receive an annual inflation adjustment for general revenue limit state aid. The adjustment is calculated based upon the district's prior-year adjusted revenue limit. These inflation adjustments are allocated on a sliding scale, with "poorer" districts receiving a larger inflation adjustment than "richer" districts. This sliding scale is intended to eventually equalize per pupil revenue limit aid statewide, as required by the California Supreme Court in the *Serrano v. Priest* decision.

Small School District Aid is not included in a district's revenue limit for the purpose of calculating inflation adjustments, even though it is general purpose aid. This results in some small school districts appearing "poorer", and therefore receiving a larger inflation adjustment than they would if all general purpose aid is considered.

The consequences of this aid not being included in equalizing inflation increases is that districts which do not receive Small School District Aid will never reach revenue limit equalization with those that do, which is contrary to the intent of the *Serrano* decision. Accordingly, we have no analytical basis for excluding Small School District Aid from revenue limits for the calculation of budget year general aid inflation adjustments.

By including small district aid in the district revenue limit used for calculating inflation increases, districts which receive this aid would appear "richer" and therefore would receive less of an inflation increase than they would have received otherwise. This would result in reduced school finance equalization aid inflation costs of \$3,903,000, based on a computer simulation of school apportionments which included small dis-

DEPARTMENT OF EDUCATION—Continued

trict aid in calculating inflation increases.

Regional Occupational Centers and Programs Transportation

Chapter 885, Statutes of 1981 (SB 741), authorizes district and county Regional Occupational Centers and Programs (ROC/Ps) to claim state reimbursement for costs incurred in 1981-82 for transporting pupils between schools and the site of ROC/P classes. State reimbursement of the ROC/P transportation claims will be funded from the regular school district transportation aid appropriation.

Because SB 741 allows additional reimbursement claims to be made against the regular school district transportation aid appropriation, transportation aid will be reallocated from local school districts to ROC/Ps unless the amount available for transportation aid is augmented (in addition to the inflation adjustment).

The budget provides no additional amount (beyond the inflation adjustment) for school district transportation aid. Because the total amount of transportation reimbursement claims submitted may exceed the total amount of funds proposed, as a result of SB 741 claims, the reimbursement for each claim may have to be reduced on a pro rata basis until the total amount of claim reimbursements match the amount of funds appropriated.

For the past two years, funding for regular school district transportation costs has been less than the total dollar amount of claims submitted, which resulted in the pro rata reduction of funding for each claim, with the district having to finance the unreimbursed portion of each claim. By not providing funds to cover the additional cost of SB 741 claims, the budget may result in (1) transportation aid being reallocated from school districts to ROC/Ps and (2) pro rata reductions in reimbursements for both school district and ROC/P transportation claims which consequently will exacerbate the effects of continued transportation deficits.

**STAFF DEVELOPMENT
(Item 6100-191-001)****Overview**

The state funds the following staff development programs:

- (1) Professional Development and Program Improvement Centers (PDPICs), which provide in-service training in the instruction of reading, writing, and mathematics.
- (2) School Resource Centers, which assess school district staff development needs and assist school administrators and teachers in developing and implementing staff development programs.
- (3) The School Personnel Staff Development Program, which provides funding for grants to local school districts to conduct staff development activities.

Funding

Table 17 shows expenditures and funding for the staff development programs.

Table 17
Funding for Staff Development Programs
(in thousands)

	<i>Actual</i> 1980-81	<i>Estimated</i> 1981-82	<i>Proposed</i> 1982-83	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
State Operations:	\$918	\$855	\$601	-\$254	-29.7%
Local Assistance:					
School Personnel Staff Development	\$894	\$948	\$8,598	\$7,650	807.0%
School Resource Centers	736	943	4,388	3,445	365.3
Bilingual training	745	735	770	35	4.8
Professional Development Centers (PDPICs)	716	760	800	40	5.3
Local Assistance Subtotals	\$3,091	\$3,386	\$14,556	\$11,170	329.9%
Totals	\$4,009	\$4,241	\$15,157	\$10,916	257.4%
General Fund	\$3,852	\$4,144	\$15,055	\$10,911	263.2%
Federal funds	157	97	102	5	5.2
Positions	8.2	9.4	9.4	—	—

The budget proposes \$499,000 from the General Fund for staff development-related state operations in 1982-83, a decrease of \$254,000, or 29.7 percent, from the current year. This is due primarily to the statutory termination of the New Careers Program.

In addition, the budget requests \$14.6 million for local assistance programs, an increase of \$11.2 million (329.9 percent) over the current-year amount. This consists of a \$0.2 million (5.0 percent) inflation adjustment, and \$11 million for program expansion.

Governor's Investment in People Initiative

We recommend that the proposed \$11 million expansion of staff development programs (Investment in People) be deleted because adequate information on how these funds would be used has not been presented to the Legislature. (Reduce Item 6100-191-001 by \$11,000,000.)

As part of the Governor's \$49 million Investment in People program, the budget proposes to expand (1) the School Personnel Staff Development Program by \$7.6 million (802 percent) and (2) the School Resource Centers by \$3.4 million (361 percent). These funds are to be used to provide staff development for secondary school teachers in the instruction of mathematics, science, and computer technology.

The objective of this initiative—increasing and improving instruction in math and science—would appear to have particular importance to California. Recent reports issued by both the federal and state governments indicate that California is significantly below the national average in terms of the amount of instruction in secondary school mathematics and science. In addition, the Legislature expressed interest in this issue during recent interim hearings.

The Governor's proposal, however, has not gone beyond the conceptual stage. Specifically, the proposal has these defects:

DEPARTMENT OF EDUCATION—Continued

1. *It does not explain why the proposed method for accomplishing the objective is superior to other alternatives.* The Governor's initiative does not include a discussion of alternatives for upgrading or increasing math and science instruction. For example, it does not address the question of whether staff development would be as effective as salary supplements or financial aid stipends in increasing the number of qualified math and science teachers. Nor does it address the question of whether existing staff development funds could be redirected to provide more emphasis on these subjects.
2. *It assumes that school districts will reorganize their curricula, but provides no basis for expecting the assumption to hold.* The Governor's proposal is aimed at "retraining existing teachers to provide additional instruction in math and science. This will include teachers with credentials which allow them to teach math and science but whom are currently teaching in other course areas." This appears to assume that local school districts will choose to provide more courses in math and science, and fewer courses in other fields. We do not know if this is a valid assumption or not.
3. *It does not include data on the number of teachers needing additional staff development beyond those already receiving it.* The Governor proposes to upgrade the skills of individuals currently teaching math and science. The proposal, however, includes no data on the number of such teachers, the amount of in-service training they currently receive, the amount of training they require, and the cost of such training. Nor does it provide supporting data on the number of teachers who are not teaching math and science but are qualified to do so.
4. *The Governor's initiative does not explain how the funds for School Resource Centers would be allocated.* We do not know, for example, whether new centers would be established and, if so, where they would be located. The proposal also fails to explain why these funds are allocated to Resource Centers, which cover staff development in general, rather than Professional Development and Program Improvement Centers, which specialize in providing training in the instruction of reading, writing, and mathematics.

In sum, the proposal lacks the kind of information needed by the Legislature in order to establish funding requirements. For this reason, we recommend that the funds be deleted.

According to the Governor's office, a detailed expenditure plan will be submitted for review prior to the budget hearings. When this information becomes available, we will review it and advise the budget committees on its content and make whatever change in our recommendation that is warranted.

Plan for Distribution of Staff Development Resources

We recommend that the Legislature adopt supplemental language to direct the Department of Education to submit to the legislative budget committees, by December 1, 1982, a plan for providing existing staff development program allocations in a manner that provides more school districts with an opportunity to benefit from the program.

There are 17 Professional Development and Program Improvement Centers (PDPICs) in the state. Because they provide training on an intensive level, each of these centers typically serves a single district. About one-third of them have been operating in the same district for seven years. Neither the Legislature nor the SDE has adopted a policy with regard to how long a center can serve a single district.

The state also funds 12 School Resource Centers. (As discussed in the preceding section, the budget proposes a major expansion of this program; but details on implementation are not available.) These centers are typically described as "brokers" of staff development services for school districts. They generally operate on a county-wide or multi-county basis. Two of the centers, however, provide services primarily to just one district each (Vallejo and Claremont). Both of these centers, moreover, are located in counties which have another Resource Center. Many other counties, however, have no Resource Center within their boundaries.

Based on these findings, we conclude that the department should review the allocation of state-funded staff development resources and develop a plan for providing these resources in such a way that more districts are able to benefit from them.

INSTRUCTIONAL MATERIALS (TEXTBOOKS) (Items 6100-186-001 and 6100-189-001)

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 25-month textbook adoption and distribution process.

Expenditures and Funding

Table 18 shows the expenditures and funding for instructional materials in the prior, current, and budget years.

The budget proposes \$51.3 million from the General Fund for local assistance in 1982-83, an increase (after correction for a technical error) of \$10.6 million, or 26.2 percent, over the current year expenditures. This increase reflects (1) a \$2 million (5 percent) inflation allowance for instructional materials in grades K-8 and (2) an \$8.6 million augmentation (related to the Governor's proposed Investment in People Program) for instructional materials in grades 9-12.

Table 18
Instructional Materials Expenditures and Funding
(in thousands)

	<i>Actual 1980-81</i>	<i>Estimated 1981-82</i>	<i>Proposed 1982-83</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
State Operations:					
Curriculum frameworks	\$971	\$1,069	\$1,069	—	—
Textbook distribution	37	144	154	\$10	6.9%
Warehousing and shipping	287	162	157	-5	-3.1
Frameworks production	54	48	50	2	4.2
Recovery project	13	74	80	6	8.1
Subtotals, State Operations	\$1,362	\$1,497	\$1,510	\$13	0.9%
Local Assistance:	\$41,114	\$39,968 ^a	\$51,323	\$11,355 ^a	28.4% ^a
Totals	\$42,476	\$41,465	\$52,833	\$11,368	27.4%
State Operations:					
General Fund	\$1,307	\$1,449	\$1,460	\$11	0.8%
Federal funds	1	—	—	—	—
Reimbursements	54	48	50	2	4.2
Local Assistance:					
General Fund	\$42,347	\$39,968 ^a	\$51,323	\$11,355 ^a	28.4% ^a
Instructional materials fund	-1,233	—	—	—	—
Positions	24.8	27.3	27.3	—	—

^a To correct for a technical error, local assistance funding in 1981-82 should be adjusted to \$40,678.

DEPARTMENT OF EDUCATION—Continued**Statutory COLA**

The Education Code authorized an appropriation of \$13.30 per pupil (grades K-8) in 1978-79, and provides for annual inflation allowances to this amount in future years based on changes in the Consumer Price Index. Because the 1978-79 appropriation and subsequent inflation allowances approved by the Legislature were below the authorized amounts, the budget proposal for textbook support in grades K-8 is \$11.5 million less than the amount authorized by statute. For 1982-83 alone, existing law authorizes a COLA of \$4.3 million (10.5 percent).

Governor's Initiative for Instructional Materials

We recommend that the proposed \$8.6 million expansion of funding for high school instructional materials (the Governor's Investment in People) be deleted because adequate information on how these funds would be used has not been presented to the Legislature. (Delete Item 6100-189-001 for a General Fund savings of \$8,600,000).

As part of the Governor's \$49 million Investment in People proposal, the budget proposes \$8.6 million from the General Fund for math, science, and computer science instructional materials in high schools.

This part of the Governor's proposal is designed to improve the level of mathematics and science instruction in grades 9-12 by providing additional funds for (1) replacement of out-of-date mathematics and science textbooks and (2) the purchase of supplemental mathematics and science instructional materials, including science laboratory equipment and computer equipment. Under current policy, no funds are earmarked specifically for instructional materials in grades 9-12; funding for these grades is allocated at the local level from district general aid school finance apportionments.

By providing these additional funds and earmarking the money for specific instructional materials, the Governor seeks to help school districts upgrade these curriculum areas so high school students can achieve technological literacy prior to graduation.

The Governor's proposal to upgrade student skills in mathematics and science addresses an important issue. Although there has been an increase in California student mathematics scores on the Scholastic Aptitude Test (SAT) since 1979, the 1981 SAT results are still lower than they were ten years ago. Additionally, the Legislature and school district officials have expressed concern during recent hearings that the general level of high school mathematics and science education may not be adequate.

Details on how the Governor's proposal will achieve its objectives or meet the Legislature's concerns, however, have not been submitted as yet. Given a grade 9-12 enrollment of approximately 1.3 million pupils, the proposed \$8.6 million appropriation would provide approximately \$6.70 per pupil for instructional materials. This level of funding has not been justified. There are no data which specify the approximate number and cost of replacing out-of-date textbooks, how "out-of-date" is defined, the amount and cost of additional laboratory equipment needed, and the cost of additional computer hardware and software.

Additionally, the proposal would allocate the aid in an equal amount per student. This allocation assumes that all districts with high schools have an equal need for this aid. The validity of this assumption has not been

documented.

Finally, the budget does not indicate the extent to which math and science texts could be upgraded by reallocating existing funds within the base.

Lacking this information, we are unable to recommend that these funds be approved, and consequently recommend that they be deleted. The Governor's office has informed us that additional information on the proposal will be available prior to the budget hearings. When this information becomes available, we will review it and advise the budget committees on its content and on any change in our recommendation that the additional information may warrant.

Reallocation of Funds

In 1981, the California Supreme Court ruled that state funding for textbooks in private schools is unconstitutional. Subsequently, the SDE proposed to reallocate \$4.5 million from private to public schools for support of instructional materials in 1981-82. The Department of Finance, however, directed the State Controller to withhold the funds from the Budget Act appropriation. We have requested an opinion from the Legislative Counsel concerning the disposition of these funds, and we will be prepared to discuss the issue during the budget hearings.

Control Sections 19.09 and 21.40—Textbook Royalties and Printing Obligations

We recommend approval.

Control Section 19.09 controls the royalties paid to publishers for the lease of materials that the State Printer uses to manufacture textbooks. It prohibits the State Board of Education from adopting any textbook for which the royalty amount exceeds 55 percent of the publisher's bid price. This provision also provides that the royalty payments be adjusted for inflation when there are changes in the contract price of the textbook. Because state contracts prohibit book price increases for a two-year period, these inflation adjustments usually occur every two years.

Control Section 21.40 allows the Department of Education and the Department of General Services to incur textbook printing obligations in an amount not to exceed \$10 million for the printing of textbooks in 1982-83 for delivery in 1983-84. This provision permits the State Printer to spread the production of textbooks more evenly over the year.

Both of these control sections were adopted in the 1981 Budget Act. Our analysis indicates that both sections are reasonable and should be continued.

GIFTED AND TALENTED PROGRAM

Overview

The Gifted and Talented Education (GATE) program was established by Ch 774/79 to supersede the Mentally Gifted Minor program. The program provides funding for educational enrichment activities for high-achieving and talented students. It serves approximately 454 districts and 160,000 students.

Table 19 shows expenditures and funding for the program in the prior, current and budget years. As noted in the table, the budget requests \$17.7 million for this program in 1982-83.

DEPARTMENT OF EDUCATION—Continued

Table 19
 Gifted and Talented Education Program Funding
 (in thousands)

	Actual 1980-81	Estimated 1981-82	Proposed 1982-83	Change	
				Amount	Percent
State Operations:					
General Fund	\$189	\$138	\$137	-\$1	-1.0%
Federal funds	142	152	146	-6	-3.3
Subtotals	\$331	\$290	\$283	-\$7	-2.4%
Local Assistance:					
General Fund	\$15,527	\$16,877	\$17,722	\$845	5.0%
Federal funds	108	45	—	-45	-100.0
Subtotals	\$15,635	\$16,922	\$17,722	\$800	4.7%
Totals	\$15,966	\$17,212	\$17,722	\$91	3.0%

Inclusion of GATE in the Consolidated Application—Reduction in State Operations

We recommend that the Legislature adopt Budget Bill language to direct the Department of Education to include the Gifted and Talented Education (GATE) program in the consolidated application because state administration can be provided more efficiently in this manner. We further recommend the deletion of 1.7 positions and related expenses associated with administration of the program, for a General Fund savings of \$129,000. (Reduce Item 6100-001-001 by \$129,000).

The consolidated application process was initiated by the SDE in 1973 to accomplish two purposes: (1) to reduce the administrative burden on districts that otherwise results from the existence of a large number of categorical education programs and (2) to allow for effective and integrated program planning at the school level. Currently, districts receive their funding for seven categorical programs by submitting a single form—the consolidated application.

Recent legislation (Ch 100/81) authorizes inclusion of GATE in school-based consolidated programs. The legislation, however, did not require inclusion of GATE in the district-wide consolidated application. Were GATE funding provided through the consolidated application, our analysis indicates that:

- It would reduce district paperwork.
- School and district GATE program reviews could be combined with the consolidated program review, reducing the number of school-site review team visitations and the need for separate compliance review instruments.

Inclusion of GATE in the consolidated application as part of the Consolidated Programs Division would result in increased efficiency and the elimination of duplicative responsibilities in the administration of categorical aid programs. On this basis, we recommend that GATE be included in the consolidated application.

Our analysis of workload data submitted by the SDE indicates that if the program were included in the consolidated application, the following GATE staff reductions could be made without affecting program quality.

1. The Consolidated Programs Division can absorb, within existing resources, functions currently requiring .82 personnel-years of GATE staff

time. These functions include sending applications to districts and obtaining State Board of Education approval of district applications.

2. Several functions currently performed by GATE staff could, with some additional resources, be performed by the Consolidated Programs Divisions, allowing an estimated *net* reduction of .32 personnel-years. Such functions include processing of district applications and training program reviewers.

3. Some functions needed to implement the new GATE legislation in 1979, are no longer necessary and a reduction in state operations can be made regardless of the decision on the above recommendation. The department's 1980-81 workload data indicates that .56 personnel-years and \$30,000 of consultant and professional services are devoted to the development of new GATE guidelines and implementation. These functions are no longer necessary because guidelines have been published, and because the GATE program legislation has now been in effect for two years. The Department of Education nor the Department of Finance have provided any justification to maintain this funding level.

Accordingly, we recommend that GATE be included in the consolidated application, for a total reduction of 1.7 positions and a \$129,000 General Fund savings.

VOCATIONAL EDUCATION (Item 6100-166-887)

Overview

The vocational education office 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).

Funding

Table 20 shows the funding for vocational education programs in the prior, current, and budget years. 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.

Table 20
Vocational Education Funding
(in thousands)

	<i>Actual</i> 1980-81	<i>Estimated</i> 1981-82	<i>Proposed</i> 1982-83	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
State Operations:					
General Fund	\$3,184	\$3,310	\$3,357	\$47	1.4%
Federal funds ^a	4,430	4,195	4,271	76	1.8
Reimbursements ^b	1,188	1,494	1,560	66	4.4
Subtotals	\$8,802	\$8,999	\$9,188	\$189	2.1%
Local Assistance:					
General Fund	\$452	—	\$25	\$25	N/A
Federal funds ^a	60,534	\$67,454	67,456	2	—
Reimbursements ^b	14,913	13,325	13,325	—	—
Subtotals	\$75,899	\$80,779	\$80,806	\$27	0.1%
Totals	\$84,701	\$89,778	\$89,994	\$59	0.1%
Personnel-years	106.3	115.7	115.7	—	—

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

^b Includes reimbursements from the Employment Development Department for CETA programs.

DEPARTMENT OF EDUCATION—Continued

The budget proposes a General Fund appropriation of \$3.4 million for state administration of vocational education programs in 1982-83, an increase of \$47,000, or 1.4 percent, over the current year. The budget also includes \$25,000 from the General Fund for local assistance, pursuant to an appropriation in Ch 1251/80, for a pilot program providing occupational training to the handicapped.

FEDERAL BLOCK GRANTS
(Item 6100-221-890)

Overview

Effective in federal fiscal year 1983 (begins October 1, 1982), 31 federal educational assistance grants will be consolidated into a single education block grant. The budget estimates a total funding level of \$42.0 million for the new 1982-83 block grant. This amount includes \$7.6 million for state operations and \$34.4 million for local assistance.

Table 21 lists the programs that will be consolidated into the federal block grant.

Table 21
Programs and Funding Consolidated into the
Federal Block Grant
(in thousands)

	<i>Estimated 1981-82</i>
Improving local educational services (ESEA IV-C)	\$19,760
Strengthening state educational agency management (ESEA V-B)	3,703
Emergency School Aid (ESAA)	19,248
School libraries and instructional resources (ESEA IV-B)	15,530
Basic skills improvement (ESEA II)	637
Educational improvements	
a. Community schools (ESEA VIII 809, 810, and 912)	153
b. Consumers education (ESEA III-E)	—
c. Biomedical sciences (ESEA III-L)	265
d. Gifted and talented (ESEA IX-A)	165
e. Metric education (ESEA III-B)	67
f. Ethnic heritage studies (ESEA IX)	90
g. Law related education (ESEA III-G)	136
h. Cities in schools (ESEA III-A 303)	268
i. Push for excellence (ESEA III-A 303)	26
j. Teacher corps (HEA V-A)	1,720
k. Teacher centers (HEA V-B Section 592)	983
l. Pre-science teacher training (National Science Foundation Act)	646
m. Correction education (ESEA III-J)	—
n. Environmental education (ESEA III-H)	—
o. Health education (ESEA III-I)	—
p. Preschool partnership (ESEA III-D)	—
q. Population education (ESEA III-M)	—
r. Youth employment (ESEA III-F)	—
s. Guidance, counseling and testing (ESEA IV-D)	—
t. Education proficiency standards (ESEA IX-B)	—
u. Special grant for safe schools (ESEA IX-D)	—
Career education incentive	1,649
Secretary's discretionary fund (block grant):	
a. Basic skills (ESEA II-C)	—
b. Arts in education (ESEA III-C)	—
c. Alcohol and drug abuse education	—
d. National diffusion program (ESEA III-K)	—
Total	\$65,046

Federal law requires that (1) at least 80 percent of the block grant be allocated as local assistance and (2) no more than 20 percent be retained for state operations. The budget is consistent with the federal law; it proposes that 82 percent of the block grant funds be provided as local assistance and 18 percent be used for state operations.

Advisory Committee

Federal law also requires the state to establish a committee for the purpose of advising the SDE on a formula for allocating the funds. Chapter 1186, Statutes of 1981 (AB 2185), established this advisory committee, which is to (1) be appointed by the Governor by January 1, 1982, (2) submit a recommended formula for allocating the federal block grant, and (3) provide direction to the department on spending priorities for the funds reserved at the state level. The committee will report its recommendations to the Superintendent of Public Instruction and the State Board of Education by May 1, 1982.

The allocation formula will provide for (1) an allocation of funds between state operations and local assistance and (2) the allocation of funds to local education agencies, based on factors such as total enrollments and the number of disadvantaged pupils. The superintendent and the state board must submit their recommended formula to the Legislature and the Governor by July 1, 1982.

Justification Lacking for State Operations Increase

We recommend that the Legislature withhold action on the proposed state operations funding (\$7,611,000) for the federal block grant because the Legislature has been provided no justification for this funding level.

