

**DEPARTMENT OF EDUCATION**

Item 6110 from the General  
Fund and various funds

Budget p. E 1

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Requested 1989-90 .....	\$16,036,482,000
Estimated 1988-89 .....	15,020,750,000
Actual 1987-88 .....	13,886,129,000
Requested increase (excluding amount for salary increases) \$1,015,732,000 (+6.8 percent)	
Total recommended reduction (transfer to Proposition 98 reserve for subsequent appropriation based on legislative priorities) .....	
	\$133,772,000
Recommendation pending .....	\$300,371,000

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**1989-90 FUNDING BY ITEM AND SOURCE**

Item—Description	Fund	Amount
6110-001-001—Main support	General	\$42,734,000
6110-001-178—School bus driver instructor training	Driver Training Penalty Assessment	877,000
6110-001-305—Private postsecondary education	Private Postsecondary Administration	1,680,000
6110-001-344—School facilities planning	State School Building Lease-Purchase	1,314,000
6110-001-687—Donated food distribution	Donated Food Revolving	13,129,000
6110-001-890—Federal support	Federal Trust	41,414,000
6110-003-001—Fiscal oversight	General	1,900,000
6110-006-001—Special schools	General	41,520,000
6110-007-001—Special schools student transportation	General	436,000
6110-015-001—Instructional materials warehousing/shipping	General	318,000
6110-021-001—Child nutrition administration	General	588,000
6110-101-001—School apportionments	General	9,040,923,000
6110-101-814—Lottery revenues	California State Lottery Education	762,566,000
6110-101-890—Federal block grant	Federal Trust	39,734,000
6110-102-001—Regional Occupational Centers/Programs	General	220,562,000
6110-106-001—County schools	General	115,722,000
6110-107-001—Class size reduction	General	110,000,000
6110-109-001—High school pupil counseling	General	7,187,000
6110-111-001—Home-to-school transportation	General	293,462,000
6110-113-001—Consolidated assessment system	General	1,000,000
6110-114-001—Court-ordered desegregation	General	390,058,000
6110-115-001—Voluntary desegregation	General	57,131,000
6110-116-001—School Improvement Program	General	251,081,000
6110-118-001—Vocational education student organizations	General	550,000
6110-119-001—Specialized secondary schools/foster youth services/opportunity programs	General	3,171,000
6110-120-001—Pupil dropout prevention	General	8,350,000
6110-121-001—Economic Impact Aid	General	196,952,000

**DEPARTMENT OF EDUCATION—Continued**

6110-124-001—Gifted and Talented Education	General	23,433,000
6110-126-001—Miller-Unruh Reading Program	General	19,869,000
6110-128-001—Intergenerational education	General	165,000
6110-128-890—Math & science teacher training	Federal Trust	7,294,000
6110-131-001—Native American Indian education	General	365,000
6110-136-890—Federal ECIA Chapter 1	Federal Trust	375,995,000
6110-141-890—Migrant education	Federal Trust	93,207,000
6110-146-001—Demonstration programs in reading and mathematics	General	4,367,000
6110-151-001—American Indian education centers	General	861,000
6110-156-001—Adult education	General	259,650,000
6110-156-890—Federal adult education	Federal Trust	9,578,000
6110-158-001—Adults in correctional facilities	General	2,401,000
6110-161-001—Special education	General	1,208,077,000
6110-161-890—Federal special education	Federal Trust	164,804,000
6110-162-001—Alternatives to special education	General	430,000
6110-166-001—Vocational education	General	8,649,000
6110-166-890—Federal vocational education	Federal Trust	72,373,000
6110-167-001—Agricultural vocational education	General	3,000,000
6110-171-178—Driver training	Driver Training Penalty Assessment	[21,236,000]
6110-176-890—Refugee and immigrant programs	Federal Trust	18,741,000
6110-183-890—Drug and alcohol abuse prevention	Federal Trust	13,255,000
6110-185-001—Environmental education	General	515,000
6110-186-001—Instructional materials, K-8	General	91,587,000
6110-187-001—Instructional materials, 9-12	General	23,735,000
6110-191-001—Staff development	General	74,783,000
6110-195-001—Child development, private provider	General	132,094,000
6110-196-001—Child development, local education agency	General	198,246,000
6110-196-890—Federal child development	Federal Trust	2,399,000
6110-198-001—Proposition 98 reserve	General	—
6110-201-001—Child nutrition	General	42,077,000
6110-201-890—Federal child nutrition	Federal Trust	485,400,000
6110-209-001—Commissions on professional competence	General	30,000
6110-224-001—Year-round school incentives	General	30,300,000
6110-224-344—Alternatives to school construction	State School Building Lease-Purchase	[7,255,000]
6110-225-001—School/law enforcement partnership	General	150,000
6110-226-001—Cost-of-living adjustments	General	532,026,000
Reimbursements		35,267,000
—Control Section 12.31—Proposition 98 reserve	General	220,000,000
—Control Section 23.50—State Legalization Impact Assistance	State Legalization Impact Assistance	183,728,000
—School apportionments	State School	12,635,000
—Alternatives to school construction	State School	7,255,000
—Driver training	State School	21,236,000
—Control Section 22—GAIN allocation	General	13,500,000
—Prior-year balance available	General	764,000
—Department administration	Special Deposit	1,173,000
—Unemployment insurance	Special Deposit	1,100,000
—Student tuition recovery	Student Tuition Recovery	93,000

## Item 6110

## K-12 EDUCATION / 691

—Loan repayments	General	—3,904,000
—Transfer to California State Summer School for the Arts	General	—580,000
Total		\$16,036,482,000
Funding Source:		
General		\$13,670,235,000
Federal Trust		1,324,194,000
California State Lottery Education		762,566,000
State Legalization Impact Assistance		183,728,000
State School		41,126,000
Donated Food Revolving		13,129,000
Special Deposit		2,273,000
Private Postsecondary Administration		1,680,000
State School Building Lease-Purchase		1,314,000
Driver Training Penalty Assessment		877,000
Student Tuition Recovery		93,000
Reimbursements		35,267,000

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**Analysis  
page**General Education Programs**

1. Court and Community Schools. Recommend that Department of Finance and State Department of Education (SDE) report on impacts of proposed restrictions on community school funding. 706
2. *Meals for Needy Pupils COLA. Reduce Item 6110-226-001(a) (3) by \$939,000 and augment Proposition 98 reserve by \$939,000.* Recommend (1) reduction of \$939,000, to provide same percentage COLA that is provided for general school apportionments and (2) adoption of corresponding Budget Bill language. 708
3. Independent Study Programs: Funding Restrictions. Recommend Budget Bill language (1) specifying that a district's apportionment for full-time independent study programs cannot exceed actual program costs, in order to eliminate incentives for districts to claim excessive levels of funding and (2) directing SDE to establish standards for claiming ADA and earning apportionments. 709
4. Independent Study Programs: Enrollment. Recommend Budget Bill language prohibiting districts from enrolling specified types of students in independent study programs unless they receive a waiver. 711
5. *Independent Study Programs: Costs of Adult Programs. Reduce Item 6110-101-001 (a) by \$9.8 million, augment Item 6110-156-001 by \$9.2 million, and augment Proposition 98 reserve by \$600,000.* Recommend (1) reduction of \$9.8 million in overbudgeted school apportionments, (2) augmentation of \$9.2 million to maintain program level in adult education, and (3) transfer of \$600,000 balance to augment the Proposition 98 reserve. 712
6. Proposition 98 Reserve. Recommend that Legislature (1) leave \$100 million of the Proposition 98 reserve in Control Section 12.31 to fund K-12 education deficiencies in 1989-90 and (2) after May Revision, appropriate the balance for designated, high-priority purposes. 713

**DEPARTMENT OF EDUCATION—Continued****Programs Relating to Classroom Instruction**

7. *Class Size Reduction. Delete \$110 million in Item 6110-107-001 and augment Proposition 98 reserve by \$110 million.* Recommend that \$110 million proposed for class size reduction be transferred to Proposition 98 reserve, for subsequent allocation based on legislative priorities. 721
8. *Consolidated Assessment System. Eliminate Item 6110-113-001 (\$1 million) and augment Proposition 98 reserve by \$1 million.* Recommend deletion of \$1 million proposed for consolidated assessment system, because private test developers can develop the system more effectively. 723
9. *Institute of Computer Technology (ICT). Augment Item 6110-181-001 by \$338,000 and reduce Proposition 98 reserve by \$338,000.* Recommend augmentation of \$338,000 to continue state funding for ICT, which was inadvertently eliminated as part of Educational Technology program. 724