As shown in Table 22, the amount of federal funding received under the block grant in 1982-83 is expected to be \$23.1 million, or 35.4 percent less than funding for the programs consolidated into the block grant. The budget proposal, however, provides for a \$1.6 million increase for state operations. Although the advisory committee and the state board have not submitted to the Governor and the Legislature a recommended allocation formula for the block grant, the budget is anticipating that close to the maximum allocation will be made for state operations.

Table 22
Federal Block Grant Funding
(in thousands)

	Actual 1980-81	Estimated 1981-82	Proposed 1982-83	Change	
				Amount	Percent
State Operations.....	\$5,851	\$5,983	\$7,611	\$1,628	27.2%
Local Assistance:					
A. Shown in Governor's Budget	30,995	35,940	34,389	-1,551	-4.3
B. Not shown in Governor's Budget	23,123 ^a	23,123	—	-23,123	-100.0
Totals.....	\$59,969	\$65,046	\$42,000	-\$23,046	-35.4%

^a 1980-81 local assistance is estimated because some programs awarded grants directly to school districts and complete data on these grants are not available.

DEPARTMENT OF EDUCATION—Continued

The Legislature has not been provided any justification for the increase in state operations nor has the advisory committee had an opportunity to review the proposed funding level to determine if it is necessary in order to accomplish the state operations requirements of the block grant.

Pending justification by the Departments of Finance and Education for the proposed funding level and action by the advisory committee, we recommend the Legislature withhold action on state operations funding for the federal block grant.

ADULT EDUCATION
(Items 6100-156-001 and 6100-156-890)

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 24.6 positions authorized for these functions in 1981-82 and 1982-83.

Funding

Table 23 shows the state operations and local assistance funding for adult education in the prior, current, and budget years.

Table 23
K-12 Adult Education Funding
(in thousands)

	<i>Actual</i> 1980-81	<i>Estimated</i> 1981-82	<i>Proposed</i> 1982-83	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
State Operations:					
General Fund	\$291	\$363	\$371	\$8	2.2%
Federal funds	651	702	739	37	5.3
Reimbursements	158	188	201	13	6.9
Subtotals	\$1,100	\$1,253	\$1,311	\$58	4.6%
Local Assistance:					
General Fund ^a	\$148,530	\$168,916 ^b	\$164,100	-\$4,816	-2.9%
Federal funds	6,879	9,287	9,288	1	—
Reimbursements	91	586	587	1	0.2
Subtotals	\$155,500	\$178,789	\$173,975	-\$4,814	-2.7%
Totals	\$156,600	\$180,042	\$175,286	-\$4,756	-2.6%
Positions	21.4	24.6	24.6	—	—

^a Does not include funding for adults in correctional facilities.

^b The 1981-82 baseline budget for local assistance from the General Fund was adjusted by the Department of Finance to \$159.8 million, but this adjustment is not reflected in the budget display.

The budget requests \$164.1 million from the General Fund for adult education apportionments. Although this is below the amount *appropriated* in 1981-82, it is an increase of 2.7 percent over estimated *expenditures* in 1981-82 (\$159.8 million).

Current law provides for an inflation allowance of 6.0 percent for adult education. The budget proposes a 5.0 percent cost-of-living adjustment (COLA) for eligible districts. Because districts with adult education revenue limits above the statewide average are not entitled to inflation allowances, the total amount required for inflation will be less than 5.0 percent of the baseline amount. The Department of Finance estimates that \$4.3 million will be needed for inflation in 1982-83, which is an increase of 2.7 percent over the adjusted 1981-82 base.

No Growth Budgeted

Current law authorizes state funding for increases in adult ADA of up to 2.5 percent annually. The budget, however, provides no funding for enrollment growth in 1982-83. The statutory increase would require a budget augmentation of \$4.3 million from the General Fund.

We have no analytical basis for determining the appropriate level of growth. Earlier in this analysis, we discussed disparities in the funding policy proposed by the budget for adult education growth and ROC/P growth. As noted in that discussion, we believe the rate of district non-ROC/P adult education growth should be consistent with the ROC/P growth rate because we know of no analytical reason why district programs are more or less important than ROC/P programs.

Adults in Correctional Facilities

The budget proposes to (1) continue the 1981-82 General Fund support (\$1.2 million) for adults in correctional facilities and (2) provide a 5 percent inflation increase (\$61,000) for this program.

INDIAN EDUCATION

(Items 6100-131-001 and 6100-151-001)

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 3.9 positions.

Indian Education Centers

Twelve Indian Education Centers provide a variety of services to K-12 pupils and adults. The centers are administered by boards of directors, encompass many school districts, and serve over 3,000 pupils and adults in numerous school districts.

State funds typically finance tutorial services to Indian school children. Other fund sources are used to finance an array of educational, employment, and cultural services at the centers.

Native American Indian Education Program

The Native American Indian Education program provides supplemental educational services in basic skills to about 1,200 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 \$30,000.

Table 24 shows state administration and local assistance expenditures for the two Indian education programs.

We recommend approval.

DEPARTMENT OF EDUCATION—Continued

The budget proposes an increase of 1.7 percent for state operations, and a cost-of-living increase of 4.6 percent for local assistance. Our analysis indicates that the budget proposal for these two programs is reasonable, and therefore we recommend approval.

Table 24
Expenditures for Indian Education
(in thousands)

	<i>Actual</i> 1980-81	<i>Estimated</i> 1981-82	<i>Proposed</i> 1982-83	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
State Operations	\$203	\$179	\$182	\$3	1.7%
Local Assistance:					
Native American Indian Education Program	301	319	333	14	4.4
American Indian Education Centers	708	750	785	35	4.6
Totals	\$1,212	\$1,248	\$1,300	\$52	4.2%

DEMONSTRATION PROGRAMS IN READING AND MATHEMATICS
(Item 6100-146-001)

Overview

Demonstration Programs in Reading and Mathematics were established to provide cost effective exemplary programs in grades 7, 8, and 9, using intensive instruction. The enabling legislation for demonstration programs specifies that the programs are to (1) develop new approaches to the teaching of reading and mathematics, (2) provide information about the successful aspect of the projects, and (3) encourage project replication in other schools. In 1981-82, the program served 8,500 students in 30 schools representing 21 districts.

We recommend approval.

The budget proposes an appropriation of \$3,830,000 for demonstration programs in 1982-83. State operations for the program are allocated \$92,000—the same amount as in 1981-82. The local assistance allocation is proposed at \$3,738,000 which reflects a 5.1 percent cost-of-living adjustment. Because evaluations show this to be a successful program, we recommend approval as budgeted.

3. STATE, COURT, AND FEDERAL MANDATES

Under the provisions of current law, the state reimburses school districts for the cost of local programs which are mandated by the state, the courts, or the federal government. These reimbursements are funded from the General Fund.

Table 25
Expenditures for State, Court, and Federal Mandates
(in thousands)

	<i>Actual</i> 1980-81	<i>Estimated</i> 1981-82	<i>Proposed</i> 1982-83	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
State mandates	\$43,123	\$22,667	\$14,992	-\$7,675	-33.9%
Court and federal mandates	150,926	128,726	128,726	—	—
Totals	\$194,049	\$151,393	\$143,718	-\$7,675	-5.1%

State Mandates (Item 6100-216-001)

Table 25 shows the General Fund expenditures for such mandates. As the table indicates, a total of \$143,718,000 is proposed for reimbursements in the budget year. Of this amount, \$14,992,000 (10.4 percent) is earmarked for state mandates and \$128,726,000 is earmarked for court and federal mandates.

Table 26 shows the state mandates for which the \$15.0 million is being proposed. The proposed appropriation is an increase of \$54,000 over estimated current expenditures, exclusive of amounts provided for prior year deficiencies or contained in claims bills.

Table 26
State Mandates
(in thousands)

	Actual 1980-81	Estimated 1981-82	Proposed 1982-83	Change	
				Amount	Percent
School attendance review boards	—	\$4,500	\$1,324	—\$3,176	—70.6%
Teacher jury duty	\$1,094	1,100	1,452	352	32.0
Collective bargaining	8,162	6,500	8,794	2,294	35.3
Employee dismissal evaluation	17	8	1	-7	-87.5
Pupil basic skills—notification	576	300	746	446	148.7
Pupil basic skills—conferences	1,000	1,000	1,000	—	—
Pupil disciplinary procedures	327	325	245	-80	-24.6
Administrators transferred to teaching	1	2	1	-1	-50.0
Immunization records	—	600	943	343	57.2
Scoliosis screening	175	603	486	-117	-19.4
Subtotals	\$11,352	\$14,938	\$14,992	\$54	0.4%
Prior year deficiencies appropriated in the Budget Act of 1980	\$24,761	—	—	—	—
Prior claims bills	7,010	\$7,729	—	—\$7,729	-100.0%
Totals	\$43,123	\$22,667	\$14,992	—\$7,675	-33.9%

School Attendance Review Boards (SARBs)

We recommend that urgency legislation be enacted to repeal the mandate of Chapter 1215, Statutes of 1974, requiring each county to maintain a School Attendance Review Board (SARB), in order to allow counties more flexibility in addressing school attendance issues. We further recommend that, pending enactment of legislation, Budget Bill language be adopted to deny reimbursement of 1982-83 SARB claims, for a General Fund savings of \$1,324,000. (Reduce Item 6100-216-001 by \$1,324,000).

Chapter 1215, Statutes of 1974 (SB 1742), requires each county office of education to establish and maintain a School Attendance Review Board (SARB) to address school attendance and related problems. The Board of Control determined that Ch 1215/74 contained a mandated local program because the act required counties to establish SARBs. The budget proposes \$1,324,000 to reimburse districts for the mandated costs they will incur in 1982-83.

The county SARB functions as a multidisciplinary board consisting of parents and representatives of school districts, the county probation department, the county welfare department, and the county superintendent of schools. In addition, some local school districts have established SARBs at their own initiative which receive guidance and assistance from the county SARB.

Our analysis indicates that there is no compelling reason for the state

DEPARTMENT OF EDUCATION—Continued

to mandate the establishment of SARBs. While the state has an interest in promoting attendance in educational programs, local districts have an even stronger interest in this area. This is because the principal benefits of increased attendance accrue at the local level—(1) a better educated community and (2) additional revenues to school districts in the form of state apportionments based on attendance. For these reasons, the state should be able to rely on the districts to do what is necessary in this area, and thereby avoid the cost of supporting the SARBs.

Our interviews reveal that the effectiveness of SARBs varies from county to county. Some counties operate a successful SARB while others rely upon the local school district SARBs to cope with attendance problems. A few county SARBs do not meet on a regular basis and provide little guidance to the local boards. Removal of the mandate would allow each county office to assess the merits of its SARB, and make such adjustments as are necessary to deal more effectively with attendance problems.

Counties may continue to operate successful SARBs even without the mandate as indeed individual districts have done. They will also have the opportunity to alter or dismantle unsuccessful SARBs, and rely on other means for increasing school attendance. Alternative measures for addressing attendance and discipline problems, such as parent notification of pupil absences, alternative education programs, school site councils, parent advisory committees and community advisory committees, may be more effective at dealing with attendance problems in many cases because they operate at the district or school site level and their members are more likely to understand the community factors affecting the student.

The final decisions on whether to retain, modify, or dismantle SARBs, however, would be made by those in the best position to judge the efficacy of SARBs—by county and local officials.

Because (1) there is no compelling reason for the state to mandate SARBs, (2) the cost of the SARB should be borne at the local level and can be funded from increased school apportionment aid resulting from successful efforts to increase attendance, (3) the effectiveness of SARBs varies from county to county, and (4) alternative means for addressing school attendance problems are available, we recommend that urgency legislation be enacted to repeal the SARB mandate. Pending enactment of such legislation, we recommend Budget Bill language be adopted to deny reimbursement of SARB mandate claims for 1982-83.

Mandate Report

Resolution Chapter 62, Statutes of 1980 (SCR 58) required our office to evaluate and make recommendations on various specified local mandated programs. Elsewhere in this analysis, we have discussed recommendations resulting from our review of two of the five education programs, covered by Resolution Chapter 62—the single session kindergarten and driver training mandates. Our findings and recommendations regarding the other three education mandates are briefly summarized in this section. Our findings and recommendations on these mandates are contained in *An Analysis of 21 State Mandated Programs*, (Report 82-2, January 1982).

The Civic Center Act Should be Repealed.

We recommend that legislation be enacted to repeal the Civic Center Act, because it is not clear why the state should require that part of the limited amount of funds available for instruction be used to subsidize activities which have benefits that accrue locally.

The Civic Center Act requires all schools to be civic centers, and therefore to be available for use by specified community groups free of charge.

Our analysis indicates that there is no apparent statewide interest in requiring school districts to use part of the limited amount of funds available for instruction to subsidize community groups. Here again, the principal benefits from the activities of these groups accrue at the local level, and localities would thus appear to be in the best position to determine when such a subsidy is warranted. Accordingly, we recommend that the Civic Center Act be repealed or made permissive.

If the act is not repealed then it should be amended to allow districts to establish one or more schools as the civic center, rather than require all schools to be civic centers. This amendment would allow school districts to reduce costs by concentrating activities whenever possible.

High School Graduation Standards

We recommend that the Legislature: (1) establish a statewide minimum proficiency standard that graduating high school students must meet, (2) allow individual school districts to set standards that are higher than the state's but which do not constitute graduation requirements, and (3) require the Department of Education to review periodically the implementation of the state standards in order to assure district compliance.

Our analysis indicates that there are significant variations among the minimum proficiency standards adopted by the districts. As a result, students of equal ability are treated differently at the end of their senior year. More importantly, the absence of statewide standards results in there being no means to ensure that the state's interest in mandating proficiency standards is fulfilled. Without a state minimum standard, districts are able to award high school diplomas without meeting their obligations either to the students or the state.

We believe both the state and local interests in promoting pupil proficiency can be met by (1) establishing a state minimum standard and (2) allowing local school districts to set standards higher than the state minimum. The state standard would be used as the basis for awarding high school diplomas, while the local standard could be used for ensuring local accountability to district residents. Accordingly, we recommend that the Legislature establish minimum proficiency standards on a statewide basis.

The purpose of this recommendation is *not* to deny diplomas to a greater number of high school students. Rather, this recommendation is intended to improve the quality of the instructional program offered by local school districts so that high school graduates have at least the minimum skills needed to participate successfully in our society.

Administrator-Teacher Ratio

We recommend that legislation be enacted to repeal the ceilings on administrator-teacher ratios as well as the requirement that districts exceeding the ceiling pay a penalty. We further recommend that, if the ceilings are not repealed, legislation be enacted to (1) include in the administrator-teacher ratio both administrators and teachers who are fund-

DEPARTMENT OF EDUCATION—Continued

ed from categorical aid programs and (2) ensure more accurate proration of "administrative teachers" time between administrative and classroom activities.

The intent of the law establishing a ceiling on administrator-teacher ratios is to control unnecessary growth in administrators. It does this by requiring districts to pay a penalty for the cost of administrators above the specified ratio. We believe this intent can be met by allowing the local districts to determine the number of administrators that are needed. The ratio selected by local districts would reflect revenue constraints, collective bargaining considerations, and other local concerns.

Accordingly, we recommend legislation be enacted to repeal the ceilings on administrator-teacher ratios and the penalties on districts which exceed the ratios.

The effect of this recommendation would be to provide more flexibility to local school districts in determining the number of administrators and teachers required in the district.

If the Legislature decides not to repeal the ratio and penalties, we recommend that it amend the requirements governing the ratio calculation to (1) include both administrators and teachers funded from categorical aid programs and (2) ensure better reporting of administrative teachers' time.

Under current law, some administrators are excluded while *all* teachers are included in the ratio calculation. This inconsistency causes the ratio to understate the actual number of administrators per 100 teachers. Additionally, the ratio process may not accurately reflect the time teachers spend on administrative functions because there are no clear definitions of such time.

Because the ratio calculation process (1) is inconsistent regarding personnel to be included in the calculation and (2) does not clearly define teacher-administrative time, we recommend that, if the ratio and penalties are continued, legislation be enacted to include all administrators and teachers funded with categorical aid and to ensure more accurate proration of teacher-administrative time.

The effect of this recommendation would be to provide more accurate information on the number of administrators per 100 teachers.

FEDERAL AND COURT MANDATES
(Item 6100-114-001)

Overview

Prior to the passage of Proposition 13, school districts were authorized to fund final court orders and federal mandates through the local property tax. In 1978-79 and 1979-80—pursuant to post-Proposition 13 fiscal relief legislation—federal and court mandates affecting school districts were funded by the state through a revenue limit reimbursement of district claims for apportionment aid. Through 1979-80, the state was automatically liable for all new federal and court mandate costs imposed on school districts. This policy was changed in 1981.

Current Law

Chapter 100, Statutes of 1981 (AB 777), removed mandate funding from general revenue limits. Such funding will now be provided in the annual Budget Act. The 1981 Budget Act contains an Item to provide this funding. The 1981 Budget Act also provides that the reimbursement among claiming districts will be prorated if the amounts claimed exceed the budget act appropriation. The Board of Control, however, is authorized to review such excess claims for possible inclusion in a subsequent claims bill. In addition, the Controller reviews each mandate claim to determine if the costs claimed are reasonable.

Funding Patterns

Table 27 shows the total amount of state reimbursements provided to districts for federal and court mandates since 1978-79. In 1981-82, the appropriation for these reimbursements totaled \$128.7 million. The budget proposes a like amount for 1982-83.

Table 27
Funding for Federal and Court Mandates
(in millions)

	<i>Funding Level</i>	<i>Dollar Change Over Prior Year</i>	<i>Percent Change Over Prior Year</i>
1978-79	\$60.0	—	—
1979-80	141.7	\$81.7	136.2%
1980-81	150.9	9.2	6.4
1981-82 (estimated)	128.7	-22.2	-14.7
1982-83 (proposed)	128.7	—	—

The state currently funds two types of claims: (1) court-ordered desegregation and (2) employee maternity leave benefits established by federal law.

Although only four districts have submitted claims for court-ordered desegregation, these claims account for approximately 98 percent of the total 1980-81 appropriation for mandate reimbursements. Table 28 displays the court-ordered desegregation mandate claims for 1981-82, as approved by the Controller, and the estimated reimbursements based on proration of the \$128.2 million allocated for these claims.

Table 28
1981-82 Claims Approved by the Controller
and Estimated Reimbursements for
Court-Ordered Desegregation
(in thousands)

	<i>Approved Claim</i>	<i>Estimated Reimbursement</i>	<i>Difference (Eligible for Reimbursement through the Board of Control)</i>
Los Angeles	\$138,077	\$108,982	\$29,095
San Bernardino Unified	2,987	2,564	423
San Diego Unified	17,835	14,104	3,731
Stockton Unified	3,000 ^a	2,564	436
	<u>\$161,899</u>	<u>\$128,214</u>	<u>\$33,685</u>

^a Estimate based on data from the Controller's office.

DEPARTMENT OF EDUCATION—Continued

As indicated by the table, there are unfunded claims of approximately \$33.7 million which may be submitted to the board of Control for reimbursement through a current year claims bill. In addition, if claims for 1982-83 parallel current year claims, an additional \$33.7 million may be submitted for inclusion in a budget year claims bill.

State reimbursements for court mandates finance a major portion of the four districts' total desegregation budgets. Other funding sources for desegregation include district general funds, federal Emergency School Aid Act funds, federal ESEA Title VII funds (bilingual-bicultural education), the Transition Program for Refugee Children, and National Origin Desegregation Assistance.

Recommend Reallocation of Additional Bilingual Education Funds

We recommend that \$8,470,000 in court-mandate reimbursement funds currently provided to four school districts to fund bilingual education components of court ordered desegregation plans instead be allocated through the statewide Economic Impact Aid program, because there is no analytical justification for providing additional bilingual education funds to only the four districts. (Reduce Item 6100-114-001 by \$8,470,000 and increase Item 6100-121-001 by \$8,470,000).

Each of the four school districts facing court-ordered desegregation include a substantial bilingual education component as a part of its integration activities. The bilingual education components include such activities as basic skills development in a pupil's primary language (other than English), summer school for limited English proficient (LEP) pupils, instruction in English as a second language, parent education, and the recruitment of and salary incentives for bilingual teachers.

Table 29 indicates the proposed state reimbursement for court-ordered desegregation in 1981-82, and the cost of each desegregation plan's bilingual education component.

Table 29
State Reimbursement of Bilingual Education Components
of Court-Ordered Desegregation Plans
(in thousands)

	<i>Total Reimbursement 1981-82 (est.)</i>	<i>Bilingual Education Component</i>	<i>Percent of Total Reimbursement</i>
Los Angeles Unified	\$108,982	\$7,004	6.4%
San Bernardino Unified	2,564	260	10.1
San Diego Unified	14,104	723	5.1
Stockton Unified	2,564	483	18.8
Totals	\$128,214	\$8,470	6.6%

Double Funding of Each District's Bilingual Education Component

Our review of the bilingual components which are included in desegregation plans indicates that although bilingual program requirements may be more specific for these four districts, the basic requirements that these districts must meet in the provision of educational services to LEP pupils apply to all other districts in the state as well. In effect, *all* school districts

are under federal court order to meet the educational needs of limited English proficient (LEP) pupils, as a result of the U.S. Supreme Court decision in *Lau v. Nichols*. In addition, *all* school districts are required to provide bilingual education to LEP pupils as specified by state legislation.

The other districts fund their bilingual education program with funds provided through a combination of categorical programs, primarily Economic Impact Aid. The four court mandate districts also receive aid from the same categorical programs. Consequently, the four districts are receiving double funding for meeting their bilingual education obligations, since they are receiving court mandate reimbursements for this purpose *and* state and federal categorical monies that are intended to fund activities either required or authorized by existing law.

We recommend that double funding for these costs be eliminated because:

- District implementation of the court-ordered plan pertaining to bilingual education does not necessitate an increase in costs over what is required, or authorized, by existing law.
- The four districts are eligible for and receive categorical program funds which they may use to fund bilingual education activities covered by the court order.

We further recommend that the extra bilingual monies currently allocated to the four court-mandate districts be reallocated statewide through the EIA formula because this funding mechanism is the primary source of funds for district bilingual programs. The EIA formula provides monies for state compensatory education programs (EIA/SCE) and for bilingual programs (EIA/LEP). The formula is the most effective existing mechanism to deliver funds to LEP pupils because the determination of the formula includes the percentage of a district's pupils with Asian and Spanish surnames and Indian pupils which are proxies for the number of LEP pupils.

The effect of this recommendation would be to reduce the four districts' bilingual court-mandated program funds by a total of \$8,470,000. The net reduction in state funds going to these districts, however, would be less because they would receive a portion of these funds back, through the Economic Impact Aid program.

Funds are Needed Statewide

Our analysis indicates that additional funds for bilingual education are needed statewide because of the continuing increase in the number of limited English proficient (LEP) pupils. Our review of the spring 1981 census of LEP pupils indicates that there are 377,000 non-English and limited-English speaking pupils in K-12. This represents a 15.6 percent increase in the number of LEP pupils identified in 1980, and a 30.9 percent increase from the 1979 census. In contrast, under the Governor's Budget, the program level in 1982-83 would remain at the 1980-81 level, when measured in terms of purchasing power.

Because the number of LEP pupils identified statewide continues to increase significantly while the primary state funding program base for bilingual education has remained effectively constant, we recommend that additional program funds currently allocated to the four court mandate districts be distributed statewide through the EIA funding formula. The effect of this recommendation will be to increase funding for the EIA program by \$8,470,000 (4.7 percent).

DEPARTMENT OF EDUCATION—Continued

4. SPECIAL EDUCATION

Special education includes (1) local assistance to support the Master Plan for Special Education, (2) state administration, (3) support for the state special schools, and (4) assistance to the Southwest Regional Deaf-Blind Center. In 1982-83 special education will serve approximately 375,000 students who are learning, communicatively, physically, or severely handicapped.

Table 30 shows the expenditure and funding for special education in the prior, current, and budget years. The budget proposes total expenditures of \$845,352,000 in 1982-83, an increase of \$2,589,000, or 0.3 percent, above the current year level. The General Fund will support 89.4 percent of all special education expenditures, while federal funds will account for 10.0 percent and reimbursements will finance the remaining 0.6 percent.

Table 30
Special Education Program
Expenditures and Funding
(in thousands)

	<i>Actual</i> 1980-81	<i>Estimated</i> 1981-82	<i>Proposed</i> 1982-83	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
1. State Operations					
State administration	\$5,607	\$6,571	\$6,685	\$114	1.7%
Clearinghouse Depository	357	371	378	7	1.9
Southwest Deaf-Blind Center	1,202	755	786	31	4.1
Special Schools	31,783	33,907	34,810	903	2.7
Subtotals	\$38,749	\$41,604	\$42,659	\$1,055	2.5%
2. Local Assistance					
General Funds	\$639,493	\$707,080	\$724,002	\$16,922	2.4%
Federal funds	96,304	94,079	78,691	-15,338	-16.4
Subtotals	\$735,797	\$801,159	\$802,693	\$1,534	0.2%
Totals	\$774,746	\$842,763	\$845,352	\$2,589	0.3%
General Fund	\$671,387	\$738,421	\$756,163	\$17,742	2.4%
Federal funds	100,952	99,446	84,175	-15,271	-15.4
Reimbursements	2,407	4,896	5,014	118	2.4

Special education expenditures in 1981-82 are estimated to be greater than the amount proposed by the Governor in his 1981-82 budget. This is because the Legislature appropriated \$30 million in the 1981 Budget Act to fund the 1980-81 special education deficit. This one-time expenditure is reflected in the 1981-82 estimate of local assistance supported by the General Fund.

The total change in funding for special education in the budget year—\$2,589,000—reflects (1) the elimination of the \$30 million one-time appropriation for local assistance, (2) a \$46.9 million (6.93 percent) statutory cost-of-living adjustment for General Fund local assistance, (3) a \$15,271,000 (15.4 percent) reduction in federal aid from PL 94-142, and (4) baseline increases for state administration.

MASTER PLAN FOR SPECIAL EDUCATION (Item 6100-161-001)

Overview

California students receive special education services through the Master Plan for Special Education (MPSE). Under the Master Plan, local education agencies (LEAs) administer special education services through regional entities called Special Education Service Regions (SESRs). The SESR may be a single district, a group of districts, or the county office of education in combination with districts.

Current special education funding is provided through Ch 797/80 (SB 1870), as amended by Ch 1094/81 (SB 769). Prior to the adoption of SB 1870, MPSE districts received state funds at a flat rate per student served, while state aid to non-Master Plan districts was disbursed through a highly structured mechanism based on each student's handicapping condition, grade level, and instructional setting. Senate Bill 1870 phased out the funding mechanism for non-Master Plan districts, and established a funding model for all districts based on the cost of services provided (rather than on the number of students served).

Students Served

Special education programs served 360,584 students as of December 1, 1980. Under the MPSE, students receive services through one of four instructional settings: special day classes, resource specialist programs, designated instruction and services, and nonpublic schools. Table 31 shows the distribution of special education students, by general disability and instructional setting.

Table 31
Special Education Enrollments
December 1, 1980*

Placement	Disability				Totals
	Communication	Learning	Physical	Severe	
Special day classes	18,956	58,992	8,055	22,292	108,295
Resource specialist	1,064	116,481	796	159	118,500
Designated instruction and services	96,411	6,804	25,424	616	129,255
Nonpublic school	300	2,559	93	1,582	4,534
Totals	116,731	184,836	34,368	24,649	360,584

* Placements for non-Master Plan enrollments are converted to Master Plan placement categories.

1980-81 Special Education Deficit and SB 769

In 1980-81, special education claims exceeded the appropriation by approximately \$117 million. A similar deficit was projected last summer for 1981-82. In response, the Legislature took two actions. First, it partially funded the 1980-81 deficit by appropriating an additional \$30 million in the 1981-82 budget. Second, it passed SB 769 (Ch 1094/81) in September 1981 to reform the MPSE program.

Because it changes the formulas used to claim state aid, SB 769 is expected to reduce, *but not eliminate*, the 1981-82 deficit. Among other things, SB 769 provides for:

- A reduction in the amount that LEAs may claim for support services.
- A reduction in summer school funding to 60 percent of the amount provided during the regular school year.
- Existing special education classes to be filled to specified levels before new classes may be added.

DEPARTMENT OF EDUCATION—Continued

- Hearing officers to consider costs when deciding placement in non-public, nonsectarian schools.

These provisions, coupled with other changes in the law, are expected to reduce the MPSE deficit to \$28.7 million for the 1981-82 fiscal year, according to the Senate Office of Research.

Existing law does not require the state to fund a deficit in MPSE, should one arise. Hence, the success or failure of SB 769 in reducing the projected deficit will not necessarily influence claims against the General Fund. If there is a deficit in 1981-82, and if the state chooses not to fund it, the available funds will be prorated among the LEAs claiming reimbursement.

Potential Special Education Deficit in 1982-83

The budget shows total special education expenditures of \$845,352,000 in 1982-83. Of this amount, \$802,692,655 is budgeted for local assistance, with 90.2 percent coming from the General Fund and 9.8 percent coming from federal funds.

Our analysis indicates that the amount budgeted for local assistance may not be adequate to meet the 1982-83 claims for special education reimbursements. Even if we assume no deficit in special education funding for 1981-82 and no increase in service levels in 1982-83, the amount proposed in the budget may fall short of total claims by \$22.6 million, due to two factors—inflation and reduced federal funds.

Inflation. Chapter 1094, Statutes of 1981 (SB 769), requires that special education costs of school districts and county offices be adjusted for inflation by the factor provided for unified school districts with more than 1,500 ADA. For 1982-83, the budget proposes an inflation adjustment of 6.93 percent for these districts. *The budget, however, provides this inflation factor only to the General Fund share of local assistance for special education.* No adjustment is proposed to maintain the purchasing power of federal funds, which will not increase to offset the effects of inflation. Similarly, the LEAs' required local general fund contribution, also known as encroachment, is not indexed for inflation. Because the local general fund contribution offsets state reimbursements on a dollar-for-dollar basis, failure to index this amount ensures that the state's *share* of special education costs will rise. Our analysis indicates that the absence of an inflation adjustment to either the federal or county share may result in an \$18.3 million deficit in 1982-83.

Federal Fund Reduction. In addition, the budget does not propose funds specifically to replace the \$4.0 million in one-time federal funds provided for 1981-82 local assistance pursuant to Ch 1094/81. Because this \$4.0 million is available only in 1981-82, funding for local assistance in 1982-83 will decline by this amount plus inflation (a total of \$4.3 million).

Other Factors that May Increase the Deficit. Our analysis indicates that the deficit could be even higher than \$22.6 million as noted above. Projections of special education costs suggest that the districts will incur a \$28.7 million deficit in the current year. Consequently, it is not reasonable to assume the 1981-82 base budget for local assistance will be adequate in 1982-83. If the projections are correct, then the budget for 1982-83 is deficient by an additional \$28.7 million, adjusted for inflation, or \$30.7 million.

Finally, special education claims in the budget year may exceed the

amount appropriated in the budget because the Master Plan, as amended by Ch 1094/81, allows for increases in state funded enrollments. The budget, however, provides no funds for such growth in 1982-83.

Taking all of these factors together, the total special education funding deficit in 1982-83, assuming a 6.93 percent inflation adjustment for all local entitlements, could exceed \$53 million, even if no increases in state funded enrollment occurs.

Eligibility Criteria

Chapter 1247, Statutes of 1977 (AB 1250), required the State Board of Education to develop and promulgate, by January 1, 1979, criteria to identify students in need of special education services. In July 1979, the SDE released a preliminary draft of pupil eligibility criteria for field review and comment. The department, however, subsequently withdrew these criteria citing (1) a conflict between the criteria and the intent of the MPSE to avoid the unnecessary labeling of students and (2) a court decision which ruled out the use of specific testing procedures to identify learning handicapped students.

With the adoption of SB 769 (Ch 1094/81) the State Board of Education is again called upon to provide specific criteria for the identification of students with exceptional needs. The criteria are to be adopted within six months after passage of the act. Consequently, the deadline for action by the State Board of Education on this matter is March, 1982.

Our conversations with special education administrators reveal that the lack of specific eligibility criteria yields two distinct sets of problems. *First*, students who are "slow learners" may be improperly identified as handicapped, and thus placed in a more restrictive learning environment. Similarly, parents may demand that their child receive special education placement, despite the findings of a local assessment team that such a placement is inappropriate. Lacking specific criteria, the local assessment team may defer to the parents in an effort to avoid a confrontation in a fair hearing suit. This practice leads to an overenrollment in special education classes, at the expense of both the taxpayers and the students.

The *second* problem associated with the lack of eligibility criteria is perhaps more serious. Currently, initial identification and assessment of potential special education students occurs at the local level, in accordance with locally developed standards. Although local officials inform us that their eligibility criteria conform to the intent of federal PL 94-142 and the MPSE, there is reason to believe that some variation in eligibility criteria exists among districts. This implies that some students with learning handicaps may not be identified, and consequently may not receive the appropriate special education services to which they are entitled.

Enrollment Growth is Not Funded

Chapter 1094, Statutes of 1981 (SB 769), amended the provisions of Ch 797/80 (SB 1870) regarding state-funded enrollment growth in special education. Specifically, the law restricts state-funded enrollment growth in 1981-82 to 50 percent of the allowable increase under Ch 797/80. Because there is no such restriction in 1982-83, special education enrollments eligible for state funding may increase by as much as 35,000 students statewide in 1982-83. As noted above, the budget provides no state funds for enrollment growth.

We believe that state funds should not be made available for special education enrollment growth until the State Board of Education adopts

DEPARTMENT OF EDUCATION—Continued

eligibility criteria. In the absence of such criteria, there is no basis for determining how much growth should occur.

Cost Standards and Criteria

Chapter 1094, Statutes of 1981 (SB 769), requires the Department of Education to issue standards and criteria to assist LEAs in determining special education costs. These standards and criteria are due by January 1, 1982. At the time this was written, we were reviewing a preliminary draft of the department's proposal, and we will be prepared to comment on the final version during the budget hearings.

Report on SB 1870 Implementation

Chapter 797, Statutes of 1980 (SB 1870), required the Legislative Analyst to report to the Legislature on the status of Master Plan implementation. Our findings which have been submitted to the Legislature in a separate report, are summarized below. It is important to note, however, that some of our findings may no longer be valid, given recent program changes. The Legislature adopted Ch 1094/81 (SB 769) to reduce the projected special education deficit, and many of the provisions of Ch 797/80 are no longer in effect. As a result, some of our findings relate only to the pre-SB 769 funding arrangement.

Audits. Of 789 LEAs submitting claims for support services, 188 are eligible to be audited under the provisions of SB 1870. The Controller was appropriated \$300,000 to conduct these audits, and he had expended approximately \$115,000 as of December 1981. With 10 audits completed and approximately 15 soon to be completed, the auditors noted that accounting procedures vary by LEA, and different items are claimed as support cost from LEA to LEA. (Senate Bill 769 addresses this problem and requires the SDE to issue cost standards and criteria for special education by January 1, 1982.)

Local General Fund Contribution. In 1979-80, the base year for special education reimbursement calculations, expenditures for special education totaled \$1,057,696,496. Of this amount \$197,707,627, or 18.7 percent was provided by LEAs from their general fund. Senate Bill 1870 freezes the local general fund contribution, also known as encroachment, at the 1979-80 level, and state aid is apportioned based upon this amount. The local general fund contribution per ADA varies considerably, ranging from \$0 to \$1,837. The median contribution is \$36.75 per ADA.

State Funding Limits. Under the Master Plan, LEAs are funded according to the number of special education classes offered rather than the number of students enrolled. In 1980-81, many classes, especially in the resource specialist program, were being offered with few students in each class. This resulted in "richer" programs being offered than had been expected when SB 1870 was passed. The state could accommodate enrollment growth of approximately 6 percent in 1981-82 at no increased cost to the state by requiring that existing classes be filled to the statutory limits of SB 1870. (Senate Bill 769 imposes such class size standards as a criterion for adding new classes.)

Waiver Requests. Districts, special education service regions or county offices may submit a request for a waiver of the limits on state funded special education classes. The Superintendent of Public Instruction is authorized to grant such waivers when compliance with the limits would impose undue hardships on the special education provider. In 1980-81, 41

waiver requests were submitted. The superintendent granted 16 of the requests and denied 25. Three of the sixteen approvals resulted in no net increase in cost to the state. The remaining 13 were granted due to the difficulty of filling classes in sparsely populated areas.

Special Transportation. In 1979-80, the state provided \$70,850,655 in special transportation reimbursements to county offices and school districts. Districts transported 43,619 pupils and received \$40,673,357 from the state, while county offices transported 19,127 pupils and received \$30,177,298. The per pupil special transportation costs of the county offices is generally higher than that of the school districts because the county office usually serves a larger area, and county-served pupils are often more severely handicapped. Senate Bill 1870 adjusts for this cost difference by providing 80 percent prior year reimbursement to districts and 100 percent prior year reimbursement to county offices.

Programs in State Hospitals

There are approximately 2,700 people under the age of 22 who may be eligible to receive special education services under Ch 1191/80 (AB 1202). This measure makes the Department of Developmental Services (DDS) responsible for ensuring that state hospital residents under age 22 are provided a free appropriate public education. The budget proposes \$4,692,000 for state hospitals to use in providing educational services to residents identified as students with exceptional needs.

The Departments of Education and Developmental Services entered into an interagency agreement on July 29, 1981 which provides guidelines for the provision of special education and related services, and specifies the responsibilities of the two departments. The interagency agreement addresses compliance with federal and state laws, credentialing and licensing personnel, individualized education programs, program reviews, and funding. Both DDS and SDE have developed guidelines for the calculation of reasonable costs for services provided under contracts between state hospitals and local public agencies. These guidelines are modeled after the funding provisions of the Master Plan for special education, as specified in Ch 797/80 (SB 1870).

FEDERAL PUBLIC LAW 94-142 (Item 6100-161-890)

In November 1975, the Congress adopted the Education for All Handicapped Children Act (PL 94-142), which mandated that by September 1, 1978, all children age 3-18 years be provided "a free appropriate public education." The Congress also appropriated federal funds to states and local education agencies to assist in the implementation of special education programs.

Use of PL 94-142 Funds

We recommend that the Legislature adopt Budget Bill language directing the Department of Education to allocate no less than \$65,800,000, which includes \$4 million as a continuation of the 1981-82 transfer from state discretionary funds to local entitlements, of the 1982-83 PL 94-142 grant to local entitlements. If the PL 94-142 grant exceeds \$78,600,000, we further recommend that the department allocate no less than 84 percent of the increased funds to local entitlements in order to reduce the projected 1982-83 deficit. (Potential savings to the General Fund of approximately \$4 million).

In 1981-82, the SDE received a \$78.6 million grant under PL 94-142. Of

DEPARTMENT OF EDUCATION—Continued

this amount, the department proposed to allocate \$61.8 million (78.5 percent) to local entitlements, \$13.7 million (17.4 percent) to state discretionary programs, and \$3.2 million (4.1 percent) to state administration.

Chapter 1094, Statutes of 1981 (SB 769), directed the department to reallocate \$4 million from the state discretionary programs to local entitlements in order to reduce the 1981–82 deficit in special education funding. Subsequently, the department's PL 94-142 award was supplemented with an unanticipated grant of \$400,000 from the Federal Office of Special Education and carryover funds of \$3.9 million from 1979–80. This allowed the department to maintain its state discretionary funding level of \$13.7 million and provide the additional \$4 million in local entitlements required by Ch 1094/81.

The budget anticipates that the state will receive a similar PL 94-142 grant in 1982–83. It does not, however, indicate whether or not the \$4 million will be provided as local entitlements in 1982–83. Under the provisions of Ch 797/80 (SB 1870), all federal PL 94-142 funds disbursed as local entitlements are used as an offset against state special education costs. In order to reduce the projected 1982–83 special education funding deficit, the department, therefore, should allocate at least \$65,800,000 to local entitlements. If the 1982–83 award exceeds the current year award, local entitlements should account for at least 84 percent of the total. This allocation is in accordance with the department's original budget proposal for 1981–82 after the SB 769 directive. If a deficit arises in 1982–83, and if the Legislature chooses to fund the deficit, then the PL 94-142 allocation to local entitlements will offset General Fund expenditures.

Report on Nonparticipation in PL 94-142

In the 1981–82 *Analysis*, we recommend that the Legislature direct the Department of Education to prepare a report on the fiscal and program impact of the state withdrawing from the PL 94-142 program. This recommendation was made because our analysis revealed that compliance with the provisions of PL 94-142 was in part responsible for the escalation in statewide special education costs. Subsequently, the Legislature directed, through the *Supplemental Report to the 1981 Budget Act* that the department prepare such a report. The department's report is due no later than February 1, 1982.

Advisory Commission on Special Education

We recommend that the Advisory Commission on Special Education be funded from federal PL 94-142 funds, for a General Fund savings of \$67,000 because the federally required commission should be funded with federal aid. (Reduce Item 6100-001-001 by \$67,000).

Federal law (PL 94-142) requires that, as a condition for receiving federal funds, states must maintain an advisory board on special education. The board is responsible for providing input and advice on special education issues such as unmet needs, rules and regulations, and program evaluations. In California this board is called the Advisory Commission on Special Education, and it is composed of 17 members—one from the Legislature, one from the State Board of Education, and fifteen from the general public. Members of the commission do not receive salaries or stipends but are reimbursed for their actual and necessary expenses. The budget proposes \$67,000 in General Fund support for the commission in 1982–83.

The Advisory Commission on Special Education satisfies a federal mandate, and federal funds are available to pay the cost of complying with this mandate. Therefore, we recommend that the department allocate PL 94-142 funds to pay for the commission, thereby making additional General Fund monies available for allocation by the Legislature. The department already allocates PL 94-142 funds to meet some of the federally mandated activities. Consequently, our recommendation does not represent a departure from funding policy.

STATE SPECIAL SCHOOLS (Item 6100-006-001)

The state operates six special schools for handicapped students. These schools offer both residential and nonresidential programs for students who are deaf, blind, neurologically handicapped, and multihandicapped. Admission to the schools is limited, and priority is given to those students living in districts that do not offer the appropriate educational program.

Expenditures

We recommend approval.

Table 32 displays the enrollment and the cost per full-time equivalent (FTE) in each of the special schools.

Table 32
Enrollment and Cost Per Student in Special Schools^a

	<i>Actual 1980-81</i>		<i>Estimated 1981-82</i>		<i>Proposed 1982-83</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, Fremont	115	\$27,480	120	\$28,934	130	\$28,392
School for the Deaf, Fremont	549	17,508	569	18,067	569	18,628
School for the Deaf, Riverside	526	18,673	550	19,439	550	19,893
Diagnostic School—North, San Francisco						
Assessment	101	3,122	160	2,208	160	2,269
Residential/educational	40	40,785	40	45,700	40	46,961
Diagnostic School—Central, Fresno						
Assessment	167	1,952	160	2,237	160	2,300
Residential/educational	40	42,164	40	46,291	40	47,605
Diagnostic School—South, Los Angeles						
Assessment	137	2,427	160	2,314	160	2,388
Residential/educational	40	43,008	40	47,885	40	49,430

^a Does not include federal projects, but does include student transportation and school district reimbursements.

The budget proposes an appropriation of \$34,810,000 for the state special schools (see Table 32). This is an increase of \$903,000, or 2.7 percent, above the current-year level. This change reflects a 7 percent price book increase on operating expenses and equipment, merit salary adjustments, and staff benefit increases.

Local Cost Sharing

The budget proposes new budget language which requires the Controller to withhold from each school district's first principle apportionment that amount due to the state special schools for residential placements in the special schools (calculated at 10 percent of the Special Schools' excess

DEPARTMENT OF EDUCATION—Continued

costs). The amount withheld is then to be allotted to the special schools account. Adjustments in payments are to be made at the end of the fiscal year.

Our analysis indicates that this budget language is needed to improve the cash flow position of the state special schools. The current billing procedure calls for each local education agency to submit payments to the appropriate special school for residential placements. This billing system may result in late payments by LEAs, and, consequently, cause cash flow problems for the special schools. Moreover, the current system is cumbersome to administer and more prone to error. Adoption of the proposed budget language will eliminate these problems.

Special Education Litigation—California School for the Blind (CSB)

In June 1980, attorneys representing students at the California School for the Blind filed suit in the U.S. District Court of the Eastern District of California seeking to enjoin the State Department of Education from relocating the school site from Berkeley to Fremont.

As of October 1981, this lawsuit had cost the Department of Education \$263,870 in legal services and \$22,111 in associated costs. These figures do not include witness fees, the cost of a contract attorney, and the cost of department staff time spent preparing the case. Consequently, the total cost of this lawsuit to the state is significantly higher.

At the time this analysis was prepared, the judge was deliberating the outcome of the case, and a decision is expected by the beginning of hearings on the 1982-83 Budget Bill.

5. CHILD CARE, CHILD NUTRITION, AND SURPLUS PROPERTY

The child care, child nutrition, and surplus property programs comprise the Department of Education's Division of Child Development and Nutrition Services. Table 33 shows the expenditures and funding for these programs.

Table 33
Child Care, Child Nutrition, and Surplus* Property
Expenditures and Funding
(in thousands)

	<i>Actual 1980-81</i>	<i>Estimated 1981-82</i>	<i>Proposed 1982-83</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
State Operations:					
Child care.....	\$4,976	\$4,699	\$4,695	-\$4	-0.1%
Child nutrition	7,133	6,329	6,607	278	4.4
Surplus property.....	10,546	24,773 ^a	25,371	598	2.4
Subtotals	\$22,655	\$35,801 ^a	\$36,673	\$872	2.4%
Local Assistance:					
Child care.....	\$203,766	\$223,035	\$231,171	\$8,136	3.6%
Child nutrition	352,216	322,096	323,369	1,273	0.4
Subtotals	\$555,982	\$545,131	\$554,540	\$9,409	1.7%
Totals	\$578,637	\$580,932	\$591,213	\$10,281	1.8%
<i>General Fund</i>	<i>\$189,232</i>	<i>\$250,503</i>	<i>\$262,160</i>	<i>\$11,657</i>	<i>4.6%</i>
<i>Federal funds</i>	<i>377,646</i>	<i>303,407</i>	<i>303,682</i>	<i>275</i>	<i>0.1</i>
<i>Surplus Property Revolving Fund.....</i>	<i>10,535</i>	<i>24,749</i>	<i>25,346</i>	<i>597</i>	<i>2.4</i>
<i>Reimbursements.....</i>	<i>1,194</i>	<i>556</i>	<i>25</i>	<i>-531</i>	<i>-95.5</i>
<i>Special Account for Capital Outlay.....</i>	<i>30</i>	<i>1,717</i>	<i>—</i>	<i>-1,717</i>	<i>-100.0</i>

^a Includes \$10.0 million which was shown as local assistance in 1981-82.