**Programs Relating to Teaching and Administration**

10. *Administrator Training and Evaluation Program (ATEP).* Recommend adoption of (1) Budget Bill language focusing this program on practicing administrators and school board members and (2) supplemental language directing SDE and Commission on Teacher Credentialing to report on ways to incorporate the ATEP into colleges' administrator training curriculum. 727
11. *Bilingual Teacher Training Program.* Withhold recommendation on \$842,000 from the General Fund, pending receipt of additional information from SDE. 729

**Special Education**

12. *Special-Purpose Programs.* Recommend that Legislature review Governor's proposed funding allocations for special-purpose programs, in light of its 1988 priorities. 733

**Vocational Education**

13. *Regional Occupational Centers/Programs COLA. Reduce Item 6110-226-001 (a) (4) by \$6,916,000 and augment Proposition 98 reserve by \$6,916,000.* Recommend deletion of \$6.9 million for a 3.1 percent discretionary COLA, in order to allow Legislature to determine funding levels for all discretionary COLAs in context of its priorities for use of Proposition 98 funds. 736

**Compensatory Education**

14. *Economic Impact Aid. (EIA).* Recommend that SDE present a revised EIA allocation formula that more accurately accounts for relative needs among districts. 739

**Other Specialized Education Programs**

15. *Gifted and Talented Education (GATE) COLA. Reduce Item 6110-226-001 (d) by \$1,406,000 and augment Proposition 98 reserve by \$1,406,000.* Recommend that \$1.4 million provided for a 6 percent COLA be deleted, because statutory COLA has been repealed. 743

16. Pupil Dropout Prevention and Recovery Programs. Withhold recommendation on \$8.4 million from the General Fund, pending receipt from SDE of a statutorily-required evaluation. 744
17. Opportunity Program Incentives. Withhold recommendation on \$249,000 from the General Fund, pending receipt of updated budget estimates. 744

#### **Ancillary Support for K-12 Education**

18. Home-to-School Transportation. Withhold recommendation on \$290.3 million from the General Fund, pending receipt of SDE evaluation of alternative allocation formulas. 746
19. School Facilities Funding Eligibility. Recommend that Office of Local Assistance report on implementation status of a recommendation to streamline funding eligibility calculations. 750
20. Year-Round School Incentive Payment Formula. Recommend Budget Bill language to reduce incentive payments to school districts, because the incentive exceeds the level of possible savings to the state. 753
21. Year-Round Incentive Payment Program Administration. Recommend Budget Bill language to (1) clarify eligibility criteria, (2) specify minimum level of overcrowding to be achieved at the school site level, and (3) clarify how "excess capacity" is to be determined. 754

#### **Child Development**

22. Child Care: Federal Welfare Reform. Recommend that SDE report on impact of federal welfare reform on the Child Development program. 760
23. *Child Care: COLA. Reduce Item 6110-226-001(g) by \$5,938,000 and augment Proposition 98 reserve by \$5,938,000.* Recommend deletion of \$5.9 million for a 3.0 percent discretionary COLA, in order to allow Legislature to determine funding levels for all discretionary COLAs in context of its priorities for use of Proposition 98 funds. 760
24. Child Care: Staff Ratio Savings. Recommend Budget Bill language to (1) phase in a change in staff:child ratios for preschool programs from 1:8 to 1:10, because this ratio would maintain high-quality programs while still being richer than that required by the Department of Social Services for nonsubsidized child care programs and (2) to the extent Legislature wishes to maintain existing practices, give first priority for allocation of annual savings (up to \$19 million) resulting from this change to counties that currently are relatively underserved. 761
25. Child Care: Reimbursement Rates. Recommend Budget Bill language to (1) modify child development reimbursement rates to more accurately reflect actual costs and (2) to the extent Legislature wishes to maintain existing practices, give first priority for allocation of annual savings (approximately \$1.8 million) resulting from this change to counties that currently are relatively underserved. 763

**DEPARTMENT OF EDUCATION—Continued**

26. Child Care: Carryover Funds. Recommend that SDE submit plans to spend child care carryover funds, addressing specified issues. 765

**Adult Education**

27. Adult Education Expansion Funds. Recommend that Legislature specify an alternative allocation methodology, in order to recognize needs in underserved geographic areas. 768
28. *Adult Education COLA. Reduce Item 6110-226-001(b) (1) by \$7,244,000 and Item 6110-226-001(b) (2) by \$67,000, and augment Proposition 98 reserve by \$7,311,000.* Recommend (1) reduction of \$7.3 million, to provide same percentage COLA that is provided for general school apportionments and (2) adoption of corresponding Budget Bill language. 769
29. Immigration Reform and Control Act. Recommend that SDE report on (1) how it would implement goal of restricting a portion of available funding for critical services and (2) what the size of restricted portion should be. 770

**State Department of Education**

30. Desegregation Legal Costs. Withhold recommendation on \$619,000 from the General Fund for legal costs related to desegregation case, pending legislative action on Department of Justice funding request. 776
31. Program Evaluations. Recommend Budget Bill language redirecting \$53,000 from annual evaluation of categorical programs to evaluations of (1) Indian Education Centers and (2) continuation high schools. 777

**OVERVIEW OF K-12 AND RELATED EDUCATION PROGRAMS ANALYSIS**

*Fiscal Impact of Recommendations.* As shown in Table 1, we recommend a net reduction of \$133.8 million in specific, proposed appropriations for K-12 education programs (no net impact on total General Fund expenditures). These recommended reductions reflect our findings that the budget contains funds in excess of individual program needs (or, in the case of the Governor's proposed class size reduction program, that such needs cannot be analytically determined).

Concerning COLAs, we have consistently recommended that, in order to preserve budgetary flexibility, the Legislature not provide statutory COLAs. In cases in which it has chosen to do so, however, we recommend that it base such COLAs on an appropriate inflation index (such as the GNP deflator for state and local government purchases). Accordingly, we recommend in this analysis that statutory COLAs that are not based on such indexes be reduced to 3.21 percent (the general-purpose school apportionments COLA).

With respect to *discretionary* COLAs, we find no analytical basis for distinguishing one education program from another. Rather, we believe that the choices of whether to provide such COLAs—and their respective funding levels—are decisions that only the Legislature can make in light of its overall priorities for the use of limited funds.

Accordingly, we recommend in this analysis that the Legislature eliminate the \$6.9 million proposed for an ROC/P COLA and the \$5.9 million proposed for a child care COLA, and transfer these amounts to the Proposition 98 reserve in Control Section 12.31. In so doing, we make

no recommendation on the level of COLAs that these programs should receive—only that such a decision should be made in the context of funding for all programs not granted COLAs in statute.

**Table 1**  
**Summary of Legislative Analyst's**  
**Fiscal Recommendations**  
**1989-90**

<i>Activity</i>	<i>General Fund</i>	
	<i>Budget Bill Item</i>	<i>Proposition 98 Reserve</i>
School apportionments—independent study .....	-\$9,800,000	+\$600,000
Adult education .....	+9,200,000	
Meals for needy pupils adjustment—COLA .....	-939,000	+939,000
Class size reduction .....	-110,000,000	+110,000,000
Consolidated assessment system .....	-1,000,000	+1,000,000
Institute of Computer Technology .....	+338,000	-338,000
Regional Occupational Centers/Programs—COLA .....	-6,916,000	+6,916,000
Gifted and Talented Education—COLA .....	-1,406,000	+1,406,000
Child Care—COLA .....	-5,938,000	+5,938,000
Adult Education—COLA .....	-7,311,000	+7,311,000
Totals .....	-\$133,772,000	+\$133,772,000

Because Proposition 98 mandates a specified minimum funding level for K-12 and community college education programs, we do not recommend that the funds made available through these reductions be transferred to the unrestricted balance of the General Fund. Instead, we recommend that the Legislature add these funds to the \$230 million Proposition 98 reserve provided in Control Section 12.31. Elsewhere in this analysis, we further recommend that the Legislature set aside \$100 million of this amount for potential K-12 education deficiencies and, following the May Revision (when the exact amount of the Proposition 98 guarantee will be better known), appropriate the balance of the reserve for designated, high-priority purposes. (Please see our analysis of Item 6110-198-001 for a complete discussion of this issue.)