CHILD CARE
(Items 6100-196-001 and 6100-196-890)

Overview

The Child Care Program's major goals are to (1) provide a comprehensive, coordinated, and cost-effective system of child care and development services, (2) enhance the educational performance and cognitive development of participating children, (3) assist families in becoming self-sufficient by enabling parents to work or receive employment training, and (4) provide families with a full range of child care and development services in the areas of education, supervision, health, nutrition, social services, parent participation, and parent education.

Funding

Table 34 summarizes state and federal funding for child care services in the prior, current and budget years.

Table 34
Child Care Services
Expenditures and Funding
(in thousands)

	Actual 1980-81	Estimated ^a 1981-82	Proposed ^c 1982-83	Change	
				Amount	Percent
Local Assistance:					
Center Program—Public	\$111,660	\$121,527	\$127,603	\$6,076	5.0%
Center Program—Private	36,556	38,778	40,717	1,939	5.0
Center Program—Title XX ^b	8,156	8,515	8,941	426	5.0
Family Child Care Homes ^b	5,130	5,558	5,836	278	5.0
County Child Care Services	5,899	5,850	6,143	293	5.0
Campus Children's Centers	4,461	5,224	5,485	261	5.0
High School Age Parenting	3,848	4,171	4,380	209	5.0
Migrant Day Care	5,414	7,613	7,896 ^e	283 ^e	3.7
Special Allowance for Rent	345	366	384	18	5.0
Special Allowance for Handicapped	528	614	645	31	5.0
Alternative Payment Program ^b	11,449	13,647	14,329	682	5.0
Resource and Referral ^b	3,876	4,822	5,063	241	5.0
Campus Child Care Tax Bailout	3,986	3,477	3,651	174	5.0
Indochinese Refugee Assistance	1,458	494	—	-494	-100.0
Protective Services	1,000	—	—	—	—
Children with Special Needs	—	619	—	-619	-100.0
Child Care Capital Outlay (carryover) ..	—	1,644	—	-1,644	-100.0
Child Care Expansion (carryover)	—	116	—	-116	-100.0
Subtotals	\$203,766	\$223,035	\$231,073	\$8,038	3.6%
State Operations	\$4,977	\$4,699	\$4,697	-\$2	—
Totals	\$208,743	\$227,734	\$235,770	\$8,036	3.5%
General Fund	\$153,946	\$223,528	\$233,813	\$10,285	4.6%
Federal funds ^d	54,767	2,489	1,957	-532	-21.4
Other state funds	30	1,717	—	-1,717	-100.0

^a The transfer of \$52 million in Federal Title XX funds was accomplished in the 1981 Budget Act.

^b Formerly included under Alternative Child Care Programs.

^c Includes a 5 percent inflation increase proposed by the Governor for the budget year.

^d Includes reimbursements.

^e Includes \$1,957 of federal funds, and \$5,939 of state funds which includes a 5 percent inflation adjustment.

DEPARTMENT OF EDUCATION—Continued

The budget proposes a funding level of \$235,770,000 for these services in 1982-83. This is a net increase of \$8,036,000, or 3.5 percent, from estimated current year expenditures. This increase reflects:

- An increase of \$10.9 million (5 percent) to offset the effects of inflation on local assistance payments.
- A decrease of \$1.6 million (100 percent) due to the fact that capital outlay funds carried over into the current year were available on a one-time basis.
- A decrease of \$0.6 million (100 percent) resulting from one-time expansion funds provided for the current year by Ch 798/80 (SB 863) for children with special needs.

Participation

Table 35 summarizes the scope of the SDE child care services for 1981-82. The table shows that 600 agencies will provide service to an estimated 141,925 children in the current year.

Table 35
Child Development Services
Estimated Number of Agencies, Sites, and Children
1981-82

<i>Programs</i>	<i>Agencies</i>	<i>Sites</i>	<i>Children</i>
Center Program—Public.....	112	496	69,109
Center Program—Private.....	193	251	24,094
Center Program—Title XX.....	69	90	7,446
Family Child Care Homes	29	5	4,160
County Child Care Services	39	1	10,824
Campus Children's Centers	50	70	6,089
High School Age Parenting	51	65	2,187
Migrant Day Care	20	44	6,373
Alternative Payment Program.....	37	—	10,606
Indochinese Refugee Assistance Program	—	—	1,037
Totals	600	1,022	141,925

Cashflow

A survey of local child care providers by the Advisory Committee on Child Development Programs indicates that 31 percent of the respondents noted that their July and August apportionments were either late or inadequate. In fact, there have been frequent reports of July and August payments being received three or more months behind schedule.

Agencies which are not affiliated with school districts or some other large public agencies indicate that late payments can have serious consequences for their programs because they cannot borrow from a parent agency to pay their bills until the July and August local assistance payments are received. Some program directors state that late payments have almost forced their agency into bankruptcy. Others report having to use their personal houses as collateral to secure loans for their agency because banks will not accept agency fixed assets as collateral. Another agency reports that personnel have been laid off pending receipt of the local assistance payment.

Department staff anticipate that the new data processing system and a

new procedure for processing local assistance agreements will significantly mitigate the July/August payment cashflow problem in 1982-83.

Management Plan

The Supplemental Report to the 1981 Budget Act required the department to submit to the legislative budget committees, a management plan for the offices of Child Development, Child Nutrition, and Surplus Property.

These three offices, which comprise the Division of Child Development and Nutrition Services, frequently have contracts with the same local agency. Nevertheless, they have adopted different sets of regulations, policies, operational procedures, claims and requirements. In some cases, these policies and procedures were uncoordinated, duplicative, or in conflict with each other. The result was a lack of comprehensive information about agency activities which was necessary for the maintenance of fiscal control and accountability over federal/state funds. It was this situation that prompted the Legislature to require a management plan.

Plan Provisions. The department has completed a plan, which provides for six courses of action. These include:

- The development of a consistent form for the transmittal of policy information to agencies, and the establishment of content control procedures for the review of that information.
- The preparation of policy manuals for each program detailing laws, regulations, guidelines, and program requirements, which will be distributed to local participating agencies.
- The establishment of consistent service regions for each program, and the formulation of six regional workshops informing agencies of legislative/policy changes for each of the three programs.
- The implementation of a data processing fiscal management system for the three programs which will provide coordinated and consistent information in the areas of claims and reports, program applications, local assistance payments, and other fiscal data.
- The development of an information system to monitor the compliance of local agencies with state and federal regulations.
- The development and initiation of consolidated audits for each of the three programs.

Of the above provisions, the establishment of the data processing fiscal management system is the most important. The department indicates that this system will help ameliorate the problems experienced in processing agency contracts and local assistance claims. The department, however, has experienced significant problems in designing and implementing this system. At the time this analysis was prepared, the system was being redesigned. Consequently, neither the development timeliness, nor the system's cost were known. Also, the actual capability of the new system had not been determined. Consequently, the Department of Finance has requested the submittal of a revised feasibility study. As a result, the system's implementation is behind schedule.

It is not clear whether the measures proposed in the management plan will alleviate the problems with local agency contracts and local assistance payments. the department states that "continuation of the current [contracting] procedure will result in continued agency contract submission errors, causing delays in executing contracts, in turn causing delays in payments."

It is not apparent from examination of the proposed management plan

DEPARTMENT OF EDUCATION—Continued

whether any of the measures within that plan address this and other problems which cause the delays in the contracting and payment processes—which was one of the major concerns the Legislature had when it directed the development of the plan.

We shall report to the Legislature at the budget hearings on any additional progress made by the department in implementing the plan.

Overregulation

We recommend that the Legislature adopt supplemental language directing the Departments of Education, Finance, and General Services to amend the provision of the Funding Terms and Conditions section of local agency child care contracts which addresses changes to local agency budgets.

Local agencies have experienced serious problems with several provisions of the Funding Terms and Conditions (FTC) section of their local agency contract. These problems involve budget revisions and the payment of interest expense on loans. The FTC document is incorporated by reference into provider contracts and specifies operating requirements for the administration of child care programs.

Interest Expense. The FTC specifies that interest expense for any loans entered into by an entity without approval by the state is nonreimbursable. The Department of General Services staff, however, report that this provision is in error, and that *any* interest expense is nonreimbursable, even if incurred on a loan for which prior approval was granted.

Local agencies indicate that under this provision, they have had to pay interest costs for emergency loans (obtained because their July/August local assistance payments were several months late) from donations (or other sources) rather than being allowed to pay the cost from their local assistance payment.

The nonreimbursement provision is a prudent precaution under most circumstances. This provision, however, inhibits the ability of local agencies to obtain emergency loans, which are needed to continue their operations, when their local assistance payments are late. Some providers have indicated that the SDE should reconsider the advisability of retaining in the FTC the prohibition against the reimbursement of interest expense.

Budget Revisions. The FTC specifies that any major budget expenditure category (for example, classified salaries, contracted services, employee benefits) cannot be changed by 10 percent or more without a revised budget being submitted to the state for prior written approval by the Departments of Education, General Services, and Finance. State reimbursements are denied for expenditures greater than 10 percent if prior written approval from these agencies has not been obtained.

Local agency directors indicate that this creates problems because usually a minimum of six weeks is required to secure the indicated approval.

Because (1) a revision in the planned expenditures for a certain budget category cannot increase the amount of an agency's state reimbursement, (2) current regulations—such as those covering staffing ratios—control the significant aspects of an agency's program, and (3) programs are visited by licensing and consultant staff on a regular basis, we see no analytical basis for requiring prior approval of budget category revisions greater than 10 percent. We consider this requirement an unnecessary restriction on agency operations which should be removed.

Accordingly, we recommend that the Legislature adopt supplemental language directing the Departments of Education, Finance, and General Services to amend the provision of the Funding Terms and Conditions section of local agency child care contracts, which addresses changes to local agency budgets.

Licensing Positions

We recommend that five staff service analyst positions be deleted due to reduced workload, for a General Fund savings of \$126,000. (Reduce Item 6100-001-001 Schedule (c) by \$126,000). We further recommend that six staff service analyst positions, one staff manager II position, and 1.5 office assistant II positions be limited to the 1982-83 fiscal year because of inadequate workload justifications.

The budget proposes to reestablish 10 limited term staff service analyst positions as permanent positions in the budget year, at a General Fund cost of \$272,167. It also proposes establishing one staff services manager II position, one staff services analyst position, and 1.5 office assistant II positions as permanent positions. The latter positions were administratively established in the current year and funded from salary savings, at an ongoing cost of \$74,000.

All of the positions listed above were established for the purpose of licensing child care providers which are under contract to the State Department of Education (SDE). Previously, these facilities were licensed by the Department of Social Services (DSS), which entered into an inter-agency agreement with SDE for the transfer of this responsibility, with DSS retaining licensing responsibility for nonstate funded child care centers.

The two staff services positions and the 1.5 office assistant II positions were established to provide managerial and clerical support to the licensing unit. The 10 staff service analyst positions were requested based upon a DSS workload standard, which was used (even though it was not fully representative of the licensing workload incurred by SDE) because of the absence of any SDE standard upon which to justify the request. The positions were limited in term to one year in order to enable SDE to determine the actual number of positions needed, based upon actual workload experience.

Inadequate Justification

The 10 positions requested in the budget are not based upon actual workload data, but upon the old DSS standard. As the Legislature acknowledged last year, this standard is not appropriate to use for justifying positions because:

- The standard covers the licensing of adult care, residential care, and adoption/homefinding agencies—which SDE does not license.
- The standard has not been adjusted for the effects of Ch 102/81 (AB 251), which substantially reduced the licensing workload by changing relicensing and visitation requirements.

The provisions of AB 251 were enacted to reduce the cost of the licensing program for day care centers.

The department currently is not complying with the provisions of AB 251. It is conducting relicensings and site visitations based upon the provisions of the repealed law, which required much more frequent relicensing and site visitations.

DEPARTMENT OF EDUCATION—Continued

Because the standards justifying the 10 requested staff services analyst positions are based on the prior licensing and visitation requirements, they cannot be used to justify these positions. Our analysis indicates that if the provisions of AB 251 are applied instead, at least four of the positions are not justified.

In addition, the department has not presented any justification for the staff services analyst position administratively established and funded from salary savings. Consequently, we have no analytical basis on which to recommend its continuance. In all, our analysis indicates that a total of five positions lack adequate justification and should be deleted, for a General Fund savings of \$126,000.

We further recommend that because the current workload standards used by SDE are not appropriate for its licensing requirements under current law, the remaining six staff service analyst positions, one staff services manager II position, and 1.5 office assistant II positions be limited to one year. Finally, we recommend that the Legislature adopt supplemental language directing SDE to develop actual workload data to justify the licensing positions to be requested in the 1983-84 budget.

Subsidized Services

We recommend that the Legislature adopt supplemental language directing the State Department of Education to revise the parent fee schedule to delete state child care subsidies for families whose income levels equal or exceed the state's median income level for a comparable family size.

Current eligibility standards established by the SDE for state-subsidized child care programs provide that children of families whose earnings are at or below 84 percent of the state's median income (as established by the U.S. Department of Labor) are eligible for enrollment in a state subsidized child care program. These families are deemed "income eligible families."

Once admitted, however, children may continue to be subsidized by the state until their family's earnings exceeds 115 percent of the state's median income for a comparable family size. For example, a family of four could enroll a child in a state subsidized program as long as its income is under \$21,084 and could remain in the program *and still receive a state subsidy* until their family income reached \$28,860. (The state subsidy declines on a sliding scale as family earnings increase).

Our analysis indicates that a family of four earning \$25,100 per year (the state's median income level) would receive an average state subsidy approximating 45 percent of child care costs. This would decline to a subsidy of approximately 1.5 percent if the family's income rose to \$28,860—115 percent of the state's median income level for a comparable family size.

The department's last annual report on publicly subsidized child care services indicates that as of March 1979, 3,217 (9.3 percent) of income eligible families receiving subsidies had gross monthly income of 84.1 percent to 115 percent of the state's median gross monthly income for 1979.

Legislative intent language states that *low-income families* receive priority for state subsidized child care. Therefore, the state should not continue to provide a subsidy to families earning at or above the state's median income level, because by definition they are not "low income."

Accordingly, we recommend that the SDE be directed to revise the

family fee schedule to eliminate state subsidies for families whose income levels are above the median income level for families of a comparable size.

Consultant Services

We recommend that supplemental language be adopted directing the State Department of Education to develop consortia for the provision of program support services to local agencies, and that the department report to the fiscal committees and the Joint Legislative Budget Committee by November 30, 1982, on the number of consortia planned and implemented for 1982-83.

The Office of Child Development (OCD) is authorized 31 consultant and child development assistant II positions who (1) provide management and program assistance to local agencies and (2) serve as an advocate for local agencies with the Office of Child Development. For the budget year, these services are estimated to cost at least \$1,135,000.

Survey conducted. Field agencies report that the quality of service provided by the consultant staff varies significantly. Specifically, responses to a survey conducted by the Advisory Committee on Child Development Programs indicate:

- Twenty-nine percent of the respondents noted that program consultants had, in general, little or no program and administrative knowledge; or noted that consultants did not understand the commentator's particular program type.
- Twenty-two percent indicated that information varied from week to week, or between consultants.
- Twenty percent stated that consultants switched assignments too often.
- Sixteen percent noted that either they could not reach their consultant, had no visit from a consultant, or did not receive information back on a timely basis.
- Thirty-two percent recommend that OCD establish regional offices for consultants for the provision of better service.

Our discussions with field agencies confirm the criticisms made in the survey. Agency administrators frequently report that program support is often not available or irregular. These problems are of particular concern to new child care providers who need these services to successfully establish their operations.

Consortiums. This information indicates that a higher quality of service should be provided by consultants. One way to help correct this situation is for the consulting staff to establish consortiums of providers.

Consortiums are associations which meet on a regular basis to share information and provide other services to their members.

Currently, 25 consortiums, composed of 193 member school districts throughout the state, have been established for the school improvement (SIP) and other programs. Among the functions they perform are scheduling and conducting program reviews, training review personnel, sharing program information, and providing workshops. Consultants from the SDE provide services to the consortiums rather than the individual school districts.

District staff consistently report that while there was initial resistance to the consortium concept on the part of school districts, their members are now supportive. Consortia have the following advantages:

- They include people who are more familiar with the individual pro-

DEPARTMENT OF EDUCATION—Continued

grams than state personnel—and are therefore in a position to provide better information and service.

- Services provided are often more responsive to program needs and more pragmatic than those provided by state personnel, because local people have to live with the results.
- Costs per consortium are minor, averaging \$10,000 (usually less) per year for supplies and substitute teacher time.
- Consortia provide informal networks of information services for members.

The main disadvantage of the consortium concept is that it requires an additional time commitment on the part of district personnel. Where consortia have been established, however, district staff report that they are willing to provide the time for the benefits received.

While districts report that consortia have high potential and are cost-effective, district staff also indicate that they must be initiated by SDE consultants who can explain the concept, and be the motivating force for their creation.

Based on our analysis, we believe consortia should be established for the provision of management and program assistance services to local child care agencies. Accordingly, we recommend that the Legislature direct the State Department of Education to (1) develop and implement a plan for the formation of child care consortia and (2) report to the Legislature no later than November 30, 1982, on the number of consortia planned and implemented for 1982-83.

Employer Sponsored Child Care

We recommend that supplemental language be adopted directing the State Department of Education to promote the establishment of employer-sponsored child care services.

Employer-sponsored child care generally provides that an employer, a group of employers, or a labor union, finance some or all of the costs of child care provided to the children of their employees/members.

The Advisory Committee on Child Development Programs recommended in its November 1980 report to the Legislature that the state take the lead in promoting high-quality employer-sponsored child care by providing information, guidelines, technical assistance, and program review to employer/employee groups which provide child care services/benefits to working parents. It also recommended that accurate information on current tax law incentives and methods of amortizing and recouping child care costs should be available to California employers, unions, and parents.

These recommendations were made in light of (1) the substantial increase in the incidence of working mothers, which has increased the needs for child care services; and (2) the small number of employer-sponsored child care programs in California.

Development of Employer-Sponsored Programs. Employers currently receive substantial federal and state tax benefits if they choose to provide child care services. They may also benefit if the availability of child care reduces employee turnover.

In our judgment, the Office of Child Development has not taken significant action in promoting employer-sponsored child care through the provision of information regarding tax incentives and other benefits to interested unions and businesses. Specifically, we believe the office should

be preparing significant promotional literature detailing the benefits and the methodologies for establishing such programs, and distribute this and other significant promotional materials to interested businesses and unions.

With the increasing percentage of working mothers, demand for state sponsored child care services will probably increase in the future, and the expansion of employer-sponsored child care represents a source of service expansion that does not require the direct expenditure of additional state funds. The SDE should make greater efforts to promote the establishment of this care.

Accordingly, we recommend the adoption of supplemental report language directing the SDE to develop literature for interested businesses/unions detailing the methodology and benefits of establishing employer-sponsored child care programs. This activity should be included within OCD's normal information dissemination activity.

Cost Equalization

The budget includes language which equalizes child development program cost-of-living increases.

Specifically, cost equalization would be accomplished by (1) allocating inflation increases on a sliding scale, with lower cost programs receiving a larger inflation adjustment than higher cost programs and (2) requiring expansion of some programs at the standard reimbursement rate.

Chapter 798, Statutes of 1980 (SB 863), directed the SDE to conduct a cost study of child development programs which will be completed February 1, 1982. This statute also requires that the Legislative Analyst report by March 1, 1982, on the need to provide the payment of above-standard reimbursement rates to some local agency programs, based on the data provided by the cost study.

In our report, we shall address the appropriateness of the cost equalization language contained in the Budget Bill as part of our overall analysis of above-standard reimbursement rates.

Control Section 21.42—Handicapped Children's Centers

We withhold recommendation on Control Section 21.42 (child care for handicapped children), pending completion of a study by the Department of Education regarding reimbursement rates paid to child care centers serving handicapped individuals.

Control section 21.42 of the Budget Bill authorizes the Superintendent of Public Instruction to provide state-subsidized child care services to certain handicapped individuals until these individuals voluntarily leave the child care program, or reach age 21.

Currently, handicapped individuals covered by Control Section 21.42 are served in seven bay area childrens centers which are funded through a special allowance in the Budget Bill. This control section exempts these seven programs from the code restrictions included in Part 6 of Division 1 of the Education Code and its related regulations.

The Supplemental Report to the 1981 Budget Act stated legislative intent that unique reimbursement rates be established for these centers. The SDE is currently studying these centers in order to establish such reimbursement rates.

Department staff indicate that a report on its findings has been drafted, and is being reviewed by department management. Pending submission of this report, we withhold recommendation on this control section.

DEPARTMENT OF EDUCATION—Continued**Control Section 19.07—County Maintenance of Effort***We recommend approval.*

Control Section 19.07 specifies two alternative procedures for counties to follow in order to satisfy the child care local maintenance of effort requirements of Education Code Section 8279. The specified procedures are the same as those set forth in Control Section 19.07 of the Budget Act of 1981. We know of no difficulties with this system, and consequently recommend that it be approved.

Control Section 21.41—Local Assistance Agreements*We recommend approval, subject to correction of a technical error.*

Control Section 21.41 was first added to the Budget Act of 1981 to permit the Superintendent of Public Instruction to allocate child care local assistance funds by local agreement instead of through contracts; as recommended in our *Analysis of the 1981-82 Budget Bill*. These agreements reduce the delays which were caused under the contract review process, and we recommend the continuance of the use of local agreements instead of contracts in the budget year.

We also recommend, however, that a technical error in the language be corrected. The language stipulates local assistance agreements may be transacted for the allocation of federal funds appropriated in category (g) of Item 6100-196-890. This language should be amended to provide that these agreements may be transacted for the allocation of federal funds appropriated in Item 6100-196-890 because that item does not include a category (g).

CHILD NUTRITION**(Items 6100-201-001 and 6100-201-890)****Overview**

The department's Office of Child Nutrition Services administers the state child nutrition program. The office also supervises the federally funded National School Lunch and Breakfast Program and Child Care Food Program. These programs assist schools in providing nutritious meals to pupils, with emphasis on free or reduced-price meals to children from low-income families.

Funding

Table 36 summarizes the funding of the child nutrition programs in the past, current, and budget years. The budget requests \$1.6 million from the General Fund in 1982-83 to support state operations for child nutrition programs. This amount represents an increase of 0.4 percent over the current year.

Reduction in Federal Reimbursements

The budget projects \$296.7 million in federal funds for local assistance in 1982-83, the same amount as estimated for the current year. Because of changes in federal law, however, we anticipate significant reductions in the federal allocations for 1981-82 and 1982-83. The department will attempt to develop a revised estimate prior to the budget hearings.