We also withhold recommendation on \$300.4 million in proposed General Fund appropriations, pending receipt of additional justification for the proposals.

Our analysis of K-12 and related education programs is organized as follows:

**DEPARTMENT OF EDUCATION—Continued****OUTLINE OF THE ANALYSIS  
K-12 AND RELATED EDUCATION PROGRAMS**

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* High School Pupil Counseling .....	6110-109-001	721
* Demonstration Programs in Reading and Mathe- matics .....	6110-146-001	721
* Environmental Education .....	6110-185-001	721
* Intergenerational Education .....	6110-128-001	721
Class Size Reduction .....	6110-107-001	721
Consolidated Assessment System .....	6110-113-001	723
Educational Technology Program .....	—	724
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2. Programs Relating to Teaching and Administration .....		725
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* Foster Youth Services .....	6110-119-001 (a)	742
* Federal Drug and Alcohol Abuse Prevention Program .....	6110-183-890	742
* School/Law Enforcement Partnership .....	6110-225-001	742
* Commissions on Professional Competence .....	6110-209-001	742
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Home-to-School Transportation .....	6110-111-001 (a)	746
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\* Asterisk denotes an item for which we recommend approval as budgeted and, accordingly, do not discuss in detail in the *Analysis*.

# DEPARTMENT OF EDUCATION—Continued GENERAL PROGRAM STATEMENT

In 1989-90, approximately 5 million students will attend public elementary and secondary schools in 1,021 elementary, high school, and unified school districts. School attendance in these districts is expressed in terms of average daily attendance (ADA), which is defined as the average number of pupils that actually attend classes for at least the minimum school day, plus the average number of pupils having a valid excuse for being absent from school.

Table 2 shows K-12, adult, county, and Regional Occupational Centers and Programs (ROC/Ps) attendance figures for the prior, current, and budget years. As the table indicates, the attendance level in 1989-90 is projected to be 2.8 percent above the 1988-89 level.

The state provides assistance to local education agencies through approximately 50 general and categorical aid programs. The K-12 education system is administered by the State Department of Education (SDE), 58 county offices of education, and 1,021 school districts. The department has 2,912 personnel-years in the current year to staff departmental operations, the state special schools, and the State Library.

**Table 2**  
**K-12 Education**  
**Annual Average Daily Attendance (ADA) in**  
**California Public Schools<sup>a</sup>**  
**1987-88 through 1989-90**

	<i>Actual</i> 1987-88	<i>Est.</i> 1988-89	<i>Prop.</i> 1989-90	<i>Change from 1988-89</i>	
				<i>Amount</i>	<i>Percent</i>
Elementary.....	3,110,194	3,237,376	3,364,907	127,531	3.9%
High school.....	1,309,066	1,298,718	1,301,120	2,402	0.2
Adult education.....	176,327	195,200	199,497	4,297	2.2
County.....	21,992	23,597	24,946	1,349	5.7
ROC/P.....	100,382	102,087	104,639	2,522	2.5%
Totals.....	4,717,891	4,856,978	4,995,109	138,131	2.8%

Source: Department of Finance.

<sup>a</sup> Also includes estimates of ADA for supplemental summer school, which is funded on an hourly basis.

## OVERVIEW OF THE BUDGET REQUEST

### Revenues for K-12 Education

Total revenues for education programs in the prior, current, and budget years are shown in Table 3. The budget proposes that \$23.1 billion be made available to support education programs in 1989-90—an increase of \$879 million (4 percent) over 1988-89.

The *state General Fund* (excluding General Fund support for deferred maintenance and year-round schools in capital outlay) will provide \$14.2 billion, or 61 percent, of the total support. Other state special funds will provide \$238 million. Thus, the total amount proposed from state sources in 1989-90 is \$14.4 billion—an increase of \$955 million, or 7.1 percent, over the current-year level.

*Local property tax levies* will provide \$4.3 billion, or 19 percent—an increase of \$249 million, or 6.1 percent, over the current-year level. Thus, state and local revenue sources, combined, will provide a total of \$18.8

billion, or 81 percent of the total support for education in 1989-90—an increase of \$1.2 billion.

**Other revenue sources** are expected to contribute an additional \$4.3 billion, or 19 percent, in the budget year. This amount is composed of (1) \$1.4 billion in federal funds, (2) \$703 million from nonGeneral Fund sources for capital outlay, (3) \$270 million in local property taxes used to retire voter-approved indebtedness, (4) \$1.2 billion in miscellaneous revenues from the sale and rental of district property, interest earned on cash deposits, cafeteria income, and other local revenue sources, and (5) \$763 million from the state lottery.

**Table 3**  
**Total Revenues for Education Programs**  
**1987-88 through 1989-90**  
**(dollars in millions)**

	<i>Actual</i> 1987-88	<i>Est.</i> 1988-89	<i>Prop.</i> 1989-90	<i>Change from</i> 1988-89	
				<i>Amount</i>	<i>Percent</i>
<b>State:</b>					
General Fund <sup>a</sup> .....	\$12,473.7	\$13,329.4	\$14,204.4	\$875.0	6.6%
Special funds <sup>b</sup> .....	83.0	157.7	237.8	80.1	50.8
Subtotals, state .....	(\$12,556.7)	(\$13,487.1)	(\$14,442.2)	(\$955.1)	(7.1%)
<b>Local:</b>					
Property tax levies <sup>c</sup> .....	\$3,787.5	\$4,094.0	\$4,343.0	\$249.0	6.1%
Subtotals, state and local .....	(\$16,344.2)	(\$17,581.1)	(\$18,785.1)	(\$1,204.0)	(6.8%)
<b>Other:</b>					
Federal <sup>d</sup> .....	\$1,289.2	\$1,429.6	\$1,431.2	\$1.6	0.1%
State capital outlay <sup>e</sup> .....	754.1	1,089.4	703.0	-386.4	-35.5
Local debt service .....	312.0	288.0	270.0	-18.0	-6.3
Local miscellaneous .....	1,006.8	1,079.7	1,157.9	78.2	7.2
Lottery Fund <sup>f</sup> .....	650.9	763.1	762.6	-0.5	-0.1
Subtotals, other .....	(\$4,013.0)	(\$4,649.8)	(\$4,324.7)	(\$-325.1)	(-7.0%)
<b>Totals .....</b>	<b>\$20,357.2</b>	<b>\$22,230.9</b>	<b>\$23,109.9</b>	<b>\$879.0</b>	<b>4.0%</b>

<sup>a</sup> Includes contributions to the State Teachers' Retirement Fund; excludes capital outlay.

<sup>b</sup> Includes the State School Fund, Donated Food Revolving Fund, and others.

<sup>c</sup> Includes state property tax subventions and excess property taxes.

<sup>d</sup> Includes Federal Impact Aid (P.L. 81-874) which is not shown in the budget.

<sup>e</sup> Includes General Fund; Proposition 53, 75, and 79 bond funds; and tidelands oil revenues for capital outlay.

<sup>f</sup> Governor's Budget estimates.

Table 4 displays total funding proposed in 1989-90 for each of the education categories shown in the outline. The table shows that the Governor's Budget provides \$23.1 billion in total funding for K-12 and related education programs—\$14.3 billion from the state General Fund, \$1.6 billion from state special funds, \$5.8 billion from local revenues, and \$1.4 billion from federal funds.

Table 4 also shows that the \$23.1 billion is distributed as follows:

- **Direct support for K-12 education**—\$20.3 billion (88 percent of the total). General education programs (including school apportionments) account for \$16.1 billion of this amount, while specialized education programs (so-called "categorical" programs) account for the remaining \$4.2 billion.

**DEPARTMENT OF EDUCATION—Continued**

- **Ancillary support for K-12 education**—\$1.8 billion (8 percent of the total). Programs in this category include transportation, school facilities, and child nutrition.
- **Non-K-12 education programs**—\$836 million (4 percent of the total). Programs in this category include child development, adult education, and the Office of Food Distribution within the SDE.

**Table 4**  
**Total Revenues<sup>a</sup> for Education Programs**  
**By Type of Expenditure**  
**1989-90**  
**(dollars in millions)**

	State		Local <sup>b</sup>	Federal	Totals
	General Fund	Special Funds			
<i>Direct Support for K-12 Education</i>					
General Education Programs					
School and county revenue limits <sup>c</sup> .....	\$9,220.7	\$12.6	\$3,967.0	—	\$13,200.3
Contributions to STRF .....	404.3 <sup>d</sup>	—	—	—	404.3
Other general education programs .....	471.9	763.7 <sup>e</sup>	1,157.9	\$54.8	2,448.3
Subtotals, general education programs .	(\$10,096.9)	(\$776.3)	(\$5,124.9)	(\$54.8)	(\$16,052.9)
Specialized Education Programs					
Classroom instruction .....	\$500.7	\$0.7	—	—	\$501.4
Teaching and administration.....	74.8	—	—	\$7.3	82.1
Special Education .....	1,522.7	—	\$374.5	164.8	2,062.0
Vocational education .....	239.7	—	1.5	72.4	313.6
Compensatory education.....	218.0	—	—	487.9	705.9
School desegregation .....	457.5	—	—	—	457.5
Other specialized education programs .	37.3	21.2	—	53.0	111.5
Subtotals, specialized education programs.....	(\$3,050.7)	(\$21.9)	(\$376.0)	(\$785.4)	(\$4,234.0)
Subtotals, direct support for K-12 education.....	(\$13,147.6)	(\$798.2)	(\$5,500.9)	(\$840.2)	(\$20,286.9)
<i>Ancillary Support for K-12 Education</i>					
Transportation .....	\$293.5	\$0.9	—	\$37.0	\$331.4
School facilities.....	86.3	616.7	\$270.0	1.6	974.6
Child nutrition .....	44.3	—	—	485.4	529.7
Subtotals, ancillary support for K-12 education .....	(\$424.1)	(\$617.6)	(\$270.0)	(\$524.0)	(\$1,835.7)
<i>Non-K-12 Education Programs</i>					
Child development .....	\$336.3	—	—	\$2.4	\$338.7
Adult education .....	291.3	\$181.4	—	9.6	482.3
Office of Food Distribution .....	—	13.1	—	—	13.1
Private postsecondary education .....	—	1.7	—	—	1.7
Subtotals, non-K-12 education programs ..	(\$627.6)	(\$196.2)	(—)	(\$12.0)	(\$835.8)
State Department of Education <sup>f</sup> .....	\$45.5	\$4.9	—	\$41.4	\$91.8
State Library .....	\$45.8	\$0.2	—	\$13.6	\$59.6
TOTALS, REVENUES FOR EDUCATION PROGRAMS.....					
	\$14,290.6	\$1,617.1	\$5,770.9	\$1,431.2	\$23,109.8

<sup>a</sup> Excludes reimbursements.<sup>b</sup> Includes state property tax subventions<sup>c</sup> Excludes Special Education revenue limits.<sup>d</sup> Based on 90 percent of total STRF contributions (K-12 teachers' share).<sup>e</sup> Includes lottery revenues.<sup>f</sup> Excludes state special schools, Office of Food Distribution, Private Postsecondary Education Division, and State Library.

- **State Department of Education** state operations (excluding the state special schools, the Office of Food Distribution, the Private Postsecondary Education Division and the State Library)—\$92 million (less than 1 percent of the total).
- **State Library** operations and aid to local library districts—\$60 million (less than 1 percent of the total).

### Significant Program Changes

Table 5 shows the components of the \$879 million net increase in total support proposed for K-12 and related education programs in 1989-90. Table 5 shows that:

- **Baseline adjustments** total \$526.7 million, and
- **Program changes** total \$352.2 million.

Later in this analysis we discuss the details of these changes.

**Table 5**  
**Education Programs**  
**Proposed 1989-90 Budget Changes**  
**(dollars in millions)**

	<i>State</i>		<i>Local</i>	<i>Federal</i>	<i>Totals</i>
	<i>General Fund</i>	<i>Special Funds</i>			
1988-89 Expenditures (Revised) .....	\$13,382.2	\$1,957.4	\$5,461.7	\$1,429.6	\$22,230.9
<b>Baseline Adjustments</b>					
Enrollment/ADA increases:					
K-12 (2.8 percent) .....	\$380.6	—	—	—	\$380.6
Adult (2.5 percent) .....	5.9	—	—	—	5.9
ROC/Ps (2.5 percent) .....	5.1	—	—	—	5.1
Statutory inflation adjustments:					
K-12 apportionments (3.21 percent) ....	426.1	—	—	—	426.1
Other statutory COLAs .....	91.6	—	—	—	91.6
Discretionary inflation adjustments:					
Child care (LEA) (3.21 percent) .....	5.9	—	—	—	5.9
ROC/Ps (3.21 percent) .....	6.9	—	—	—	6.9
GATE (6 percent) .....	1.4	—	—	—	1.4
Increase in local property taxes .....	-230.6	—	\$231.2	—	0.6
Mandate reimbursements .....	46.9	—	—	—	46.9
Year-round school incentives .....	30.0	-\$22.8	—	—	7.2
Mentor teachers (deficit and growth) ....	13.5	—	—	—	13.5
Special education .....	7.3	—	—	\$1.3	8.6
Juvenile court school equalization .....	4.2	—	—	—	4.2
Instructional materials .....	2.8	—	—	—	2.8
Elimination of one-time funding .....	-114.3	—	—	—	-114.3
Contributions to STRF <sup>b</sup> .....	-87.6	—	—	—	-87.6
Educational technology .....	-13.7	—	—	—	-13.7
GAİN .....	-6.5	—	—	—	-6.5
Dropout programs .....	-3.9	—	—	—	-3.9
Child care .....	-3.9	—	—	—	-3.9
Desegregation .....	-3.1	—	—	—	-3.1
Immigration Reform and Control Act ....	—	78.6	—	—	78.6
Schoolbus demonstration project .....	—	15.0	—	—	15.0
State school facilities aid .....	—	-408.0	—	—	-408.0
Local miscellaneous revenues .....	—	—	78.0	—	78.0
Other baseline changes .....	-4.9	-3.7	—	-2.6	-11.3
Subtotals, baseline adjustments .....	(\$559.8)	(-\$340.9)	(\$309.2)	(-\$1.3)	(\$526.7)

**DEPARTMENT OF EDUCATION—Continued***Program Changes*

Proposition 98 reserve .....	\$220.0	—	—	—	\$220.0
Class size reduction .....	110.0	—	—	—	110.0
Special education growth .....	15.0	—	—	—	15.0
Comprehensive assessment system .....	1.0	—	—	—	1.0
Partnership academies .....	0.7	—	—	—	0.7
Other program changes .....	1.9	\$0.5	—	\$2.9	5.4
Subtotals, program changes .....	(\$348.7)	(\$0.5)	—	(\$2.9)	(\$352.2)
1989-90 Expenditures (Proposed) <sup>c</sup> .....	\$14,290.7	\$1,617.0	\$5,770.9	\$1,431.2	\$23,109.8
Changes from 1988-89:					
Amount .....	\$908.5	-\$340.4	\$309.2	\$1.6	\$878.9
Percent .....	6.8%	-17.4%	5.7%	0.1%	4.0%

<sup>a</sup> Includes \$39.3 million balance of Proposition 98 reserve.

<sup>b</sup> Based on 90 percent of total STRF contributions (K-12 teachers' share).

<sup>c</sup> Details may not sum to totals due to rounding.

**Ten-Year Funding History**

**Total Revenues.** Table 6 and Chart 1 display total funding for education programs, by source, for the 10 years, 1980-81 to 1989-90. The principal funding sources identified in the table are:

- **Local property tax levies**—revenues raised by the tax on real property, including state property tax subventions;
- **State aid**—revenues provided from the General Fund and state special funds;
- **Lottery**—revenues provided from the California State Lottery;
- **Federal aid**—all revenues received from the federal government; and
- **Other local income**—combined state/federal grants, income from the sale of property and supplies, cafeteria revenues, interest income, and other revenues.

Table 6 shows total funding growing from \$12.3 billion in 1980-81 to \$23.1 billion in 1989-90—an increase of \$10.8 billion, or 88 percent. Since 1980-81, state aid from the General Fund and state special funds has grown by 94 percent, and support derived from local property taxes has increased by 91 percent.

Average daily attendance (ADA) over the 10-year period grew 19 percent, from 4,215,399 to 4,995,109. This growth results from (1) an upturn in the school-aged population that began in 1982-83 and (2) expansion of the summer school program beginning in 1984-85, as authorized by SB 813.