Table 36
Child Nutrition Programs
Expenditures and Funding
(in thousands)

<i>Federal Funds</i>	<i>Actual 1980-81</i>	<i>Estimated 1981-82</i>	<i>Proposed 1982-83</i>	<i>Change Amount Percent</i>	
State Operations.....	\$5,685	\$4,744	\$5,016	\$272	5.7%
Local Assistance:					
School Lunch					
General Assistance.....	\$59,936	\$61,493	\$61,493	—	—
Special Assistance to Needy Children	170,343	153,562	153,562	—	—
School Breakfast	40,063	43,551	43,551	—	—
Special Milk	11,453	15,144	15,145	1	—
Child Care Food.....	31,323	18,253	18,254	1	—
Food Service Equipment Assistance	1,743	3,078	3,079	1	—
Cash for Commodities.....	2,401	—	—	—	—
Commodities Supplemental Food Program	146	125	125	—	—
Nutrition Education and Training Projects.....	1,000	1,500	1,500	—	—
Subtotals	\$318,408	\$296,706	\$296,709	\$3	—
Total Federal Funds	\$324,093	\$301,450	\$301,725	\$275	0.1%
<i>State General Fund</i>					
State Operations					
Food and Nutrition Services	\$662	\$723	\$729	\$6	0.8%
State Child Nutrition Program	786	862	862	—	—
Subtotal	\$1,448	\$1,585	\$1,591	\$6	0.4%
Local Assistance Basic Subsidy	\$33,808	\$25,390	\$26,660	\$1,270	5.0%
Total State Funds	\$35,256	\$26,975	\$28,251	\$1,276	4.7%
Combined Totals					
State Operations	\$7,133	\$6,329	\$6,607	\$278	4.4%
Local Assistance	352,216	322,096	323,369	1,273	0.4
Totals	\$359,349	\$328,425	\$329,976	\$1,551	0.5%
State General Fund	\$35,256	\$26,975	\$28,251	\$1,276	4.7%
Federal funds	324,093	301,450	301,725	275	0.1

Congress enacted significant reductions in federal reimbursement rates for school meal programs, effective in 1981-82. Allowances for meals to pupils in the "free" category were unchanged; but "reduced price" meal allowances were reduced by 20 cents per meal, and reimbursements for "paid" meals (pupils in the highest income group) were reduced by approximately 8 cents per meal. Additional reductions were made in commodity assistance to local school districts. Finally, pupil eligibility for "free" and "reduced price" meals was made more restrictive, due to changes in parental income guidelines.

In order to compensate for the reduction in the "reduced price" meal allowance, Congress authorized districts to increase the meal price from 20 cents to 40 cents. There is no statutory limit on the amount districts can charge for "paid" meals. The SDE estimates that the statewide average price for these meals increased from about 75 cents to 99 cents following imposition of the federal reductions.

The price increases and changes in eligibility criteria should reduce pupil participation in school meal programs. At this time we do not have sufficient data to estimate the amount of reduction.

DEPARTMENT OF EDUCATION—Continued**State Child Nutrition Program**

The state child nutrition program provides a basic subsidy from the General Fund for each meal served by public schools, private nonprofit schools, and child care centers to pupils eligible for "free" and "reduced-price" meals (generally, low-income pupils). In 1981-82, the subsidy is 8.67 cents per meal. The budget proposes \$26.7 million in General Fund local assistance for this program in 1982-83, an increase of \$1.3 million, or 5.0 percent, over the current year. This reflects (1) a 5.0 percent increase in the reimbursement rate to compensate for inflation and (2) no change in the estimated number of meals eligible for reimbursement in the current year.

Because of the changes in federal law, the actual number of free and reduced-price meals may differ from the number assumed in the budget. The department is in the process of collecting data on school meal program participation, and has informed us that a revised estimate will be available in March 1982. We will discuss this issue further during the budget hearings.

Statutory COLA Not Budgeted

The budget proposes a cost-of-living adjustment (COLA) of 5.0 percent for the state child nutrition program.

Current law provides that the state meal reimbursement rate is to be adjusted for inflation, based on the Food Away From Home Index (Consumer Price Index) for San Francisco and Los Angeles. This would require a COLA of 7.5 percent in 1982-83, or an augmentation to the budget of \$635,000 (assuming the same number of meals projected in the budget).

**SURPLUS PROPERTY
(Item 6100-001-680)****Overview**

The state's surplus property program processes and distributes to eligible California public and private nonprofit agencies, hardware and food commodities donated to the state by the federal government. In the budget year, the estimated fair market value of hardware and food commodities distributed will be approximately \$100 million. This program is entirely self-supporting because processing and handling charges are assessed to local agencies who receive the surplus properties.

The budget for 1982-83 proposes aggregate expenditures of \$25,371,000—an increase of approximately \$598,000, or 2.4 percent, above estimated 1981-82 expenditures of \$24,773,000. This will increase by the amount of any salary or benefit increase approved for the budget year. Table 37 shows the Office of Surplus Property's expenditures and funding for the past, current, and budget years.

Unclear Workload

We recommend that 17 positions within the commodities section of the Office of Surplus Property be made limited-term positions, pending clarification of workload levels for the Federal Donated Food Program.

The Office of Surplus Property (OSP), in accordance with the Education Code, includes a commodities section which acts as an intermediary

Table 37
Office of Surplus Property
1982-83 Budget Summary
(dollars in thousands)

	<i>Actual</i> <i>1980-81</i>	<i>Estimated</i> <i>1981-82</i>	<i>Proposed</i> <i>1982-83</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
State Operations	\$10,546	\$24,773 ^a	\$25,371	\$598	2.4%
Surplus property revolving fund	\$10,535	\$24,749	\$25,346	\$597	2.4%
					%
Federal funds	10	—	—	—	—
Reimbursements	1	24	25	1	4.2
Personnel-years	126.9	162.5	163.5	1	0.6%

^a Includes \$10,000 of expenditures for commodity processing contracts previously classified as "local assistance."

for the distribution of surplus foods from the U.S. Department of Agriculture (USDA) to eligible local agencies. The commodities section selects, transports, warehouses, and allocates these surplus foods which the USDA donates through an entitlement allocation and special bonus offerings. The bonus offerings are made to the state when extraordinary amounts of a particular food commodity are acquired by the USDA through federal farm price support programs.

Due to cutbacks in the federal national school lunch program, OSP's 1981-82 entitlement donations of food commodities were reduced by 30 percent. However, excess production of some farm commodities resulted in special bonus offerings which replaced the entitlement losses. There is no assurance, however, that the bonus offerings will continue in the budget year at the 1981-82 level.

Because federal farm price supports could be reduced by approximately 30 percent in 1982-83 (and for the three years thereafter), there could be substantially reduced federal food donations to the state. Accordingly, OSP's workload level for the budget year is uncertain at this time.

In order to insure that the Legislature has an opportunity to confirm that future workload levels justify the number of personnel employed within the surplus commodities program, we recommend that 30 percent of those positions directly associated with the processing and handling of surplus food commodities (17 positions) be made limited-term in recognition of the 30 percent cut in entitlements. Once the actual amount of the workload reduction is known, those positions which are needed, based on actual workload levels, can be rejustified in the 1983-84 budget.

Declining Supplies for Surplus Hardware Program

We recommend that the Legislature adopt supplemental language to direct the Department of Education to create a master plan for the development of new supply sources for the surplus hardware program.

The Office of Surplus Property maintains a hardware section which serves as an intermediary for the transfer of surplus hardware from the federal government to California schools and other eligible agencies. Each year, the federal government donates property with an acquisition cost of approximately \$27,000,000 to California schools and eligible agencies. In 1980-81, the office incurred \$2,180,000 in salary and other operating costs (such as rental of warehouse space) to serve as an intermediary transfer agent for this property.

Due to pending federal cutbacks, donations may be reduced at least 20

DEPARTMENT OF EDUCATION—Continued

percent in 1982-83. Because funding for the office comes entirely from service and handling fees assessed to recipients, a reduction in the amount of property handled must either result in staff cutbacks or increased service and handling charges to recipients.

Our review of this program indicates that public agencies in California benefit from the savings made possible by the purchase of surplus property, rather than new property at retail prices. Accordingly, the office should be allowed time to develop a plan to replace federal donations with donations from other sources—such as local government agencies or private business.

Consequently, we recommend the adoption of supplemental language directing the SDE to create a master plan for the development of new sources of surplus property hardware supplies. If the department cannot find alternative sources of supply, personnel and other operating costs should be reduced in the 1983-84 budget to reflect the reduced level of program activity, and thereby avoid an increase in service and handling charges to recipients.

Data Processing Implementation

We recommend that the proposed appropriation for the Office of Surplus Property be reduced by \$283,000 in recognition of reduced workload resulting from implementation of a new data processing system. (Reduce Item 6100-001-680 by \$283,000).

The Division of Child Development and Nutrition Services—which includes the Office of Surplus Property (OSP)—is currently automating some of its procedures through the implementation of the Program Management Information System (PROMIS). The procedures in OSP which will be automated include application, rate change, reimbursement, delinquent notice, income receipt processing, and the inventory accounting system. The implementation of the system within OSP is proceeding on schedule and is expected to be completed by June 1982.

The feasibility report, which was the basis for the Department of Finance's approval of the project, estimates a workload reduction of 16,965 person hours (9.5 personnel years) in OSP operations for 1982-83, which will result in an estimated savings of \$282,800.

The budget, however, does not reflect any personnel savings resulting from the implementation of the data processing system. Accordingly, we recommend a reduction of \$282,800 in personnel services to reflect the reduced workload which will result from PROMIS.

Program Review

We recommend the adoption of supplemental language directing the Department of Education to report by August 30, 1982, to the fiscal committees and the Joint Legislative Budget Committee (1) the actions taken by the department to implement the recommendations in the State Logistics and Material Management Unit's (SLAMM) report on the Office of Surplus Property and (2) on the costs savings which would result from implementing the SLAMM report recommendations.

The Department of Finance (DOF), in its August 1981 review of the Surplus Commodity program, recommended the Office of Surplus Property obtain the assistance of the Department of General Services' State Logistics and Material Management Unit (SLAMM) in reviewing its in-

ventory control system, and analyzing the cost-effectiveness of obtaining additional warehouse locations closer to population centers. The DOF report indicated that these measures could result in costs savings to the program, which in turn would result in lower service and handling charges to local agencies which purchase the surplus property.

General Services staff indicate that the SLAMM unit has begun its review of OSP activities, and is scheduled to report its finding in January 1982. The report will address the areas noted above, along with questions regarding the cost-effectiveness of converting space in existing warehouses to cool storage, the cost-effectiveness of rejecting some federal surplus property offerings, and a review of the new data processing information system.

In view of the cost savings which might result from the implementation of recommendations in the SLAMM report, we recommend that SDE report to the fiscal committees (1) its actions to implement the recommendations and (2) the level of cost savings that can be expected if SLAMM's recommendations are implemented.

6. STATE SCHOOL BUILDING AID

Overview

The State School Building Aid Program provides financial assistance to

Table 38
Revenue Sources for School Facilities^a
(in thousands)

	<i>Actual 1980-81</i>	<i>Estimated 1981-82</i>	<i>Proposed 1982-83</i>
Chapter 282, Statutes of 1979 (AB 8)	\$61,509	\$70,544	\$82,879
Chapter 288, Statutes of 1980 (SB 1426)	208,000	208,000	—
Chapter 899, Statutes of 1980 (AB 2973)	100,000	300,000	200,000 ^c
Chapter 1354, Statutes of 1980 (AB 2196)	15,000	—	—
Chapter 1191, Statutes of 1980 (AB 1202)	750	—	—
Chapter 998, Statutes of 1981 (AB 114)	—	—	47,200 ^c
Chapter 798, Statutes of 1980 (SB 863)	2,253	—	—
Subtotals	\$387,512	\$578,544	\$330,079
Transfers and Unallotments:			
Transfer to 1981-82	-\$308,000	—	—
Transfer to General Fund per Section 19.91, Budget Act of 1981 ^b	—	-\$200,000	—
Unallotment per Executive Order No. B87-81	—	-\$200,000	—
Loan made pursuant to Chapter 998, Statutes of 1981 (AB 114)	—	-\$47,200	—
Governor's Proposed Actions:			
Transfer to General Fund	—	—	-\$82,879
Withhold Ch 899/80 (AB 2973) revenues	—	—	-\$147,200 ^c
Subtotals	-\$308,000	-\$447,200	-\$230,079
Net Cash Flow	\$79,512	\$131,344	\$100,000 ^c

^a This table illustrates only the revenue sources for the State School Building Lease-Purchase and Deferred Maintenance funds; and the funds appropriated to the Special Account for Capital Outlay for school facilities. This is not a fund condition statement, and accordingly, does not include any beginning balances in these funds.

^b The \$200 million transferred to the General Fund by the Budget Act of 1981 will be "repaid" in 1984-85 through an additional year's allocation of tidelands oil revenue to the Lease-Purchase Fund.

^c The A-pages of the Governor's Budget states that the \$100 million net transfer of tidelands oil revenue to the Lease-Purchase Fund includes \$52.8 million transferred pursuant to Ch 899/80 (AB 2973) and \$47.2 million transferred for repayment of the loan made pursuant to Ch 998/81 (AB 114).

DEPARTMENT OF EDUCATION—Continued

school districts for acquisition and development of school sites, construction or reconstruction of school buildings, and purchase of school furniture and equipment. The current State School Building Aid Program was enacted in 1952 and is administered by the State Allocation Board's Office of Local Assistance.

Chapter 282, Statutes of 1979 (AB 8), enacted the Emergency School Classroom Law of 1979 which authorized the acquisition of portable classrooms. It also provided funds for deferred maintenance and the State School Building Lease-Purchase Fund. Subsequent legislation enacted in 1980 appropriated additional funds for school construction and deferred maintenance. Table 38 shows the total revenues appropriated and available for this program.

School Construction Funds Transferred and Withheld in 1981-82

In completing action on the 1981 Budget Act, the Legislature transferred \$247.2 million out of the State School Building Lease Purchase Fund. These funds were distributed to (1) the General Fund (\$200 million), (2) the Special Account for Capital Outlay (\$43.8 million), and (3) the Energy and Resources Fund (\$3.4 million). Subsequently, the Governor unallotted \$200 million in funds available for 1981-82 so that these funds could be transferred to the General Fund and used to finance a deficit in the budget for the current year. *This transfer will require authorizing legislation.* Table 39 details the authority for the funds that were transferred or withheld.

Table 39
School Construction Funds Transferred or Withheld
in 1981-82
(in thousands)

<i>Authority for Fund Transfer or Withholding</i>	<i>General Fund</i>	<i>Lease-Purchase Fund</i>	<i>Total</i>
Section 19.91, Budget Act of 1981.....	—	\$200,000	\$200,000
Chapter 998, Statutes of 1981 (AB 114)	—	47,200	47,200
Executive Order No. B-87-81	\$147,200	52,800	200,000
Total Funds Transferred or Withheld	\$147,200	\$300,000	\$447,200

As a result of these actions, \$146.7 million is available for expenditure in 1981-82 from the Lease-Purchase Fund. This is 25 percent of the \$593.9 million that was expected to be available for school construction in the current year.

The consequences of these actions are as follows:

- Districts requesting funds for construction costs must have at least a 14 percent school space deficiency before the State Allocation Board (SAB) will consider their request. (Without the reduction in available funds, all applications for construction funding would have been considered and probably funded.)
- Districts requesting funds for feasibility study and final plan costs must have at least a 12 percent school space deficiency for their request to be considered. (Without the reduction in available funds, all applications for feasibility study and final plan funding would have been considered and probably funded.)

Transfers for 1982-83

The budget for 1982-83 provides for the repayment to the Lease-Purchase Fund of the \$47.2 million loan made in 1981-82 to the Special Account for Capital Outlay (SAFCO) and the Energy and Resource Fund (ERF). It also provides for a transfer of \$52.8 million in Tidelands Oil revenues, bringing the total amount of new money proposed for the budget year to \$100 million. This is \$230 million less than the amount authorized by existing law. Specifically, the budget proposes that the following amounts authorized by existing law not be made:

- \$82.9 million in excess repayments that districts make on the State School Building Aid loans.
- \$147.2 million of the \$200 million in tidelands oil revenues.

These actions have been proposed to (1) finance a projected deficit in the General Fund in the budget year resulting from a shortfall of revenues in that fund and (2) to provide funds for proposed budget year capital outlay projects financed from funds where revenues have diminished due to a shortfall of tidelands oil revenues.

The net effect of these actions in the current and budget years is illustrated in Table 40.

Table 40
Fund Condition State School Building Lease-Purchase Fund^a
(in thousands)

	<i>Actual 1980-81</i>	<i>Estimated 1981-82</i>	<i>Proposed 1982-83</i>
Beginning balance	\$84,926	\$175,425	\$1,000
Net revenues	112,715	-28,656	100,000
Funds available for expenditure	\$197,641	\$146,769	\$101,000
Actual and anticipated expenditures	22,216	145,769	100,000
Ending balance	\$175,425	\$1,000	\$1,000

^a Additional funds of approximately \$500,000 are available from the School Deferred Maintenance Fund for expenditure during the budget year.

Consequently, the budget proposes school capital outlay and deferred maintenance funding of \$101 million rather than the \$331 million authorized by current law.

Effects of Funding Reduction

The effect of the proposed reduction in funding for school construction during the budget year will be to increase significantly the percentage space deficiency that a district will be required to have before a request for construction funding will be approved by the State Allocation Board. In fact, Office of Local Assistance staff estimate that a 50 percent to 60 percent space deficiency may be needed to qualify for funding.

Actual data regarding how school districts whose projects are not funded would deal with their overcrowding problem is not available. Options which might be available to help them alleviate overcrowding include (1) renting portable classrooms from the state's emergency portable classroom program, (2) instituting double-sessions for school children in some overcrowded schools, (3) instituting year-round school sessions, or (4) utilizing creative financing (if possible) to fund the construction of addi-

DEPARTMENT OF EDUCATION—Continued

tional school facilities.

Control Section 19.02—State School Building Aid Reversion

We recommend approval.

Control Section 19.02 provides for a transfer on June 30, 1982 of \$52.8 million from the State School Building Lease-Purchase Fund to the General Fund to finance 1981-82 expenditures in the approved budget.

The Governor's Executive Order B-87-81 froze \$52.8 million in school building aid funds, thus preventing the State Allocation Board from making commitments against these funds. This was done to make these funds available for transfer to the General Fund where they are needed to finance a budget deficit in the current year. Because this money was appropriated by statute to the Lease-Purchase Fund, Budget Bill language is needed to make the transfer because the funds will *not* automatically revert to the General Fund. This control section effectuates the transfer.

Given the impending deficit in the General Fund during the current year, the proposed transfer to the General Fund appears warranted, and we recommend approval.

Control Section 19.05—Excess Repayments of State School Building Aid Loans

We recommend that this section, if necessary, be amended to conform to final legislative action on the Budget Bill.

Control Section 19.05 provides that in 1982-83, "excess repayments" made by school districts on school construction loans remain in the General Fund, and not be transferred to the State School Building Lease-Purchase and Deferred Maintenance Funds, as required by existing law. These repayments are estimated to be \$82.9 million in the budget year.

"Excess repayments" represent the difference between (1) the amounts repaid by school districts each year on construction loans from the State School Building Aid Fund and (2) the amount necessary to provide for the debt service each year for the school building aid bonds sold by the state to finance these loans. Since 1976, the repayments by districts have exceeded the debt service requirements.

The monies provided by the excess repayments provide part of the funding of the State School Building Lease-Purchase Fund, and *all* of the funding for the State School Building Deferred Maintenance Fund. Therefore, this control section would result in no funds being allocated for K-12 school facility deferred maintenance in the budget year, and a reduction in funding for school construction.

Our analysis indicates that this section is needed to balance the General Fund budget as proposed for 1982-83, however, by the Governor. We are not able to determine at this time whether these funds will be needed to avoid a deficit in the 1982 Budget Act, as finally approved by the Legislature.

Cost Standards

We recommend that the Legislature adopt supplemental language directing the State Allocation Board to (1) revise its allowable base unit costs for K-12 school construction so that they are made comparable to rates allowed by the Board of Governors of the California Community Colleges, and (2) make the revised standards effective July 1, 1982, with prior notification to applicant school districts.

Section 17717 of the Education Code provides that the State Allocation Board establish cost standards for all new construction funded from the State School Building Lease-Purchase Fund. The standards shall not exceed typical comparable new construction costs incurred by school districts in the same area, or the reasonable current cost of similar construction in the area.

In practice, the State Allocation Board has fulfilled this requirement by establishing base allowable unit costs for different types of school construction (e.g., science labs, administrative space), which are adjusted by standard factors to reflect the effect of different geographic locations and project sizes on construction costs.

The California State University (CSU) system and the Board of Governors of the California Community Colleges (CCC) utilize a similar methodology to calculate allowable construction costs for their projects. Table 41 compares the allowable base costs for similar building space for K-12, CSU, and CCC construction.

The table only compares the cost standards for comparable space. Each of the three systems has unique types of construction (e.g., kindergarten classroom space in the K-12 system) for which there is no comparable type of space in the other two school systems.

Table 41
Comparison of Base Unit Cost Allocations for
School Facility Construction^a
(cost per square foot)

<i>Space Type</i>	<i>K-12</i>	<i>CSU</i>	<i>CCC</i>
Administration.....	\$102.18	\$76.45	\$76.76
Arts and Crafts	—	81.74	84.43
—Elementary.....	101.22	—	—
—High School and Intermediate	85.31	—	—
General Classroom	—	75.45	75.58
—Elementary.....	89.41	—	—
—High School and Intermediate	81.46	—	—
Home Economics	103.63	85.46	85.81
Libraries	95.92	60.97	62.61
Music	93.50	89.00	87.21
Gymnasiums.....	83.86	68.58	78.49
Science Labs.....	140.50	114.03	109.27

^a Calculated at cost index ENR 3452.05.

For each type of building space covered by Table 41, K-12 construction allowances are more expensive than comparable CSU and CCC construction allowances. On average, they are 24 percent more expensive than the CSU and 22 percent more expensive than the comparable CCC construction base cost allowances included in Table 41. Because both the K-12 system and the community colleges construct their facilities for compliance with Field Act requirements, these requirements do not account for the cost differences between the two systems.

The actual dollar effects of the higher cost allowances cannot be determined because of (1) the diversity of facilities constructed by the three school systems each year, and (2) the unique types of K-12 construction which have no comparables in the other two systems. A rough indication of the fiscal effect of these higher standards, however, can be provided. Assuming that each construction project includes equal proportions of the

DEPARTMENT OF EDUCATION—Continued

types of space listed in Table 41, and that each project costs \$1.8 million, approximately \$320,000 of the cost of each K-12 project could be attributed to the higher base cost allowances. Again using these assumptions, the impact of the higher cost component of K-12 base cost standards on \$200 million worth of projects funded from the State School Building Lease-Purchase Fund would be an increase in costs amounting to \$35.6 million.

Examination of recent CCC construction indicates that these buildings are adequate for instructional and administrative purposes. Accordingly, we see no analytical basis for the substantially higher K-12 cost allowances—particularly for science lab, library, and administrative space.