**Revenues Per ADA.** Table 6 and Chart 2 display total education funding on a per-pupil basis during the 10-year period, in both current and constant dollars (that is, dollars that have been adjusted to reflect the effects of inflation on purchasing power). The table and chart show per-pupil funding in current dollars growing by 59 percent since 1980-81 (from \$2,913 to \$4,626).

If we adjust these revenues for inflation, however, a different picture emerges. For 1989-90, the proposed per-pupil expenditure level as measured in constant dollars is \$3,024—or just 4 percent above the 1980-81 amount.

**Table 6**  
**Total Education Revenues**  
**1980-81 through 1989-90**  
**(dollars in millions)**

	State Aid <sup>b</sup>	Local Property Tax Levies <sup>c</sup>	Lottery	Federal Aid	Other Local Income	Total Funding	ADA	Current Dollars		1980-81 Dollars <sup>a</sup>	
								Per ADA	Percent Change	Per ADA	Percent Change
1980-81.....	\$7,812.0	\$2,409.7	—	\$1,157.1	\$901.4	\$12,280.2	4,215,399	\$2,913	11.6%	\$2,913	1.5%
1981-82.....	7,774.5	2,933.6	—	1,003.9	833.7	12,545.7	4,202,000	2,986	2.5	2,778	-4.6
1982-83.....	8,022.5	2,941.8	—	970.0	845.7	12,780.0	4,231,431	3,020	1.1	2,649	-4.6
1983-84.....	8,660.4	2,975.5	—	1,076.1	831.0	13,543.0	4,260,873	3,178	5.2	2,666	0.6
1984-85.....	9,837.9	3,298.4	—	1,141.8	887.4	15,165.5	4,352,597	3,484	9.6	2,787	4.5
1985-86.....	10,927.6	3,595.5	\$506.2	1,207.0	968.6	17,204.9	4,469,821	3,849	10.5	2,968	6.5
1986-87.....	12,009.7	3,804.2	410.9	1,238.9	938.8	18,402.5	4,611,637	3,990	3.7	2,984	0.5
1987-88 (estimated).....	13,310.7	4,099.5	650.9	1,289.2	1,006.8	20,357.1	4,717,961	4,315	8.1	3,084	3.4
1988-89 (estimated).....	14,576.6	4,382.0	763.1	1,429.6 <sup>d</sup>	1,079.7	22,230.9	4,856,978	4,577	6.1	3,135	1.7
1989-90 (budgeted).....	15,145.2	4,613.0	762.6	1,431.2 <sup>d</sup>	1,157.9	23,109.8	4,995,109	4,626	1.1	3,024	-3.5
Cumulative Change											
Amount.....	\$7,333.2	\$2,203.3	\$762.6	\$274.1	\$256.5	\$10,829.6	779,710	\$1,713	—	\$111	—
Percent%.....	93.9%	91.4%	—	23.7%	28.5%	88.2%	18.5%	58.8%	—	3.8%	—

Source: Financial Transactions of School Districts, J-41 and J-73 district and county financial and budget reports, Governor's Budget (various years).

<sup>a</sup> Adjusted by the GNP deflator for state and local government purchases.

<sup>b</sup> Includes all General Fund and special fund monies in Item 6110, contributions to the State Teachers' Retirement Fund (STRF), and state capital outlay.

<sup>c</sup> Includes local debt, excess property taxes, and state property tax subventions.

<sup>d</sup> Includes funds from the Petroleum Violation Escrow Account for the replacement of school buses.

## DEPARTMENT OF EDUCATION—Continued

Chart 1

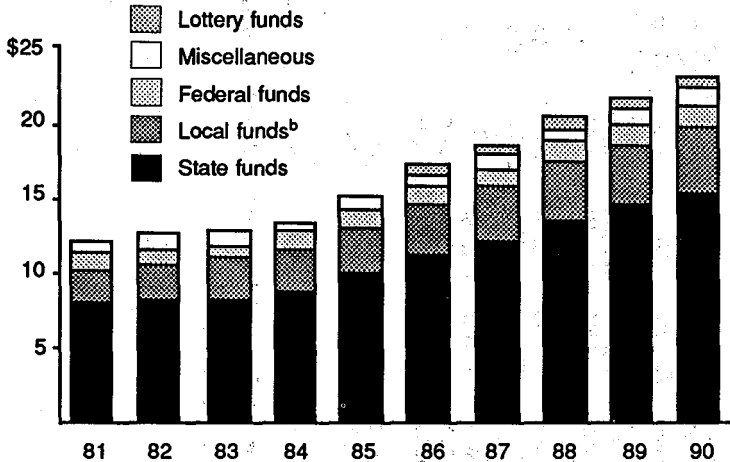
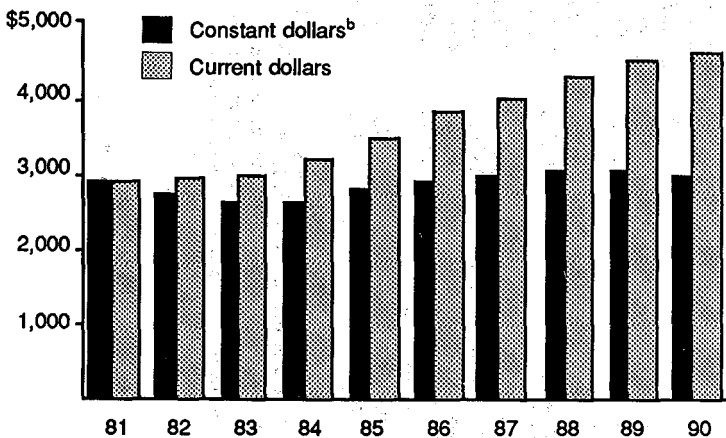
**K-12 Education Revenues  
By Funding Source**1980-81 through 1989-90 (In billions)<sup>a</sup><sup>a</sup> Data are for fiscal years ending in years specified.<sup>b</sup> Includes state property tax subventions and local debt.

Chart 2

**K-12 Education Funding Per ADA  
In Constant and Current Dollars**1980-81 through 1989-90<sup>a</sup><sup>a</sup> Data are for fiscal years ending in years specified.<sup>b</sup> As adjusted by the GNP deflator for state and local government purchases.



**ANALYSIS AND RECOMMENDATIONS****I. DIRECT SUPPORT FOR K-12 EDUCATION PROGRAMS**

This section analyzes those programs that provide direct—as opposed to ancillary—support for K-12 education activities, including both general and specialized education programs. General education programs include revenue limit funding for school districts and county offices of education. Specialized education programs include (1) programs relating to classroom instruction, (2) programs relating to teaching and administration, (3) the Special Education program, (4) vocational education programs, (5) compensatory education programs, (6) school desegregation programs, and (7) other specialized education programs.

**A. General Education Programs**

We define general education support funds as those funds that can be used at the local district's discretion to provide services for all students

**Table 7**  
**K-12 Education**  
**General Education Expenditures**  
**1987-88 through 1989-90**  
**(dollars in millions)**

	<i>Actual</i> 1987-88	<i>Est.</i> 1988-89	<i>Prop.</i> 1989-90	<i>Change from</i> 1988-89	
				<i>Amount</i>	<i>Percent</i>
General-Purpose Revenue Limits <sup>a</sup>					
K-12 districts .....	\$11,683.9	\$12,323.6	\$12,941.9	\$618.3	5.0%
County offices .....	225.8	242.4	258.4	16.0	6.6
Subtotals, revenue limits .....	(\$11,909.7)	(\$12,566.0)	(\$13,200.3)	(\$634.3)	(5.0%)
Contributions to STRF <sup>b</sup> .....	\$455.5	\$491.9	\$404.3	-\$87.6	-17.8%
Other General Education					
Summer School					
Remedial .....	\$21.9	\$29.4	\$28.7	-\$0.7	-2.4%
Supplemental .....	42.7	70.5	70.9	0.4	0.6
Meals for needy pupils .....	28.4	33.0	35.6	2.6	7.9
Apprenticeship programs .....	6.9	6.9	6.9	—	—
Education mandates .....	71.3	62.9	109.8	46.9	74.6
Proposition 98 reserve .....	—	—	220.0	220.0	— <sup>c</sup>
Federal P.L. 81-874 .....	54.8	54.8	54.8	—	—
Lottery revenue .....	650.9	763.1	762.6	-0.5	-0.1
Miscellaneous .....	1,007.8	1,081.0	1,159.0	78.0	7.2
Subtotals, other general education .....	(\$1,884.7)	(\$2,101.6)	(\$2,448.3)	(\$346.7)	(16.5%)
Totals .....	\$14,249.9	\$15,159.5	\$16,052.9	\$893.4	5.9%
Funding Sources, revenue limits:					
General Fund .....	\$8,445.2	\$8,828.0	\$9,220.7	\$392.7	4.4%
State School Fund .....	12.0	12.6	12.6	—	—
Local funds <sup>d</sup> .....	3,452.5	3,725.5	3,967.0	241.5	6.5
Funding Sources, other general education:					
General Fund .....	\$626.5	\$694.6	\$876.3	\$181.7	26.2%
Local funds .....	1,006.7	1,079.9	1,157.9	78.0	7.2
California State Lottery Education Fund .....	650.9	763.1	762.6	-0.5	-0.1
Federal funds .....	54.8	54.8	54.8	—	—
Special Deposit Fund .....	1.1	1.1	1.1	—	—

<sup>a</sup> Excludes special education revenue limits.

<sup>b</sup> Based on 90 percent of total STRF contributions (K-12 teachers' share).

<sup>c</sup> Not a meaningful figure.

<sup>d</sup> Includes state property tax subventions.

**DEPARTMENT OF EDUCATION—Continued**

and that are not associated with any specific pupil services program. The funds include (1) general-purpose revenue limits for school districts and county offices of education, (2) other general education funds, such as summer school programs, contributions to the State Teachers' Retirement Fund, federal P.L. 81-874 revenues, and lottery revenues; and (3) other miscellaneous funds, such as school meal charges.

As shown in Table 7, the budget proposes total general education expenditures (consisting of revenue limit funding and other expenditures) of \$16.1 billion in 1989-90. This is an increase of \$893 million, or 5.9 percent, over the estimated current-year amount, and is composed of a \$574 million increase in General Fund support and a \$319 million increase in revenues from local sources.

Within the total, the budget proposes \$13.2 billion in general-purpose revenue limit funding for K-12 districts and county offices of education—an increase of \$634 million, or 5 percent, over 1988-89. The state funds contribute \$9.2 billion (70 percent) of the total, while local property taxes account for \$4 billion (30 percent). The remaining general education expenditures excluding contributions to STRF are proposed at \$2.4 billion—an increase of \$347 million, or 17 percent, over 1988-89.

**1. General-Purpose Revenue Limits (Items 6110-101-001 and 6110-106-001))**

Under California's system of financing schools, general education funding is allocated to school districts through a "revenue limit" system. Each school district has a specific revenue limit per unit of ADA, which is based, in part, on the district's historical level of expenditures. The revenue limit represents the level of expenditures per ADA for which the district is funded through a combination of local property taxes received by school districts and state General Fund aid. In effect, the state provides enough funds to make up the difference between each district's property tax revenues per ADA and its revenue limit per ADA.

**Restrictions on Court and Community Schools**

*We recommend that the Legislature direct the Department of Finance and the Department of Education to report, at the time of budget hearings, on the fiscal and programmatic impacts of proposed restrictions on the funding of community school programs.*

County offices of education offer various types of alternative educational programs which are designed to serve students who have not succeeded in a traditional school setting. Two of these programs—juvenile court schools and community schools—serve those students who have committed crimes, are habitually truant, or have other behavior problems:

- *Juvenile court schools* serve students detained in juvenile halls and camps and living in certain group homes. On average county offices

receive approximately \$1,900 more per ADA for court school students than the statewide average revenue limit for other K-12 students.

- **Community schools** serve pupils who are on probation, have been expelled, or have been referred by a probation officer or a school attendance review board (SARB). County offices receive two different funding rates for students enrolled in community schools. If a student is on probation or parole, or has been referred by a probation officer, the county office receives the higher court school funding rate. All other students receive funding based on the revenue limit of their district of previous attendance.

**Governor's Proposal.** The Governor proposes Budget Bill language in Items 6110-101-001 and 6110-106-001 that, if adopted, would change the funding system for juvenile court and community schools. Specifically, the proposed language:

- Reiterates provisions of current law that allow county offices to receive the higher court school revenue limit only for those students enrolled in juvenile court schools and specified students enrolled in community schools. At least one county office has received the court school funding rate to support educational programs for adult inmates of county jails (who, under current law, should be funded at a much lower, adult education-based rate), and the proposed Budget Bill language would prevent this practice (Item 6110-101-001, provision 14, and Item 6110-106-001, provision 4);
- Requires county offices to account separately for court and community school revenues and allocate these funds only to support the direct and indirect costs of the program. This provision would prevent county offices from diverting court and community school funding to subsidize the costs of other programs (Item 6110-106-001, provision 7); and
- Allows county offices to claim the higher court school revenue limit only for students attending such programs while they are *detained* in a juvenile hall, home, day center, ranch, camp, or regional youth educational facility. This provision would effectively prevent county offices from receiving the higher court school funding rate for all students enrolled in community schools (Item 6110-106-001, provision 5).

**Analysis.** Our analysis indicates that the first two provisions are reasonable and necessary, in order to prevent possible abuses of the current funding system for court and community schools.

With respect to the third provision, our analysis indicates that the Governor's budget proposal is intended to address another potential abuse of the current funding system for community schools. Specifically, the disparity between funding rates for different types of community school students may create a fiscal incentive for county offices to obtain probation officer referrals for *all* community school students in order to receive the higher court school funding rate. The Department of Finance indicates that this is, in fact, occurring in some counties. By providing the same, but lower, funding rate for all community school students, the Governor's proposed Budget Bill language would eliminate this incentive.

We share the administration's concern that, under the current funding system, county offices may have an incentive to obtain probation officer

**DEPARTMENT OF EDUCATION—Continued**

referrals for the sole purpose of obtaining the higher court school funding rate for their community school students. We do not believe that this outcome is what the Legislature intended when it enacted the statute which permits county offices to receive such funding for students who are on probation or have been referred by a probation officer. Rather, it appears that the Legislature intended that the higher level of funding be granted only for the most difficult types of students—including those who were under the *active supervision* of a probation officer—in order to provide additional services such as counseling and smaller class sizes.

At the same time, however, we are concerned that the Governor's proposal may go too far. If adopted, the proposed Budget Bill language would prevent county offices from receiving the higher court school funding rate not only for students who are probation-officer referred "on paper," but also for students who are legitimately under the supervision of a probation officer or on parole.

For this reason, we recommend that the Legislature direct the Department of Finance and the SDE to report, at the time of budget hearings, on the fiscal and programmatic consequences of preventing county offices of education from receiving the juvenile court school funding rate for all community school students. This report should include, to the extent possible, an estimate of the number of students attending community schools, broken down by reason for attendance as follows: (1) on probation, (2) expelled from school, (3) referred by a SARB, and (4) referred by a probation officer (but not actually on probation).

We will provide further comments and recommendations, as appropriate, based upon the departments' response.

**Six Percent COLA for Meals for Needy Pupils Not Warranted**

*We recommend that the Meals for Needy Pupils program be provided the same percentage cost-of-living adjustment as is provided for general-purpose revenue limits. (Reduce Item 6110-226-001(a)(3) by \$939,000, adopt corresponding Budget Bill language, and amend Control Section 12.31 to transfer an equivalent amount to the Proposition 98 reserve.)*

Under current law, the Meals for Needy Pupils revenue limit adjustment receives a statutory cost-of-living adjustment (COLA) of 6 percent annually. This amount differs from the COLA prescribed in law for school district revenue limits, which is tied to the percentage change in the Implicit Price Deflator for State and Local Government Purchases of Goods and Services. Based upon estimates of this index, school districts would be entitled to receive a 3.21 percent adjustment to their revenue limits in the budget year. Thus, under the Governor's proposal, revenue limits will receive a 3.21 percent COLA, while Meals for Needy Pupils will receive a 6.0 percent COLA.

We can identify no characteristic of Meals for Needy Pupils funding that would justify a COLA nearly twice that provided for regular school district revenue limits in the budget year. Because funding derived from Meals for Needy Pupils adjustments may be spent at the discretion of local school districts and is very similar to general-purpose revenue limit aid, we believe that the COLA adjustments for this program should be

increased by the same index that determines the statutorily-prescribed revenue limit COLA.