We estimate that if K-12 cost allowances were made comparable to CCC standards, funds for approximately 20 additional projects would be freed up. We therefore recommend the State Allocation Board be directed to annually revise its allowable base unit costs for K-12 construction to levels comparable to CCC construction cost standards; with the State Allocation Board being authorized to grant exceptions to the cost standards on a project-specific basis if the requesting district can demonstrate sufficient cause for an exception.

We also recommend that the State Allocation Board notify applicant school districts prior to July 1, 1982, of the possibility of changes in construction funding due to revised cost standards, and shall make the revised standards effective July 1, 1982 for projects which have not entered either the final plans or construction phases. This will allow the state to conserve the maximum amount of construction funds without disrupting construction schedules.

Priority Points

We recommend adoption of supplemental language directing the State Allocation Board to stop awarding priority points based on (1) the length of time a school construction application is awaiting approval, and (2) past growth of average daily attendance.

Priority points are computed and assigned to school construction applications whenever the State Allocation Board determines that there will not be sufficient funds to meet the estimated funding needs of all districts in any given fiscal year. Applications are considered by the State Allocation Board in sequence, according to the number of priority points credited to each application.

The State Allocation Board awards priority points based on five criteria. One criterion awards one priority point for each month that a completed application has been awaiting approval. Another criterion awards one priority point for each five percent increase between current attendance and attendance five years ago. The other three criteria relate to the need for new or reconstructed building area due to existing attendance.

Our review of the criteria indicate that they do not result in funds being awarded to those projects for which there is the greatest need. This is due to the two criteria noted above. First, by awarding priority points based on the amount of time an application has been awaiting consideration, the board may approve project applications with lesser needs for new construction ahead of applications with greater need. For example, at 70 priority points an application with 11 percent of its allowable building area qualifying for new construction funds and which has been awaiting consideration for 16 months would be funded before a project having 14 percent

of its allowable building area qualifying for new construction. This is solely because the funded project, though less needed, has been awaiting consideration for 16 months.

Second, by awarding priority points based upon attendance growth, the board favors smaller school districts at the expense of larger districts. For example, a small district of 1,000 ADA which has a 20 percent attendance increase in five years (an increase of 200 ADA) would be allocated four priority points while a large district of 10,000 ADA which has had 10 percent attendance growth (an increase of 1,000 ADA) would be allocated two priority points. Therefore, the small district which has grown by 200 ADA would be deemed to have twice the need of the larger district which grew by 1,000 ADA.

These criteria tend to misallocate capital outlay funds when funding constraints are in effect. We therefore recommend that the two aforementioned criteria be eliminated—with priority points being allocated only on the basis of need as evidenced by existing ADA and inadequate school space. Accordingly, we recommend that the State Allocation Board be directed to delete these two criteria from their regulations.

Changes Needed In K-12 School Construction Laws

We recommend that legislation be enacted to transfer to the State School Building Lease-Purchase Fund from Tidelands Oil revenue, the amount of funds necessary to provide for an unencumbered balance on July 1 of 1983 and 1984 of \$200 million plus the amount of "excess repayments" transferred to the lease-purchase fund. We further recommend that the legislation provide for annual Budget Act designation of minimum priority point levels required by the State Allocation Board for consideration of project funding requests.

Existing law, Ch 899/80 (AB 2973) allocates \$200 million of Tidelands Oil revenues to the State School Building Lease-Purchase Fund for K-12 school construction in each year through 1984-85, regardless of the balance of the fund. In addition, the fund may also receive revenues from excess district repayments of state school building construction loans.

Priority Points

The State Allocation Board allocates funds to school districts from the lease-purchase fund. The law provides that priority points shall be assigned, and projects considered in sequence based on those points, as a means of rationing funds when the estimated construction needs of all school districts exceed available monies in the lease-purchase fund.

The State Allocation Board has established the policy of setting "minimum priority point levels" which project funding requests must have for board consideration when funds are subject to rationing. Currently, 70 points (reduced from a prior level of 90 points) are required for consideration of construction funding requests. These will increase to in excess of 110 points in 1982-83.

If certain simplifying assumptions are made, these point levels indicate that school districts must have a 14 percent space deficiency in 1981-82, and at least a 22 percent space deficiency in 1982-83, before funding requests for construction of new school space would be considered by the board.

DEPARTMENT OF EDUCATION—Continued**Problems With Funding Mechanism**

Our analysis indicates that the K-12 school construction funding mechanism has certain deficiencies. These include the following:

Non-optional Allocation of Resources. The current funding mechanism allows the non-optional allocation of state financial resources. For example, the Legislature found it necessary to transfer \$200 million from the Lease-Purchase Fund through the adoption of special language in the 1981 Budget Act, to finance higher priority needs. Additionally, legislation was enacted after the start of the 1981-82 fiscal year to loan \$47.2 million to the Special Account for Capital Outlay (SAFCO) and the Energy and Resources Fund (ERF), because these funds had insufficient resources to finance approved construction.

These transfers indicate that the current law allowed a non-optional allocation of resources to occur because the Legislature determined that an equal dollar amount of programs/projects financed from other funds had higher priority than the school construction forgone as a result of the transfer.

To the extent that current law provides an automatic annual appropriation of at least \$200 million—which is not subject to legislative oversight through the budgetary process—a non-optional allocation of state financial resources could again occur in future fiscal years.

Lack of Legislative Flexibility. The current mechanism does not provide the Legislature flexibility for the expenditure of fund resources. Funds are usually expended without full legislative review until either total fund resources are expended, or until all funding requests are considered—whichever occurs first. The Legislature may wish to conserve fund resources for later years and existing law does not provide the Legislature this flexibility.

Lack of Consistency between Funding Mechanisms. There is a lack of consistency between the funding mechanisms for higher education and K-12 capital outlay. For higher education, existing law allocates each year to the Capital Outlay Fund for Public Higher Education (COFPHE), the amount necessary to provide for an *unencumbered balance* on July 1 of \$125 million. Therefore, the annual appropriation to the COFPHE could be any amount between \$0 and \$125 million depending upon the fund's beginning balance. However, current law annually allocates a lump sum amount of \$200 million to the Lease-Purchase Fund irrespective of the fund's beginning balance. We see no analytical basis for the difference in the two mechanisms.

Recommendations

A better method needs to be implemented for financing K-12 school construction. Specifically, we recommend that rather than allocating \$200 million on July 1 of 1983 and 1984 to the Lease-Purchase Fund, that an amount be allocated which would provide for an *unencumbered balance* in the fund on July 1 of \$200 million plus the amount of "excess repayments" transferred to the lease-purchase fund. This is warranted because:

- It makes the K-12 capital outlay funding mechanism consistent with that of higher education.
- It would make additional funds available in 1983-84 and 1984-85 for other capital outlay needs, which are currently financed from other

funds and which are subject to legislative review.

We also recommend the Legislature rather than the State Allocation Board have the authority in the 1983-84 budget to set the minimum priority points needed by projects before they can be considered for funding. This has the advantage of providing for greater legislative flexibility for the expenditure of fund resources.

Accordingly, we recommend the enactment of legislation which implements the aforementioned recommended changes to existing law.

Lease Rates

We recommend that legislation be enacted which requires the assessment of maximum lease rates equal to the market rates for rental of portable classrooms. We further recommend that, pending enactment of such legislation, budget control language be adopted to increase the maximum lease rate to a level representative of market rates.

The State Allocation Board leases portable classrooms to qualifying school districts and county superintendents of schools, for lease rates of between \$1 and \$2,000 per year per classroom, as authorized by current law. These classrooms are made available to districts based upon demonstrated need. Regulations adopted by the board currently set the lease rate at \$2,000 per year per classroom, although with specific board approval, lease rates below that level may be approved in cases of hardship.

Classrooms leased under this program are generally preferred by school districts over those leased from the private sector because they (1) are placed on the school site, (2) are connected to electrical sources, and (3) include furniture and equipment, with the state incurring these additional costs.

The state's lease rate is approximately \$2,000 to \$4,000 per year less than comparable lease rates charged by the private sector for portable classrooms. Assuming an average difference of \$3,000 per classroom, we estimate the state's low lease rate may result in foregone revenues to the state of up to \$2,550,000 per year, which could be used to purchase additional portable classrooms for this program. This estimate is based on 350 portable classrooms currently installed and 500 more under lease contract for future installation.

We see no analytical basis for any differential between the state's maximum lease rate and that charged in the private sector, particularly since the board may lower lease rates to districts for hardship reasons.

Accordingly, we recommend the enactment of legislation to specify that the lease rate called for under these rental contracts approximate the fair market lease rate charged in the private sector for a comparable classroom. Pending enactment of such legislation, we further recommend the adoption of budget control language making the maximum portable classroom lease rate the market rate rather than the existing lower rate.

Intruder Alarm Systems

We recommend adoption of supplemental language directing the State Allocation Board to (1) determine the cost effectiveness of installing intruder alarm systems for proposed projects financed from the State School Building Lease-Purchase Fund and (2) require their installment where it is cost effective.

The state is spending \$144.4 million for K-12 school construction in the current year. Under existing law, it will spend a minimum of \$500 million

DEPARTMENT OF EDUCATION—Continued

during the next three fiscal years. At the same time that the state is making this investment, it is not taking action to assure that the facilities will have reasonable protection from vandalism.

Officials in the Los Angeles School District report that they spent \$5.8 million in 1981 because of arson, flooding, theft, and vandalism. Oakland school officials report that over \$325,000 was lost annually due to burglary and theft before they installed alarm systems. The Attorney General's Office reports that many school districts are unable to buy fire insurance due to prohibitive rates charged by carriers on account of vandalism and arson.

In the past, local school districts have borne the risks of arson and vandalism losses because the state's role was limited to providing loans for the construction of school facilities. Under current law, however, the state incurs these risks because most school construction is financed from allocations (not loans) from the State School Building Lease-Purchase Fund.

The State Allocation Board's regulations do not require the installation of intruder alarm devices in state-financed school construction projects. These devices are installed only if district officials include them in their project request.

Security officials in the Los Angeles and Oakland School Districts—where some buildings have been equipped with these devices—recommend their installation, with Oakland officials reporting a decrease in theft and burglary losses of at least \$260,000.

Intruder alarm devices can cost anywhere from \$15,000 to \$100,000 per school, depending upon the particular application. Therefore, their use may not be justified in some areas where property losses in the past have been low.

In view of the substantial amount that the state is scheduled to invest in school facilities over the next three years, we believe the State Allocation Board should determine whether the installation of intruder alarm devices are cost effective in proposed construction projects and require their inclusion where a favorable determination is made.

Accordingly, we recommend the adoption of supplemental language directing the State Allocation Board to (1) determine the cost effectiveness of installing intruder alarm devices in proposed school construction projects financed from the State School Building Lease-Purchase Fund and (2) require their installation where they are justified.

School Facilities Report

Supplemental report language to the 1981 Budget Act directed the Office of Local Assistance (OLA) to submit a report to the Legislature by January 1, 1982 on the following subject matters:

- The feasibility of converting lease-purchase arrangements to local grants, for school facilities constructed under the State School Building Lease-Purchase program.
- OLA's plan for allocating school construction funds in fiscal years 1982-83 through 1984-85.
- An analysis of the feasibility of increasing the use of portable facilities.

A report on these matters was submitted shortly before this analysis was completed. We will comment on the report at the budget hearings, after we have completed our review of it.

Department of Education—School Facilities Planning (Item 610-001-344)

We recommend approval.

The budget includes a request for \$487,000 from the State School Building Lease-Purchase Fund for support of the School Facilities Planning Unit in the Department of Education. This is a \$10,000, or 2.1 percent, increase over estimated 1981-82 expenditures of \$477,000.

II. STATE OPERATIONS**DEPARTMENT MANAGEMENT AND STATE LIBRARY**

(Items 6100-001-001 and 6100-001-890)

Overview

This section discusses the overall state operation (administration) budget for the Department of Education (SDE) and related agencies, 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, are discussed in connection with the particular program itself.

Expenditures

Table 42 shows state operations expenditures for the SDE, special schools, and State Library in the prior, current, and budget years. These expenditures will total \$137.5 million for 1982-83, of which \$64.5 million is for the department. The proposed General Fund increases for the special schools and the State Library are \$785,000 (2.7 percent) and \$126,000 (1.9 percent), respectively. These amounts will increase by the amount of any salary or staff benefit increase approved for the budget year.

The budget proposes a \$364,000, or 1.1 percent, decrease in General Fund support for the Department of Education. This, however, makes no allowance for the cost of any salary or staff benefit increase that may be approved for the budget year.

The Department of Finance estimates that each 1.0 percent of salary increase will require \$534,000 in additional General Fund support.

Five Percent Reductions

The budget reflects a 5.0 percent baseline reduction in certain activities, which was required by the Department of Finance. The reduction, which totals \$1,994,000, applies to the department's general activities (\$1,598,000), driver training (\$5,000), vocational education student activities (\$25,000), and the State Library (\$352,000). State special schools were exempted from the reduction.

The department achieved its reduction primarily by reducing (1) in-state travel, (2) consultant and professional services, and (3) general operating expenses and equipment expenditures. The State Library achieved its reduction primarily by reducing authorized positions and personal services. The SDE action results in maintaining positions but reducing support for the positions. Consequently, the ability of staff to perform certain activities such as program visitation will be limited.

DEPARTMENT OF EDUCATION—Continued

Table 42
State Operations Funding
(in thousands)

	<i>Actual</i> <i>1980-81</i>	<i>Estimated</i> <i>1981-82</i>	<i>Proposed</i> <i>1982-83</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
Department of Education Funding:					
General Fund	\$30,652	\$31,835	\$31,471	-\$364	-1.1%
Federal funds	31,648	31,009	32,067	1,058	3.4
State School Building Aid	230	—	—	—	—
State School Building Lease-Purchase	—	477	487	10	2.1
Driver Training Penalty Assessment	—	345	459	114	33.0
Subtotals, Department of Education	\$62,530	\$63,666	\$64,484	\$818	1.3%
Special Schools Funding:					
General Fund	\$29,267	\$29,021	\$29,806	\$785	2.7%
Federal funds	46	—	—	—	—
Subtotals, Special Schools	\$29,313	\$29,021	\$29,806	\$785	2.7%
Division of Libraries Funding:					
General Fund	\$6,331	\$6,725	\$6,851	\$126	1.9%
Federal funds	1,078	1,014	1,028	14	1.4
Subtotals, Division of Libraries	\$7,409	\$7,739	\$7,879	\$140	1.8%
Surplus Property Revolving Fund	\$10,534	\$14,749	\$25,346	\$10,597 ^c	71.8%
Local assistance administration	\$634	\$401	\$295	-\$106	-26.4%
Reimbursements	\$7,171	\$9,791	\$9,671	-\$120	-1.2%
Totals	\$117,591	\$125,367	\$137,481	\$12,114	9.7%
General Fund ^a	\$66,845	\$67,927	\$68,365	\$438	0.6%
Federal funds	32,772	32,023	33,095	1,072	3.3
Other state funds ^b	17,974	25,417	36,021	10,604	41.7

^a Includes local assistance administration for instructional materials.

^b Includes reimbursements, state school building aid, state school building lease-purchase, surplus property revolving, driver training penalty assessment, and local assistance administration for environmental education.

^c Increase primarily caused by transfer of \$10 million in surplus property local assistance to state operations.

Total Expenditures

As shown in Table 42, the department's *total* expenditures are expected to increase in 1982-83, even though the General Fund request (excluding amounts for salary and benefit increases) is lower, because of an anticipated \$1.1 million, or 3.4 percent, increase in federal funds. Our analysis indicates, however, that the federal funds increase may not occur, due to possible reductions in federal apportionments during the current and budget years. The department will be prepared to comment during budget hearings on how it proposes to change the budget if the anticipated federal funds are not available.

Significant General Fund Changes 1982-83

Table 43 shows the components of the \$438,000 (0.6 percent) increase in General Fund state operations for the SDE and related agencies between the current and budget years. The most significant changes are the (1) decreases reflecting the 5 percent baseline reductions (-\$1,994,000), (2) increases for population and prices (\$1,936,000), and (3) increases to restore the 1981-82 one-time reductions for travel and general operations (\$1,170,000).

Table 43
Proposed 1982-83 General Fund Budget Changes
State Operations
(in thousands)

1981-82 Base Budget.....		\$67,927
A. Changes to maintain existing budget.....		2,277
1. Restore 2 percent reduction	\$770	
2. Restore travel reduction	400	
3. Price increases	1,936	
4. Workload changes	-338	
5. Legislation	-491	
B. Five percent reduction		-1,994
C. Program change proposals		155
1. State Library	\$155	
Total Change (amount/percent)	\$438 (0.6%)	
Total 1982-83 Support		\$68,365

Personnel

Table 44 shows the number of authorized positions in the Department of Education, special schools, and the state library. The budget proposes a net decrease of 23.2 positions (0.8 percent) in the budget year. Personnel increases and decreases are discussed as part of the analysis of individual programs and activities.

Table 44
Distribution of Personnel
Department of Education
Special Schools, and State Library

	<i>Actual</i> <i>1980-81</i>	<i>Estimated</i> <i>1981-82</i>	<i>Proposed</i> <i>1982-83</i>	<i>Change</i>	
				<i>Number</i>	<i>Percent</i>
Department of Education	1,431.8	1,600.0	1,590.2	-9.8	-0.6%
Special Schools	1,032.8	1,084.5	1,083.3	-1.2	-0.1
State Library	177.7	187.4	175.2	-12.2	-6.5
Totals	2,642.3	2,871.9	2,848.7	-23.2	-0.8%

Operating Expenses and Equipment (OEE)

Table 45 presents the line item display for operating expenses and equipment (OEE) for the Department of Education, special schools, and the State Library.

As shown in Table 45, OEE expenses are proposed to increase by \$11.2 million, or 26.2 percent in the budget year. This increase, however, is misleading. It primarily results from technical, rather than program, factors (a transfer of \$10.0 million in surplus property contracts from local assistance to state operations and a \$1.2 million increase in cost allocation charges). The increases for OEE are partially offset by a \$1.2 million decrease proposed in consultant and professional services.

Table 45
Operating Expenses and Equipment (OEE)
(in thousands)

	<i>Actual</i> <i>1980-81</i>	<i>Estimated</i> <i>1981-82</i>	<i>Proposed</i> <i>1982-83</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
General expenses	\$3,513	\$3,768	\$3,875	\$107	2.8%
Printing	1,028	1,096	1,068	-28	-2.6
Communications	1,293	1,439	1,571	132	9.2

DEPARTMENT OF EDUCATION—Continued

Postage.....	498	392	392	—	—
Travel—in-state	4,010	3,351	3,554	203	6.0
Travel—out-of-state	139	204	204	—	—
Training.....	8	65	66	1	1.5
Facilities operation	4,024	4,429	4,665	236	5.3
Utilities.....	808	931	1,112	181	19.4
Consultant and professional services	13,622	11,402	10,198	-1,204	-10.6
Departmental services.....	-54	445	47	-398	-89.4
Consolidated data centers.....	659	590	890	300	50.8
Data processing.....	246	764	766	2	0.3
Central administrative services.....	1,102	1,580	2,767	1,187	75.1
Equipment	1,440	651	903	252	38.7
Other items of expense	2,255	2,335	2,549	214	9.2
Commodities costs	5,622	8,617	18,616	9,999	116.0
Educational subgrants	1,541	229	—	-229	-100.0
Unallocated legal.....	—	300	500	200	66.7
Totals	\$41,754	\$42,588	\$53,743	\$11,155	26.2%

A. DEPARTMENT OF EDUCATION**OFFICE OF PROGRAM EVALUATION AND RESEARCH****Overview**

The Office of Program Evaluation and Research (OPER) is the department's centralized evaluation unit. In the current year, OPER has 63.5 authorized positions.

Table 46 shows OPER's expenditures and funding.

Table 46
Expenditures and Funding for the
Office of Program Evaluation and Research
(in thousands)

	<i>Actual</i> 1980-81	<i>Estimated</i> 1981-82	<i>Proposed</i> 1982-83	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
State Operations:					
Special studies	\$178	\$182	\$184	\$2	1.1%
California Assessment Program (CAP)	1,540	1,462	1,428	-34	-2.3
California High School Proficiency Examination (CHSPE)	758	567	578	11	1.9
Student proficiency	468	430	408	-22	-5.1
Other mandated evaluations.....	1,640	1,418	1,453	35	2.5
Administration	428	445	499	54	12.1
Subtotals	\$5,012	\$4,504	\$4,550	\$46	1.0%
Local Assistance	\$436	\$202	—	-\$202	-100.0%
Totals.....	\$5,448	\$4,706	\$4,550	-\$156	-3.3%
General Fund	\$2,176	\$1,865	\$1,799	-\$66	-3.5%
Federal funds	2,714	2,274	2,173	-101	-4.4
Reimbursements.....	558	567	578	11	1.9

California Assessment Program

The major purpose of the California Assessment Program (CAP) is to provide the public, the Legislature, and the local school districts with evaluative information regarding the level of student performance in the state. The authorizing legislation envisioned that this information would

be used to identify unusual success or failure rates, as well as the factors which appear to be responsible for these rates. With this information, the state and local districts are believed to be in a better position to take those actions necessary to improve the quality of education provided to public school pupils.

Table 47 displays the test printing and scoring costs for the four CAP tests.

Table 47
Test Printing and Scoring Costs

Grade	Actual	Estimated	Proposed	Change	
	1980-81	1981-82	1982-83	Amount	Percent
1 (ELT)	\$164,022	\$180,406	\$189,426	\$9,020	5.0%
3	239,392	263,331	276,498	13,167	5.0
6	128,009	140,809	147,849	7,040	5.0
12	105,170	116,225	122,036	5,811	5.0
Total	\$636,593	\$700,771	\$735,809	\$35,038	5.0%

Different Tests Needed

We recommend the adoption of supplemental language directing the Department of Education to discontinue the Entry Level Test (ELT) in the California Assessment Program, for an annual General Fund savings of \$189,000 because similar information is already being collected. We further recommend that the Legislature direct the Department of Education to use the savings from discontinuing the ELT to develop a junior high school (grade 8 or 9) basic skills test in 1982-83 in order to better meet the legislative goals of the California Assessment Program, at a General Fund cost of \$176,000 for a net savings of \$13,000. (Reduce Item 6100-001 by \$13,000).

Entry Level Test. The ELT provides base information on student skills in reading, writing, and mathematics, at an annual cost of approximately \$189,000. This information is used to develop the comparisons used for reporting grade 3 test results. In addition to the ELT, information is also gathered on socio-economic status, and number of limited English-speaking students. This information is gathered for grades 3 and 6, and is used for developing the comparisons for the grade 6 tests and confirming the ELT for grade 3. Our analysis indicates that both the ELT and the student data survey provide comparable information. Consequently, we conclude that administration of the ELT is not necessary, and we recommend that this test be eliminated for an annual General Fund savings of approximately \$189,000.

Grade 8 or 9 Test. One of the goals of CAP is to provide information regarding the level of student performance. The lack of testing at the junior high school level results in an information gap between grade 6 and 12 that weakens the value of the program. Specifically, the lack of statewide information on basic skills achievement at the junior high school level (grade 8 or 9) makes it difficult to identify when and in which skills the decline in academic achievement between the sixth and twelfth grades occurs.