**Recommendation.** Accordingly, we recommend that the Legislature delete \$939,000 from the COLA provided for this program and transfer this amount to the Proposition 98 reserve for expenditure for legislative priorities. Consistent with this recommendation, we further recommend that the Legislature adopt the following Budget Bill language in Item 6110-226-001 (a) (3):

Notwithstanding any other provision of law, the inflation adjustment calculation pursuant to Section 42241.2 of the Education Code is deemed to be 3.21 percent for the 1989-90 fiscal year.

## **2. Independent Study Programs (Items 6110-101-001 and 6110-106-001)**

Full-time independent study programs, an option offered by approximately 651 districts and county offices of education, allow students to complete their schooling by studying on their own with a minimal amount of teacher supervision. These programs generated a total of 28,193 units of ADA statewide in 1987-88.

Full-time independent study students, with their teachers, decide when they will study and the types and quantity of courses they will take. This flexibility helps to meet the needs of students who work, stay home and care for siblings, do not fit into the social life of a school, want to pursue another interest during the traditional school day, want advanced courses, or learn best by studying on their own. (Sometimes a student enrolled in a comprehensive high school will take one or two classes through independent study, however, we do not address this type of independent study in this discussion.)

The Governor proposes Budget Bill language (in Item 6110-106-001) that would restrict the amount of funding that county offices of education may earn on behalf of their independent study programs to no more than their actual excess costs, plus a five percent administrative cost allowance. We concur with this proposal. We note, however, that the administration proposes no similar restrictions on funding for school district-operated independent study.

### **Restrictions Needed on School District Independent Study Programs**

*We recommend that the Legislature adopt Budget Bill language specifying that a district's apportionment for full-time independent study programs cannot exceed the actual costs of providing the program (plus administrative costs), in order to eliminate incentives that encourage districts to claim excessive levels of funding for these programs. We further recommend that the Legislature adopt Budget Bill language directing the State Department of Education to establish standards for claiming ADA and earning apportionments in independent study programs.*

The state pays for independent study through the revenue limit system used to allocate general education funding to school districts. Under this system, each school district receives state apportionment aid based on the amount of ADA generated in the program multiplied by the district's revenue limit, minus local property tax revenues. For traditional programs, the total revenue limit amount generally parallels district costs, since the amount of ADA generated is based on the number of students who actually attend classes and require educational services.

**DEPARTMENT OF EDUCATION—Continued**

In independent study programs, however, the amount of state aid may bear little or no relationship to costs. This is because school districts can claim an ADA for apportionment purposes for time students spend studying on their own—not the time spent with teaching staff or using other educational services—which does not necessarily reflect the districts' cost of providing the program.

For example, most independent study programs operate by a teacher or paraprofessional assigning coursework for the student to do at home. The teacher estimates how much time the work will take and what school credits the student will receive for completed work. If the student completes work which the teacher has estimated requires 20 hours in any given week then the district claims an ADA for apportionment purposes and the student receives the corresponding credits. Under this system, the district receives the same funding for a student who only requires one meeting a week with a teacher to learn the material as for the student who requires four meetings a week with a teacher to learn the material. Basing the funding for independent study programs on the costs of the program—not on the time students spend studying—will help resolve this funding inequity.

The current funding system also encourages some districts to keep costs at a minimum—which results in a lower quality program—so they can use any surplus revenue to fund other district programs. Current law offers districts great flexibility in designing independent study programs. For instance, one program we visited operated a program with student:teacher ratios as low as 26 to 1, made computers available to all students for learning, had students meet with a certificated teacher one hour per day, and had trained counselors on the staff to provide service if needed. In contrast, another program we visited operated with approximately a 90 to 1 student:teacher ratio, provided students with a one hour per week meeting with a paraprofessional, and offered no counseling services. Although both these programs received very similar apportionments for each of the students they served, they differed tremendously in the services actually provided.

In addition to reducing services, districts that offer low-cost programs can use any excess revenues generated to support other district programs. The low-cost program, noted above, paid a contractor that operated the program a 20 percent profit. The district used the balance of its state revenues—28 percent—to support other district programs. Another district, visited by the Auditor General, uses *75 percent* of its revenues received for independent study to support other programs.

We believe that the current system of funding independent study programs is inappropriate, because the funding system does not relate to the costs of providing the program and allows some districts to make a "profit" on the program. To strengthen the tie between the funding for independent study programs and program costs—and resulting quality, we believe the SDE should (1) establish standards for independent study programs based on such factors as student:teacher ratios, the amount of time a student shall meet with a certificated teacher each week, and instructional materials and equipment that will be provided and (2) restrict the amount of funding that districts may earn on behalf of their independent study programs to no more than their actual excess costs, plus a five percent administrative cost allowance. Accordingly, we

recommend that the Legislature adopt the following Budget Bill language in Item 6110-101-001 (this is very similar to the Budget Bill language that the Governor proposes in Item 6110-106-001) that will (1) allow districts to receive state funding only for the actual costs of operating independent study programs, plus a 5 percent administrative cost allowance, and (2) require the SDE to establish standards for earning ADA:

Notwithstanding any other provision of law, any apportionment allocated from this item for ADA which has been earned through a full-time course of independent study shall be adjusted by the Superintendent of Public Instruction so as not to exceed the excess cost of providing the independent study program, plus administrative costs not to exceed 5 percent. The Superintendent of Public Instruction, with the advice of the Department of Finance and the Legislative Analyst's Office, shall (1) define "excess costs" not later than August 15, 1989 and (2) establish standards, not later than March 15, 1990, for earning ADA based on such factors as student:teacher ratios, the amount of time a student shall meet with a certificated teacher each week, and instructional materials and equipment that will be provided.

#### **Restrictions Needed On Independent Study Enrollment**

*We recommend that the Legislature adopt Budget Bill language prohibiting districts from enrolling specified types of students in independent study programs, unless they receive a waiver from the State Department of Education to do so.*

Current state law allows districts to enroll any K-12 student in independent study programs—including elementary school students, special education students, English as a second language students, and students who are reading far below grade level.

Most districts we have visited focus their full-time independent study programs on high school students whose needs cannot be met in any other program. We found some districts, however, that appear to pressure parents to agree to a referral of their child to independent study programs. For instance, one district tries to refer *every* student—including elementary school students—who transfers into the district in mid-semester into its independent study program. While this practice may help ensure that the student enters the traditional school at the same level as other students, it also isolates a student from his or her peers and the social life of the school. More importantly, this blanket referral to independent study programs does not take into account the special needs of each student.

Some districts also routinely appear to transfer most of their students with discipline problems into independent study programs—without assurances that these programs could meet the needs of these students. For example, we found programs that began serving a special education student or a student reading far below grade level before the program had developed the curricula to teach these students. The program could not adequately meet these students' needs without substantial modification, yet some districts still transferred these students into independent study.

While some independent study programs may be able to meet the needs of elementary school students, special education students, students who read far below grade level, and English as a second language

**DEPARTMENT OF EDUCATION—Continued**

students, most of the programs we visited could not. Furthermore, we believe that most of these students would be better served in an appropriate traditional school setting. Accordingly, we recommend that the Legislature adopt the following Budget Bill language in Item 6110-101-001 which specifies the types of students that districts cannot enroll in independent study programs unless they can show the program serves student needs and receive a State Department of Education waiver to do so:

Notwithstanding any other provision of law, none of these funds can be used to support district full-time independent study programs which enroll elementary school students, special education students, English as a second language students, or students who read far below grade level unless a district obtains a waiver to enroll such students from the State Department of Education.

**Reducing Costs of Adult Independent Study Programs**

*We recommend that the Legislature (1) eliminate \$9.8 million in overbudgeted school apportionments, (2) increase adult education funding by \$9.2 million, and (3) transfer the \$600,000 balance to augment the Proposition 98 reserve, in order to maintain the existing level of adult education services. (Reduce Item 6110-101-001(a) by \$9.8 million, augment Item 6110-156-001 by \$9.2 million, and amend Control Section 12.31 to provide for a \$600,000 augmentation to the Proposition 98 reserve.)*

The Governor proposes Budget Bill language that effectively will prevent the practice, in some districts, of offering adult independent study programs through their K-12 programs. Districts following this practice (1) receive per-pupil funding which—on average—is approximately \$1,500 more than the amount they would receive if these students were enrolled in an adult education program and (2) circumvent the legislatively-established caps on the number of adults they may serve. Specifically, the language states:

Notwithstanding any other provisions of law, no school district may receive apportionment from this item for the attendance of pupils age 19 or over who have not been enrolled in school continuously since their eighteenth birthday.