To overcome this deficiency, we recommend that the Legislature direct the department to develop a junior high school test. Based on SDE data, our analysis indicates that the developmental costs of the junior high test would be approximately \$176,000. This cost can be funded by redirecting

DEPARTMENT OF EDUCATION—Continued

\$176,000 of the savings that would be achieved by eliminating the Entry Level Test.

In sum, we recommend that the department discontinue the Entry Level Test and develop a junior high school basic skills test, for a net General Fund savings of \$13,000 in 1982-83.

Test Administration Costs

The annual cost of administering the junior high test, starting in 1983-84, would be approximately \$296,000 if the test is given to all grade 8 or 9 students and results are provided to all schools and districts. The cost of this test, if administered on a sample basis capable of providing valid statewide information (but not valid school and district information), would be approximately \$156,000.

Because one of the primary reasons for CAP is to provide district and school level information, we believe the additional costs (\$140,000) necessary for 100 percent testing are justified. If this were done, it would require a budget augmentation of \$107,000 in addition to the savings (\$189,000) from the ELT in 1983-84.

CURRICULUM SERVICES**Overview**

The Curriculum Services unit administers the following programs to assist school districts and other agencies in improving instruction: (1) state mandated curriculum activities, (2) health education, (3) personnel and career development services, (4) special curriculum programs, and (5) traffic safety programs. For 1982-83, the budget proposes \$4.2 million for these programs, a reduction of \$1.6 million, or 27 percent from 1981-82. This reduction primarily reflects the transfer of \$1.6 million in local assistance federal funds for personal and career development programs from the curriculum services' budget to the new federal block grant budget. When the proposed 1982-83 allocation is adjusted to reflect this change in federal policy, the proposed budget reflects a 1.5 percent increase from 1981-82 for curriculum services.

Zero-Base Budget

The *Supplement Report of the 1981 Budget Act* required the State Department of Education to develop a zero-base budget for the Curriculum Services unit in 1982-83. We received a draft of this report too late for us to include any comments or recommendations regarding its contents. We will comment on the report during budget hearings.

Environmental Education (Items 6100-001-140 and 6100-181-140)**Elimination of General Fund Support**

We recommend that all activities of the Conservation Education Service (CES) be supported by the Environmental License Plate Fund (ELPF) because the primary role of the CES is to administer the ELPF grant program, for a General Fund savings of \$84,000. (Reduce Item 6100-001-001 by \$84,000).

Environmental education is administered by the Department of Education's Conservation Education Service (CES). The major responsibility of the CES is to administer the Environmental Education Grant Program,

which is supported by the Environmental License Plate Fund (ELPF). This program provides approximately 30 grants annually to local education agencies, other governmental agencies, and nonprofit organizations to establish interdisciplinary programs in environmental education. A less significant activity of the CES is to provide technical assistance to schools for the development of curriculum materials, teacher training, and the operation of nature centers.

The budget proposes \$584,000 for environmental education in 1982-83. Of this amount, \$101,000 would be used for state operations, with \$84,000 coming from the General Fund and \$17,000 coming from the ELPF. The local assistance allocation of \$483,000 would be funded entirely from the ELPF.

The 1981 Budget Act also provides \$483,000 from the ELPF for local assistance. Of this amount, \$279,000 was specifically allocated by the Legislature to two projects. It is not anticipated that these specific allocations made outside of the regular grant award process will be continued in 1982-83. Consequently, more than twice the amount of discretionary funds available for 1981-82 will be awarded in 1982-83 by CES through the grant award process.

Given that the primary role of the CES is to administer the ELPF Environmental Education Grant Program, we find no analytical basis for using General Fund money to finance CES's administrative costs. For this reason, we recommend that General Fund support for CES administrative costs (one professional position and OEE) be deleted, and that these costs be funded instead from the ELPF.

The Department maintains that using ELPF funds for administrative costs will reduce the funds available for local assistance grants. While this is true, using General Fund money for this purpose, as the budget proposes, would reduce the amount available for all state programs (most of which fall in the local assistance category).

In sum, we recommend that the same funding source be relied on for both administrative costs and support (the ELPF) because (1) it is consistent with accepted budgetary policy and (2) it will give the Legislature more fiscal flexibility in funding high priority state needs.

Educational Technology and Legal Education (Item 6100-181-001)

We recommend approval.

The budget proposes General Fund support of \$915,000 for Educational Technology and \$200,000 for Grants for Legal Education.

The appropriation for educational technology—instructional television—includes \$45,000 (5.2 percent) for a cost-of-living adjustment.

The appropriation for legal education grants, which are administered by the Constitutional Rights Foundation, Inc., is proposed at the 1981-82 level. The foundation coordinates a youth and administration of justice program in approximately 100 school districts. The program is designed to introduce students to the legal system.

Our analysis indicates that both amounts are reasonable, and therefore we recommend approval.

DEPARTMENT OF EDUCATION—Continued

B. STATE LIBRARY

(Items 6100-011-001, 6100-011-890, 6100-211-001, and 6100-211-890)

Overview

The State Library (1) maintains reference and research materials for the state government, (2) provides support to the 168 local public libraries in California, and (3) provides 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, books for the blind and physically handicapped, government publications, etc.), the provision of consultant services to public libraries, and the administration of the California Library Services Act (CLSA). 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 materials. Table 48 indicates the funding level for the State Library in the prior, current, and budget years.

Table 48
State Library Expenditures and Funding

	Actual 1980-81	Estimated 1981-82	Proposed 1982-83	Change	
				Amount	Percent
State Operations:					
Reference for legislature	\$752	\$703	\$724	\$21	3.0%
Statewide library support and development..	2,189	2,458	2,510	52	2.1
Special clientele services	1,232	1,309	1,401	92	7.0
Support services	3,249	3,273	3,257	-16	-0.5
Subtotals	\$7,422	\$7,743	\$7,892	\$149	1.9%
Local Assistance:					
Statewide library support and development..	\$9,895	\$10,147	\$11,016	\$869	8.6%
Totals	\$17,317	\$17,890	\$18,908	\$1,018	5.7%
State Operations:					
General Fund	\$6,331	\$6,716	\$6,851	\$135	2.0%
Federal funds	1,077	1,014	1,028	14	1.4
Reimbursements	14	13	13	—	—
Local Assistance:					
General funds	\$5,226	\$5,482	\$5,800	\$318	5.8%
Federal funds	4,669	4,665	5,216	551	11.8

Summary of Changes

Table 49 displays the proposed changes in the State Library budget from 1981-82 to 1982-83. In the state operations component, the budget proposes to eliminate 12.7 positions. This reduction reflects (1) the termination of 1.5 limited-term positions, (2) the elimination of two positions following completion of a microfilming project, and (3) the 5.0 percent reduction in baseline expenditures required of most General Fund agencies by the administration.

The budget proposes to reallocate the funds saved through the elimination of the two microfilm project positions (\$44,000) to purchase increased computer capacity for the Books for the Blind and Physically Handicapped (BBPH) facility. The budget also proposes (1) \$155,000 from the General Fund to equip a new facility for the Sutro Collection, (2) \$280,000 for a 5.0 percent increase in the General Fund portion of local assistance to compensate for inflation, and (3) a transfer of \$38,000 in General Fund

support from state operations to local assistance. Federal funds will provide an additional \$14,000 for state operations and \$551,000 for local assistance.

Table 49
State Library General Fund Budget Changes 1982-83
(in thousands)

State Operations:		
Revised 1981-82 Budget		\$6,716
A. To Maintain Existing Budget.....		332
1. Population and price.....	\$236	
2. Workload	-39	
3. 2 percent restoration.....	135	
B. 5 percent reduction		-352
C. Program Change Proposals		155
1. Sutro Library	\$155	
2. Union card catalog staff reduction	-44	
3. BBPH core memory	44	
Total Change (Amount/Percent)	\$135	
	(2.0%)	
Total State Operations, 1982-83		\$6,851
Local Assistance:		
Revised 1981-82 Budget		\$5,482
A. Program Change Proposals		318
California Library Services Act.....	\$38	
Cost-of-living increase	280	
Total Change (Amount/Percent)	\$318	
	(5.8%)	
Total Local Assistance, 1982-83		\$5,800

Federal Support for Library Services (Items 6100-011-890 and 6100-211-890)
We recommend approval.

The budget proposes an increase of \$551,000 in federal funds for local assistance through the Library Services and Construction Act, as well as an additional \$14,000 in federal funds for state operations. These are carry over funds, and do not reflect an increase in the ongoing level of federal aid available to the state. Our analysis indicates that the request is reasonable, and we recommend approval.

SUTRO LIBRARY

Overview

The Sutro Library was donated to the Trustees of the State Library in 1915 on the condition that the collection remain within the City of San Francisco. The library consists of many specialized collections, including genealogy and local history, Mexicana, English history and literature, Hebraica, voyages and travel, early printed books, and the history of religion. The Sutro Library currently is located in leased facilities at the University of San Francisco (USF). The university, however, wishes to use the building and its equipment for other purposes, and will not renew the lease when it expires on October 1, 1982.

DEPARTMENT OF EDUCATION—Continued**Appropriation Recommended for New Location and Facility**

We recommend that all costs proposed for setting up the new Sutro Library be funded with tidelands oil revenues, in the Special Account for Capital Outlay, for a General Fund savings of \$250,000, in order to provide the Legislature with more fiscal flexibility in allocating limited funds to meet high priority state needs. (Reduce Item 6100-011-001 by \$250,000).

Because efforts by the Department of General Services to acquire an appropriate lease facility for the Sutro Library has been unsuccessful, the Department of Finance has proposed that the now-vacant temporary legislative chambers be moved to a site owned by San Francisco State University (SFSU) for use by the Sutro Library. The Department of Finance has also proposed that the estimated \$500,000 cost of moving and installing the facilities be funded through a loan from the Capitol Restoration Fund carrying an interest rate—provided that such funds are available. In the event sufficient funds are not available in the Capitol Restoration Fund, the budget indicates that a General Fund appropriation for the difference will be needed. Repayment of the loan (from either source) would take place at the rate of \$126,000 annually, for as many years as is necessary. The repayment would be financed from within the base budget, using the \$152,000 appropriated from the General Fund for rent payments to USF. (The remaining \$26,000 currently budgeted for rent would be used for utilities, which will have to be purchased separately). The Joint Rules Subcommittee on the Capitol Restoration has tentatively approved the Department of Finance plan.

The budget also proposes a one-time General Fund augmentation in 1982-83 of \$155,000 for moving the Sutro collection and for purchasing new shelving and equipment.

The estimated \$655,000 requested in connection with moving the collection to a new facility would be used for *capital outlay* and related costs. Because the Legislature has established a special fund—the Special Account for Capital Outlay (SAFCO)—specifically for the purpose of financing Capital Outlay, there is no need for these costs to be funded from the General Fund. The budget shows that the SAFCO, which receives tidelands oil revenues, will have \$29.2 million in reserves that could be used to fund the Sutro project.

Accordingly, we recommend the use of tidelands oil revenue funds in the SAFCO be used for establishing the new Sutro facility. This would have the following advantages:

- It would avoid drawing on reserves in the Capitol Restoration Fund that may be needed to cover additional expenses directly related to completing the restoration of the Capitol.
- It would provide the Legislature with more fiscal flexibility in allocating limited General Funds to meet high priority-non-capital outlay state needs.
- The General Fund appropriation requested for repaying the loan will not be needed, resulting in a General Fund savings in 1982-83 and in future years.
- It would avoid the need to appropriate money from the General Fund in future years, allowing further savings to the General Fund.

The effect of our recommendation would be a savings to the General Fund of \$250,000 in 1982-83. This savings is composed of the amount

requested to repay a loan (\$95,000) and the amount requested for shelving and equipment (\$155,000).

Estimated Cost of Establishing New Sutro Library

We recommend that prior to budget hearings the Department of Finance report to the legislative budget committees on (1) how it determined the cost of (a) moving to and setting up the temporary legislative chambers at the San Francisco site, (b) moving the Sutro collection, and (c) purchasing new shelving and equipment, (2) why no funds are included in the budget for maintenance and security at the new Sutro facility, and (3) what the administration intends to do if additional funding for these purposes is needed.

In order to establish the new Sutro facilities, the State Library will have to: (1) detach the temporary legislative chambers from their present site, (2) transport the buildings to San Francisco, (3) grade, install utilities and otherwise develop the new site in order to install the facilities, (4) pack and move all the library's materials, including many rare and fragile items, and (5) purchase shelving, furniture, and other capital items needed to store and protect the collection and provide user services.

Cost of Moving and Equipping the Facilities. Our analysis indicates that the budget proposal to spend \$500,000 to detach, move, and set up the legislative chambers may not be enough. The State Library has indicated that \$420,000 would be required to move the buildings, *exclusive* of dismantling and site preparation.

In addition, the one-time appropriation of \$155,000 in the budget to pack and move the collection and to purchase all necessary shelving and equipment may be inadequate. The \$155,000 augmentation includes \$125,000 to purchase new shelving *and* equipment and \$30,000 to pack and move the collection. The State Library has indicated, however, that \$150,000 is needed solely for shelving. Our analysis indicates that the library's estimate for shelving is significantly less than comparable shelving costs for University of California and California State University libraries. Consequently, the funding in the budget for shelving and equipment may not be sufficient for shelving alone. In addition, the new Sutro Library will also need more desks, file cabinets, and other office and library equipment. No funds may be available for these items if shelving costs exceed the \$155,000 included in the budget.

Maintenance and Security. A 20,000 square foot library facility housing rare and valuable documents clearly will require maintenance and security services. Such services are currently provided to the Sutro Library by USF, under the terms of the lease arrangement. No funds, however, are provided for maintenance (including landscaping and custodial services) and for security at the new facility. Because the site of the new Sutro facility is away from the main SFSU campus, it may not be reasonable to assume that SFSU will be able to absorb the cost of these services within existing resources, as the budget appears to assume.

Given these potential funding shortfalls, we recommend that prior to budget hearings the Department of Finance report to the Legislature on (1) how it determined the cost of establishing the new Sutro facility and (2) what the administration propose to do if the requested level of funding is inadequate.

DEPARTMENT OF EDUCATION—Continued

CALIFORNIA LIBRARY SERVICES ACT (ITEM 610-211-001)

Overview

We recommend approval.

The State Library provides local assistance funding to public libraries and library systems under the California Library Services Act (CLSA). Table 50 shows expenditures for programs funded under the act as well as the state administration costs associated with the act. Programs for libraries and library systems are funded either by formula, or through grant application.

Table 50
California Library Services Act
Expenditures
(in thousands)

	<i>Actual</i> <i>1980-81</i>	<i>Estimated</i> <i>1981-82</i>	<i>Proposed</i> <i>1982-83</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
State Operations.....	\$229	\$323	\$300	-\$23	-7.1%
Local Assistance	\$5,226	\$5,482	\$5,800	\$318	5.8%
Totals.....	\$5,455	\$5,805	\$6,100	\$295	5.1%

C. TECHNICAL ISSUES

In this section we present issues which are technical in nature. These issues are related to either the format of the budget or involve errors in calculating funding requirements for various programs.

In our analysis we have identified the following technical issues:

- The transportation COLA is overbudgeted.
- The state matching funds for career education are not deleted.
- The supplemental schedules of authorized positions are not consistent with the program budget.
- A separate budget display for the State Library is needed.

Technical Issue—Transportation COLA Overbudgeted

We recommend that local school district transportation aid inflation be reduced by \$680,000 to correct a technical error in the calculation of an inflation adjustment for the Los Angeles Unified School District. (Reduce Item 6100-226-001 by \$680,000).

Local school districts have the option in the current year of receiving their regular transportation aid either through the regular reimbursement process, or by having it added to their general aid apportionment, as authorized by Ch 1093/81 (AB 61). The transportation aid inflation adjustment received by each district is dependent upon which option it chooses.

For 1982-83, the budget assumes that the Los Angeles Unified School District will choose to receive part of its regular transportation aid through its general aid apportionment, rather than through the regular reimbursement process. This, however, is not reflected in the transportation aid base upon which the inflation adjustment for this aid has been calculated. Consequently, the proposed appropriation for transportation aid inflation is overbudgeted. We estimate that the inflation increase is overbudgeted by \$680,000, which is the amount assumed to be transferred to Los Angeles

(\$13.6 million) times the 5.0 percent COLA. Accordingly, we recommend that the proposed COLA appropriation (Item 6100-226-001) be reduced by \$680,000.

Technical Issue—Matching Funds for Career Education Not Required

We recommend the elimination of state matching funds for Career Education Incentive Act state operations because matching funds are not required under the new federal education block grant, for a General Fund savings of \$78,000. (Reduce Item 6100-001-001 by \$78,000).

The budget requests \$78,000 from the General Fund for career education state operations to match an equal amount of federal funds.

Chapter II of the federal Education Consolidation and Improvement Act of 1981 includes career education as one of the programs replaced by the new block grant. Prior to being included in the block grant, state administration costs of career education were shared 50 percent from the General Fund and 50 percent from federal funds. The new block grant legislation, however, does not require a state match.

Because the General Fund \$78,000 match is no longer required, we recommend the elimination of the proposed match, for a General Fund savings of \$78,000.

Technical Issue—Position Counts

We recommend that supplemental language be adopted directing the Department of Finance to (1) include all position changes in the 1983-84 Governor's Budget display of position changes and (2) reorganize all supplemental schedules dealing with authorized positions to be consistent with the program budget organization.

The 1982-83 Governor's Budget display for the Department of Education does not contain sufficient detail to enable the Legislature to understand the disposition of personnel resources within the department. Specifically, the schedule of position changes (Schedule 2) does not include all position changes.

A complete Schedule 2 listing of all position changes is necessary to provide the Legislature sufficient information to review how personnel resources are allocated between programs, and to provide justification for program budget requests.

By not including all position changes on the schedule 2, the budget displays for each of the department's programs are of limited usefulness to the Legislature. This is because the position counts for (1) each program included in the schedule of position changes (Schedule 2), (2) the schedule of established positions as of July 1 (Schedule 7A), and (3) the program budget display, cannot be reconciled with each other on a program or organizational basis.

Accordingly, we recommend adoption of supplemental language requiring the Department of Finance to include all position changes in the Schedule 2 for each program, and provide that the position counts in the Schedule 7A and 2, and the program budget display, agree with each other for the 1983-84 Budget.

Technical Issue—Separate Budget Display for State Library

We recommend that supplemental language be adopted to direct the Department of Finance to present the 1983-84 and future budgets for the State Library as a separate department budget because the State Library functions as an independent agency.

DEPARTMENT OF EDUCATION—Continued

Under the current budget format, the line item budget and program budget statements for the State Library and the California Library Services Act are intermingled within the budget for the State Department of Education. This policy reduces the visibility of library activities, and overstates the budget of the Department of Education. Because the State Library and its programs are under the direction of the State Librarian, who is appointed by the Governor, and autonomous of the Department of Education, we recommend adoption of supplemental language requiring the State Library budget to be separately displayed to provide the Legislature a more accurate and meaningful picture of both the State Library's and the Department of Education's programs and funding.

DEPARTMENT OF EDUCATION—REAPPROPRIATIONS

Item 6100-490 from the General Fund

ANALYSIS AND RECOMMENDATIONS*We recommend approval.*

The budget proposes the reappropriation on July 1, 1982, of the unexpended balances of the following three items:

- School Improvement Program (SIP) independent evaluation—the unexpended balance of Ch 894/77, Section 70, as reappropriated by the Budget Act of 1981.
- Pilot attendance projects—the unexpended balance of Ch 1329/80, Section 16, as reappropriated by the Budget Act of 1981.
- Capital Outlay for child care facilities—the unexpended balance of Ch 798/80, Section 23.4, as reappropriated by the Budget Act of 1981.

SIP Independent Evaluations

The SIP independent evaluations were originally funded in Ch 894/77 (AB 65). Because of difficulties with the original evaluation, the original contract was terminated pursuant to the 1979 Budget Act. A new evaluator has been selected, and the Budget Acts of 1980 and 1981 reappropriated the AB 65 funds for the independent evaluation. Because the evaluation is currently in progress and will extend into the budget year, the reappropriation of the unexpended funds is necessary, and we recommend approval.

Pilot Attendance Projects

Chapter 1329, Statutes of 1980 (AB 3269), requires educational offices and organizations to undertake new duties which will help promote increased attendance in schools. It also prescribes the establishment of a pilot study of 25 elementary school districts, 25 unified school districts, and 10 high school districts, and provides for supplemental state aid if their actual student attendance increases for the study period. An appropriation of \$825,000 per year for fiscal years 1980-81 through 1982-83 was made to fund the pilot study. Because this is a three year study which terminates June 30, 1983 and because the superintendent's development of criteria for allocating the funds was delayed, the reappropriation is necessary.

Capital Outlay for Child Care Facilities

Chapter 798, Statutes of 1980 (SB 863), appropriated \$4 million for child care capital outlay projects. Specifically, \$1.7 million was for allocation to family day care homes and child care agencies for minor capital outlay projects to meet state and local health and safety standards; and \$2.3 million was allocated to the State Allocation Board for the acquisition and leasing of portable facilities to child care contracting agencies. These funds are currently being expended for the purposes intended in the statute, and reappropriation is necessary to complete the construction of portable facilities.

DEPARTMENT OF EDUCATION—REVERSION

Item 6100-495 from the General
Fund

ANALYSIS AND RECOMMENDATIONS

The budget proposes that the unencumbered balance (unless provided otherwise) of the following four appropriations revert to the General Fund on June 30, 1982:

- Compensatory education programs—Ch 510/80, Item 332.
- Child Care Expansion funds—Ch 798/80, Section 23 (\$338,000)
- Vocational Education—Ch 282/79, Section 1B.
- Special Education Independent Evaluations—Ch 797/80, Section 12(a) as reappropriated by Ch 99/81, Item 610-490 Schedule (6).

We recommend approval.

Compensatory Education Programs.

Item 332 of the 1980 Budget Act, appropriated \$3,356,668 for demonstration programs in reading and mathematics, which was reappropriated by the Budget Act of 1981. This program was established to develop cost-effective exemplary approaches for the teaching of reading and mathematics and to encourage replication of successful approaches by other school districts. The purposes for which the Item was appropriated have been achieved, and therefore, the unencumbered balance of the item is no longer needed and should be reverted.

Child Care Expansion Funds

Chapter 798, Statutes of 1980 (SB 863), appropriated \$9 million for the provision of child care services to additional eligible children for the last nine months of fiscal year 1980-81. This item proposes the reversion of \$338,000 of those funds.

Department staff indicate that because the Budget Bill proposes an appropriation to fully fund the expected services in 1982-83, the remaining funds provided by SB 863 are not needed and therefore can be reverted.

Vocational Education

Vocational education student organizations are appropriated \$500,000 annually by Ch 282/79 (AB 8) for their support. These funds are used for activities including statewide conferences for student officers; in-service training for vocational teachers who act as local chapter advisors; and the

DEPARTMENT OF EDUCATION—REVERSION—Continued

development of instructional materials and handbooks. Because there is an annual appropriation for support of these organizations, the unencumbered balances of prior years' appropriations are no longer needed. This item reverts them to the General Fund.

Special Education State Administration

Chapter 797, Statutes of 1980 (SB 1870), appropriated \$500,000 for the administration of the Special Education program in 1980-81. Of this amount, \$100,000 was reappropriated by the 1981 Budget Act to provide additional funding in the current year for completion of the Master Plan for Special Education. This plan is anticipated to be finished in the current year, and this item allows the Controller to revert the unexpended balance of the appropriated funds one year earlier than would otherwise be the case.

CONTRIBUTIONS TO TEACHERS' RETIREMENT FUND

Item 6300 from the General
Fund

Budget p. E 81

Requested 1982-83	\$258,610,000
Estimated 1981-82.....	235,491,000
Actual 1980-81	222,206,000
Requested increase \$23,119,000 (+9.8 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

This item provides the state's contribution toward the benefits earned by retired members of the State Teachers' Retirement System (STRS). In 1976, the Legislature increased the annual appropriation to \$144.3 million, in order to finance the amortized cost of granting a one-time pension improvement to STRS retirees in that year. As required by the *Supplemental Report of the 1980 Budget Act*, this item also provides an appropriation to cover the annual STRS retirement program costs mandated by state law. Prior to 1981-82, this appropriation was included in the budget of the Department of Education.

ANALYSIS AND RECOMMENDATIONS*We recommend approval.*

The budget proposes an appropriation of \$258,610,000 from the General Fund to the State Teachers' Retirement Fund in 1982-83. Of this amount, \$219,878,000 would be used to finance the unfunded State Teachers' Retirement System (STRS) program liabilities. The remaining balance of \$38,732,000 is for payment of state-mandated local costs for increases in STRS retirement contributions. The Budget Bill appropriates an amount equal to an actuarial estimate of the local school districts' mandated program costs directly to the State Teachers' Retirement Fund (STRF). This method of reimbursement is more cost-efficient than the previous method of having the districts themselves pay the mandated contributions to the STRF and then seek reimbursement through the claims process.

The proposed expenditure of \$258,610,000 is \$23,119,000, or 9.8 percent, above estimated current-year expenditures. This increase reflects (1) an

increase of \$28,565,000 (14.9 percent) in state funding for the STRS unfunded program liabilities, in partial compliance with the requirements of Chapter 282, and (2) a decrease of \$5,446,000 (12.3 percent) in funding for state-mandated STRS retirement program costs. This decrease, however, is misleading. The amount estimated for 1981-82 includes a \$12 million appropriation in the Omnibus Claims Bill (Ch 1090/81) covering adjusted claims for mandated costs in prior years that were not approved in time to be included in the 1980, or 1981 Budget Acts. Prior to July 1, 1981, these state mandated costs were paid by the local school districts to the STRF and then the districts sought reimbursement through the claim process. Because of the length of the claim review process, many of these claims were not approved in time to be included in the following year's Budget Act. Instead, these approved claims were included in the next Omnibus Claims Bill.

Since July 1, 1981, the Legislature appropriates directly to the STRF an actuarial estimate of the amount equal to the local school district's mandated program costs, instead of reimbursing the school districts through the claims process. This new reimbursement method terminated the claim process for mandated costs incurred after June 30, 1981. Remaining claims for mandated costs incurred prior to that date are expected to be processed and paid during 1982. As a result, the claim method of reimbursement for state mandated STRS costs are expected to terminate in 1982.

Table 1 shows the components of these expenditures for the past, current, and budget years.

Table 1
Contributions to the State Teachers' Retirement Fund
Item 6300-101-001
(in millions)

<i>Program</i>	<i>Actual 1980-81</i>	<i>Estimated 1981-82</i>	<i>Proposed 1982-83</i>	<i>Change from 1981-82</i>
1. Contributions for past unfunded liabilities	\$171,616	\$191,313	\$219,878	\$28,565
2. State-Mandated STRS program costs				
a. Ch 89/74. Retirement credit for unused sick leave	31,819 ^a	11,147	11,147	—
b. Ch 1036/79. Cost-of-living increase to STRS retirees	15,816 ^b	15,350	20,406	5,056
c. Ch 1241/80. Cost-of-living increase to STRS retirees	255	—	—	—
d. Ch 1286/80. Increase in STRS minimum benefits	2,902 ^d	5,602 ^c	7,179	1,577
e. Ch 1090/81. Omnibus Claims Bill to pay prior years' adjusted claims	—	12,079	—	-12,079
Unspent appropriation carried into 1981-82	-202	—	—	—
Subtotals, Mandated STRS Program Costs	\$50,590	\$44,178	\$38,732	-\$5,446
Grand Total Expenditures	\$222,206	\$235,491	\$258,610	\$23,119

^a Includes \$20.6 million appropriation for prior deficiencies.

^b Includes \$0.5 million in prior years' unspent carry-over and \$255,000 for prior-years' deficiencies.

^c Includes \$202,000 in prior year's unspent carry-over.

^d Half-year costs.

CONTRIBUTIONS TO TEACHERS' RETIREMENT FUND—Continued**The STRS Unfunded Liability**

The latest available actuarial valuation of the STRF, published in May 1980, estimated the unfunded liability (accrued retirement benefits for which there are no assets) at \$9.9 billion.

1. *History.* From its inception in 1913 until 1972, STRS benefits were financed on a pay-as-you-go, or a year-to-year, basis. This meant that no funds were set aside to cover the accruing cost of future benefits earned by the STRS membership.

In 1972, the Legislature enacted a partial funding program which was designed to (a) stabilize the accumulated unfunded liability and (b) provide reserves to cover benefits earned in the future. Beginning in 1972, the budget included 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 such an appropriation was expected to continue through fiscal year 2002-03.

The combination of salary increases for active teachers, declining mortality rates for retired teachers and an increasing number of early retirements has caused the long-term benefit costs to rise faster than anticipated by the 1972 funding program. As a result, the contribution levels established by that program proved to be insufficient to fund the increasing long-term benefits being earned by active members, and the unfunded liability continued to grow.

2. *Chapter 282 Funding.* In 1979, the Legislature once more addressed the STRS unfunded liability through the enactment of Ch 282/79 (AB 8). This act addressed the unfunded liability problem by (a) increasing annually the General Fund appropriation to the STRS trust fund by the percentage increase in the California Consumer Price Index (CCPI); (b) extending the authorization for the annual General Fund contributions indefinitely beyond fiscal year 2002-03; and (c) providing an additional annual General Fund appropriation, 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 by the CCPI increase. This program was designed to slow the growth of the unfunded liability, but it was not expected to stop it, or to reduce the amount of the unfunded liability. The goal of the program was to achieve "infinite funding" of the State Teachers' Retirement Fund (STRF). In actuarial terminology, "infinite funding" represents the level at which the rate of growth in the unfunded liability is equal to the rate of growth in payroll.

Using new data from the May 1980 actuarial analysis, the STRS consulting actuary concluded that the actual funding value of Chapter 282 fell short of its intended funding goal. As a result, the STRS unfunded liability was expected to grow at a faster rate than payroll. The next actuarial valuation, to be published in May 1982, is expected to show an unfunded liability in excess of \$10 billion.

Chapter 282 Requirements Underfunded

Chapter 282 requires that the \$144.3 million annual General Fund contribution to the STRF specified under prior law be increased, beginning in 1980-81, by an amount which reflects the change in the California Consumer Price Index (CCPI) in the preceding fiscal year. However,

neither the 1980 nor the 1981 Budget Act appropriated the amounts called for by Chapter 282. In each case, the increase approved by the Legislature was less than the increase in the CCPI during the prior year.

The 1982-83 budget proposes a state contribution to the STRF that is 5 percent above the 1981-82 contribution. In contrast, Chapter 282 requires a 13.9 percent increase to match the increase in the CCPI during 1981.

Details of the General Fund contributions for the past, current, and budget years are shown in Table 2.

Table 2

**Contributions for Past State Teachers' Retirement System Unfunded Liabilities
(in millions)**

	<i>Actual 1980-81</i>	<i>Actual 1981-82</i>	<i>Proposed 1982-83</i>
Ongoing baseline contribution.....	\$144.3	\$161.6	\$171.3
Increase in-lieu of CCPI	17.3 ^a	9.7 ^b	8.6 ^c
Adjusted baseline contributions.....	\$161.6	\$171.3	\$179.9
Increment of additional \$280 million	10.0	20.0	40.0
Totals, contributions for unfunded liabilities.....	\$171.6	\$191.3	\$219.9

^a Based on budgeted COLA increase of 12 percent, *in lieu* of a statutory CCPI of 17.1 percent.

^b Based on budgeted COLA increase of 6 percent, *in lieu* of a statutory CCPI of 10.4 percent.

^c Based on budgeted COLA increase of 5 percent, *in lieu* of a statutory CCPI of 13.9 percent.

CALIFORNIA ADVISORY COUNCIL ON VOCATIONAL EDUCATION

Item 6320 from the General
Fund and the Federal Trust
Fund

Budget p. E 82

Requested 1982-83	\$310,000
Estimated 1981-82.....	307,000
Actual 1980-81	296,000
Requested increase (excluding amount for salary increases) \$3,000 (+1.1 percent)	
Total recommended reduction	None

1982-83 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
6320-001-001—Support		General	\$102,000
6320-001-887—Federal—Support		Vocational Education Fed- eral	208,000

GENERAL PROGRAM STATEMENT

The federal Vocational Education Act of 1976 requires the establishment of a state advisory council on vocational education and specifies the council's membership and duties. The California Advisory Council on Vocational Education (CACVE), established by Ch 1555/69, acts as the federally mandated council. It consists of 25 members and is staffed by four

CALIFORNIA ADVISORY COUNCIL ON VOCATIONAL EDUCATION—Continued

professional and two clerical positions in the current year.

ANALYSIS AND RECOMMENDATIONS*We recommend approval.*

The budget proposes an appropriation of \$102,000 from the General Fund for partial support of the Advisory Council on Vocational Education in 1982-83, a 4.1 percent increase over estimated current year expenditures. This amount will increase by the amount of any salary or staff benefit increase approved for the budget year.

Total state and federal funding for the council is estimated to be \$310,000 in 1982-83, an increase of 1.0 percent over the current year. Table 1 summarizes the funding for CACVE.

Table 1
Funding for the California Advisory Council on Vocational Education
(in thousands)

	<i>Actual</i> <i>1980-81</i>	<i>Estimated</i> <i>1981-82</i>	<i>Proposed</i> <i>1982-83</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
Federal Funds	\$189	\$209	\$208	-\$1	-0.5%
General Fund	104	98	102	4	4.1
Reimbursements	3	—	—	—	—
Totals	\$296	\$307	\$310	\$3	1.0%
Personnel-years	5.8	6	6	—	—

Table 2 shows the changes in the council's budget between the current year and 1982-83. In order to achieve the 5 percent reduction in baseline expenditures required by the administration, the council has reduced general expenses, travel, interdepartmental contracts, and equipment by a total of \$5,000. We do not believe this reduction should have an adverse impact on the council's activities.

Table 2
Proposed General Fund Budget Adjustments for California Advisory Council on Vocational Education
(in thousands)

	<i>Adjustments</i>	<i>Total</i>
1981-82 Revised Base Budget		\$98
A. Changes to Maintain Existing Budget:		9
1. Restore 2 percent reduction	\$2	
2. Restore travel reduction	3	
3. Population and price	3	
4. Merit salary	1	
B. Program Changes:		
1. 5 percent reduction	-5	-5
1982-83 Support		\$102

Our analysis indicates that the budget for CACVE is reasonable and we recommend approval.

CALIFORNIA OCCUPATIONAL INFORMATION COORDINATING COMMITTEE

Item 6330 from the Federal
Trust Fund

Budget p. E 84

Requested 1982-83	\$43,000
Estimated 1981-82	295,000
Actual 1980-81	158,000
Requested decrease (excluding amount for salary increases) \$252,000 (-85.4 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The California Occupational Information Coordinating Committee (COICC), established by Ch 972/78, acts as the state information coordinating committee mandated by the federal Vocational Education Act.

The committee is responsible for the development of the California Occupational Information System, which provides occupational planning and guidance information to educational institutions, the Employment Development Department, and private industry.

The committee has six authorized positions in the current year.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes an appropriation of \$43,000 from the Federal Trust Fund for the COICC in 1982-83. This is a reduction of \$252,000, or 85.4 percent, from the appropriation for the current year. The COICC also anticipates spending \$50,000 in reimbursements during 1982-83. This is the projected amount of federal Vocational Education Act funds which will be allocated to the committee by the State Department of Education. COICC expects to receive similar allocations from the Chancellor's Office of the California Community Colleges and the Employment Development Department, but these funds are not shown in the budget for 1982-83 because the agencies have not indicated whether they will renew their agreements with the committee.

Table 1 shows COICC funding.

Table 1
Funding for the California Occupational Information Coordinating Committee
(in thousands)

	Actual 1980-81	Estimated 1981-82	Proposed 1982-83	Change	
				Amount	Percent
Federal funds	\$158	\$295	\$43	-\$252	-85.4%
Reimbursements	-	157	50	-107	-68.2
Totals	\$158	\$452	\$93	-\$359	-79.4%
Personnel-years	3.9	6	1.5	-4.5	-75.0%

The future of the COICC is unclear. The budget provides funding for the COICC only through September 30, 1982, when its current federal grant expires. The committee has not budgeted federal funds for the period beyond September 30 because its state statutory authorization ex-

CALIFORNIA OCCUPATIONAL INFORMATION COORDINATING COMMITTEE**—Continued**

pires December 31, 1982, limiting its ability to apply for a new federal grant. The committee indicates that if its authorization is extended, it will reapply for another federal grant.

Projects to Enhance Career Information

The COICC is in the process of developing two major projects. One is a supply-and-demand report on the labor force in California. This report will relate the number of job vacancies in 400 occupations to the number of persons being trained for these jobs. It will also include narratives on the employment outlook for selected occupations. The other is a Career Information Guide containing information on the availability of job training programs and financial aid.

We have reviewed early drafts of these publications. In our judgment, they provide information which should be useful to vocational education program planners and guidance counselors, and should assist individuals in making career choices.

DEPARTMENT OF EDUCATION—REVERSION

Item 6350-495 to the General
Fund

ANALYSIS AND RECOMMENDATIONS*We recommend approval.*

Chapter 288, Statutes of 1980 (SB 1426), appropriated \$208 million from the General Fund to the State School Building Lease-Purchase Fund for school construction.

In 1981-82, the Governor's Executive Order B87-81 unallotted \$147.2 million of these funds in order to finance a projected deficit in the General Fund for the current year. This item would revert these monies to the General Fund as of June 30, 1982.

At the time this analysis was written, our review indicated that without these funds the 1981-82 General Fund would be in a deficit condition. Consequently, the proposed reversion to the General Fund appears warranted, and we recommend approval.

COMMISSION FOR TEACHER PREPARATION AND LICENSING

Item 6360 from the Teacher
Credentials Fund

Budget p. E 91

Requested 1982-83	\$4,028,000
Estimated 1981-82.....	3,566,000
Actual 1980-81	3,376,000
Requested increase (excluding amount for salary increases) \$462,000 (+13.0 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The Commission for Teacher Preparation and Licensing 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, which is supported by the Teacher Credentials Fund, has 102 authorized positions in the current year.

ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of \$4,028,000 from the Teacher Credentials Fund for support of the Commission for Teacher Preparation and Licensing (CTPL) in 1982-83, an increase of \$462,000, or 13.0 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. Table 1 summarizes the commission's funding.

Table 1
Expenditures and Funding for the Commission for Teacher Preparation and Licensing
(in thousands)

	<i>Actual</i> 1980-81	<i>Estimated</i> 1981-82	<i>Proposed</i> 1982-83	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
Elementary and Pre-School Professional Personnel	\$772	\$816	\$938	\$122	15.0%
Secondary, Adult and Vocational Professional Personnel.....	569	602	680	78	13.0
Instructional Specialists for All Grades	571	602	726	124	20.6
Professional Administrative and Support Service Personnel	288	305	363	58	19.0
Professional Standards for Certificated Personnel	458	479	505	26	5.4
Administration	758	784	816	32	4.1
Total Expenditures	\$3,416	\$3,588	\$4,028	\$440	12.3%
Teacher Credentials Fund	\$3,376	\$3,566	\$4,028	\$462	13.0%
Federal Funds	39	22	—	-22	-100.0
Reimbursements	1	—	—	—	—
Personnel-years	94.5	102	108.5	6.5	6.4%

COMMISSION FOR TEACHER PREPARATION AND LICENSING—Continued**Adjustments to the Commission's Budget**

Table 2 shows the changes in the commission's budget between the current year and 1982-83.

Table 2
Proposed Budget Adjustments for the Commission for
Teacher Preparation and Licensing
(in thousands)

	<i>Adjustments</i>	<i>Total</i>
1981-82 Base Budget (Revised)		\$3,566
A. Changes to Maintain Existing Budget		168
1. Staff benefits	\$55	
2. Population and price	70	
3. Merit salary	33	
4. Miscellaneous	10	
B. Budget change proposals		294
1. Program evaluation and approval	186	
2. Examination validation	108	
Total Change	\$462	
1982-83 Support Level		\$4,028

As the table shows, the budget includes funding for two budget change proposals. One of these requests \$186,000 for 3.5 positions to enable the CTPL to evaluate teacher preparation programs on a five-year cycle, rather than on a 20-year cycle, as it is now doing. This will provide timely review of programs, and is consistent with the commission's Program Evaluation Plan, approved by our office and the Department of Finance in 1979.

The other budget change proposal requests \$108,000, reimbursable from examination fees, for 3.0 positions to develop and validate subject matter examinations. These positions are necessary to (1) ensure that the examinations are valid assessment instruments and (2) coordinate the administration of the basic skills proficiency tests, as required by Ch 1136/81 (AB 757).

The balance of the expenditures proposed by the commission are driven by workload. Our analysis indicates that the proposed level of these expenditures is reasonable.

We recommend approval.

Teacher Credentials Fund

Table 3 shows the status of the Teacher Credentials Fund in each of the three years covered by this budget, as well as the following two years. The revenue estimates reflect an increase in the credential fee from \$30 to \$40 in December 1981, and are based on the commission's projections that 94,500 credential applications will have to be processed in the budget year. The commission will provide updated projections of workload during the budget hearings which will reflect trends in the receipt of credential applications during 1981-82.

The table indicates that the fund is expected to be in a deficit condition by June 30, 1985.

Table 3
Teacher Credentials Fund
(in thousands)

	<i>Actual</i> <i>1980-81</i>	<i>Estimated</i> <i>1981-82</i>	<i>Projected</i> <i>1982-83</i>	<i>Projected</i> <i>1983-84</i>	<i>Projected</i> <i>1984-85</i>
Accumulated Surplus, July 1	\$1,050	\$995	\$919	\$814	\$502
Revenues:					
Credential fees ^a	\$3,142	\$3,330	\$3,780	\$3,780	\$3,780
Teacher examination fees	85	90	80	80	80
Income from surplus money investments	90	70	63	57	35
Miscellaneous income	4	—	—	—	—
Total Revenue.....	<u>\$3,321</u>	<u>\$3,490</u>	<u>\$3,923</u>	<u>\$3,917</u>	<u>\$3,895</u>
Total Resources.....	<u>\$4,371</u>	<u>\$4,485</u>	<u>\$4,842</u>	<u>\$4,731</u>	<u>\$4,397</u>
Expenditures ^b	<u>3,376</u>	<u>3,566</u>	<u>4,028</u>	<u>4,229</u>	<u>4,440</u>
Accumulated Surplus, June 30	\$995	\$919	\$814	\$502	—\$43

^a Based on 102,546 applications in 1980-81 and 94,500 in 1981-82 and annually thereafter.

^b Expenditures in 1983-84 and 1984-85 assume a 5 percent increase over the previous fiscal year.

Funding Alternatives

Chapter 890, Statutes of 1981, authorizes the CTPL to increase the credential fee to \$40. It also requires the Legislative Analyst to include in the *Analysis of the 1982-83 Budget Bill* recommendations for alternatives to the current practice of funding the commission solely from fees charged on new credential applications.

As indicated in Table 1, the CTPL is supported almost entirely by teacher credential fees. The fee was set at \$20 in 1966-67, \$30 in 1979-80, and was raised to \$40, effective December 1981. Fees are paid only upon application for a new credential. Teachers with two years of full-time service under a "clear" multiple or single subject teacher credential are eligible for a "life" credential, after which there are no renewal requirements.

In addition to processing credentials, the commission develops standards and procedures for credentialing teachers and administrators, evaluates and approves programs offered by teacher training institutions, revokes credentials for cause, and conducts planning and research activities. About two-thirds of the commission's budget supports the credentials processing function; the remainder supports activities not directly related to the issuance of the credential.

Our analysis indicates that the cost of processing applications for credentials should continue to be supported from application fees, since applicants are the main beneficiaries of this function. Other commission functions, however, could be supported from funding sources other than the application fee. For example:

- Commission activities other than processing credentials and credential-related examinations could be supported from the General Fund. The state, for example, could support the costs of the credential revocation process (\$505,000 in 1982-83) from the General Fund.
- Teacher training institutions could be required to pay for the commission's costs of reviewing and approving the programs they offer. There is precedent for this alternative in the college and university accreditation process.
- The burden of support could be redistributed within the teaching and administrative professions by implementing some type of periodic

COMMISSION FOR TEACHER PREPARATION AND LICENSING—Continued

registration fee. To the extent that the benefits of commission activities accrue to experienced teachers and administrators as well as new ones, these credential-holders could be charged a registration fee at regular intervals.

Each of these alternatives has merit. Our analysis indicates, however, that the current policy of funding CTPL costs from the application fee should be continued. We conclude that teachers have an interest in maintaining the standards of their profession and are the primary beneficiaries of the CTPL's regulatory program. It is therefore reasonable to rely on credential fees to support this activity. Moreover, most of the CTPL activities primarily benefit *new* credential holders (credential processing, program approval and evaluation, development of new credential standards and programs).

FBI Fingerprint Clearance Fee

As part of the credential application process, the commission submits fingerprint cards to the Department of Justice for investigation and clearance. The Department of Justice then submits the fingerprints to the FBI for investigation on a nationwide level. In the past, the federal government has processed these fingerprints at no charge to the state. On October 1, 1981, however, the FBI put into effect a one-year moratorium on fingerprint processing, and the CTPL anticipates that when this service is resumed, a \$12 processing charge will be instituted.

The CTPL currently is reviewing the impact of this change in policy on its budget. It is also reviewing policy options for adjusting its revenues and expenditures to compensate for this change. One of the options it is considering is the imposition of an additional fee on first-time credential applicants. The commission will be prepared to discuss this issue during the budget hearings.

CALIFORNIA POSTSECONDARY EDUCATION COMMISSION

Item 6420 from the General

Fund and Federal Trust Fund

Budget p. E 102

Requested 1982-83	\$2,475,000
Estimated 1981-82.....	2,496,000
Actual 1980-81	3,123,000
Requested decrease (excluding amount for salary increases) \$21,000 (-0.8 percent)	
Total recommended reduction	None

1982-83 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
6420-001-001—Support		General	\$2,472,000
6420-001-890—Support		Federal Trust	3,000
Total			\$2,475,000