The Budget Bill language will ensure that adult independent study programs receive no more funding per ADA than “regular” adult education programs. (The state currently funds adult education students at a lower rate than K-12 students, because adults usually attend school for only half as long per ADA as most high school students.)

In addition, the Budget Bill language will prevent districts from exceeding legislatively-established caps on the number of adults they may serve. Currently, districts offering adult independent study programs are able to serve as many adults as they can enroll—with no limits on the costs of the program—whereas districts serving adults through regular adult education programs are restricted on the number of adults they can serve. Since there is a large unmet demand for adult education, failure to prohibit this practice could result in uncontrolled growth in state costs. We therefore concur with both aspects of the administration’s proposal.



**Overbudgeting.** Our analysis indicates that the proposed Budget Bill language, however, will result in a significant state savings that is not reflected in the Governor's Budget. Based upon data provided by the Department of Finance, we estimate that the language will reduce the amount of K-12 ADA that districts report by at least 3,165—and potentially as many as 6,330—adults, for a total savings of approximately \$9.8 million to \$19.6 million. (Because the number of adults served through K-12 independent study programs is not reported separately, it will not be possible to identify precisely the actual reduction in K-12 ADA resulting from implementation of the Budget Bill language.) Because of the uncertainty in this estimate, and the need to maintain sufficient funding for other K-12 programs, we recommend that the Legislature use the “low-end” estimate and reduce Item 6110-101-001 by only \$9.8 million. (Any savings beyond this level would be available to fund any deficiencies in school apportionments or other educational purposes.)

**Expand Adult Education Funding.** While we believe it is inappropriate to fund adult education programs through the K-12 apportionment system, we see no reason to reduce adult education services below the program level the Legislature has provided for in the past. As noted, we estimate that the proposed Budget Bill language could eliminate adult education services to as many as 6,330 adults who are currently receiving these services through independent study. Many of these are enrolled in basic skills and English as a second language (ESL), in order to increase their literacy skills and improve their job prospects. Our analysis indicates that the Legislature could provide adult education to 6,330 adults through regular adult education programs at a cost of only \$9.2 million—or \$600,000 less than the cost of serving half this number of adults through K-12 independent study programs. Accordingly, in order to ensure that the overall level of adult education services provided statewide will be at least the same as—and possibly greater than—that currently provided, we recommend that the Legislature use the independent study savings to increase the funding for regular adult education programs by \$9.2 million. This will leave a balance of \$600,000 to be transferred to the Proposition 98 reserve in Control Section 12.31, for the Legislature's use in funding other, higher priority educational needs.

In sum, we recommend that the Legislature:

- Reduce Item 6110-101-001 (a) by \$9.8 million;
- Augment Item 6110-156-001 by \$9.2 million; and
- Amend Control Section 12.31 to provide for a \$600,000 augmentation to the Proposition 98 reserve.

### **3. Proposition 98 Reserve (Item 6110-198-001)**

*We recommend that the Legislature leave \$100 million of the Proposition 98 reserve in Control Section 12.31 to fund any K-12 education deficiencies in 1989-90. We further recommend that, following the May revision, the Legislature appropriate the balance of the reserve for designated, high-priority purposes.*

In compliance with the requirements of Proposition 98, the Governor's Budget proposes a total of approximately \$400 million in expenditures above minimum statutory requirements for K-12 schools and community colleges. As Table 8 shows, \$110 million of this amount is proposed for a new program to reduce class sizes in grades 1-3 and 9-12. An additional \$230 million is appropriated as a Proposition 98 reserve in Control Section

**DEPARTMENT OF EDUCATION—Continued**

12.31, "... for subsequent appropriation by the Legislature to augment the Department of Education Item 6110-198-001 (\$220 million) and the California Community Colleges Item 6870-198-001 (\$10 million) for deficiencies and other educational purposes."

**Table 8**  
**Governor's Proposed 1989-90 Expenditures**  
**Above Minimum Statutory Requirements,**  
**In Compliance with Proposition 98**  
**(in millions)**

<b>K-12 Education:</b>	
Proposition 98 reserve .....	\$220.0
Class size reduction .....	110.0
Year-round school incentives .....	30.0
Drug education <sup>a</sup> .....	16.7
Special education growth .....	15.0
Consolidated assessment system .....	1.0
Vocational education .....	0.5
Environmental education .....	0.5
State special schools .....	0.4
Subtotal, K-12 education .....	(\$394.1)
<b>Community Colleges: <sup>b</sup></b>	
Proposition 98 reserve .....	\$10.0
<b>TOTAL, Proposition 98 expenditures .....</b>	<b>\$404.1</b>

<sup>a</sup> Administered through Office of Criminal Justice Planning.

<sup>b</sup> Discussed in Item 6870-198-001.

In our companion volume, *The 1989-90 Budget: Perspectives and Issues*, we discuss the general Proposition 98 implementation issues and note that the Legislature is required to expend these funds (unless it suspends the requirement by a two-thirds vote).

Our analysis indicates that, while it is fiscally prudent to set aside a portion of Proposition 98 funds as a reserve against deficiencies in K-12 education, the \$220 million reserve proposed by the Governor for this purpose far exceeds the likely maximum deficiency in 1989-90. Based on our review of past K-12 deficiencies, we believe that a reserve for this purpose of \$100 million would be sufficient, leaving the balance available for appropriation in the 1989 Budget Bill for high-priority purposes determined by the Legislature. (In Item 6870-198-001, we discuss why there is no need to maintain a reserve for community college deficiencies.) We caution that the size of the reserve will change (1) as a result of legislative actions to shift funds between individual education budget items and the Proposition 98 reserve and (2) when the Department of Finance presents its revised estimates of General Fund revenues in the May revision.

**K-12 Options for the Use of Proposition 98 Funds.** Because the exact level of the Proposition 98 reserve will not be known until the May revision, we recommend that the Legislature postpone action on this Item until that time. We further recommend that, in deciding how to spend the available Proposition 98-related funds, the Legislature give consideration to the following K-12 education purposes:

- **Fully funding program maintenance requirements.** Included in this category would be providing discretionary COLAs at the same

level as school apportionments (\$32.9 million above Governor's Budget), and fully funding special education growth (approximately \$35 million above Governor's Budget).

- **Class size reduction.** As mentioned, the budget proposes a program to reduce class sizes in selected grades. While other educational interventions are potentially more cost-effective in improving educational performance, the voters in passing Proposition 98 indicated their desire to spend funds for this purpose. Moreover, the measure sets specific targets for class sizes and per-pupil expenditures. Because reducing the overall pupil-teacher ratio by one would cost at least \$200 million (excluding capital outlay), we generally concur with the targeting of any class size reduction program to specific grades and/or classes. We further recommend that, if the Legislature enacts a class size reduction program, it consider allowing districts that are unable to reduce class sizes (because of school facilities constraints) to spend class size reduction funds on alternative educational interventions that provide similar benefits. (Later in this analysis, we discuss the class size reduction issue in more detail.)
- **Deferred maintenance.** The traditional funding source for state deferred maintenance aid (school district "excess repayments" on state building loans) continues to dwindle. As a result, the funding level proposed in the budget will be insufficient (by about \$90 million) to meet estimated funding requests pursuant to current law. Because of the state's large role in funding school facilities rehabilitation and construction, providing state aid now could avoid greater costs later.
- **Educational technology.** The budget proposes no continued funding for educational technology. Research indicates that well-designed uses of educational technology (computers and video) can provide many of the same benefits as class size reduction, in a more cost-effective manner. For this reason, we recommended in our recent sunset review report that the Legislature modify and continue the Educational Technology Local Assistance program (scheduled to "sunset" on June 30, 1989). We have no analytical basis, however, for recommending a particular level of funding for this program; restoration of the current-year amount would cost \$13.3 million.
- **Summer school expansion.** Many school districts have found that summer school is a cost-effective way to increase students' educational achievement. (Districts can hire teachers on an hourly wage basis at less cost than during the regular school year, because their fringe benefits have already been paid for out of their nine-month compensation.) Districts are currently authorized to offer summer school to 7 percent of their enrollment; each one percentage point increase in enrollment would cost \$11.3 million.
- **Funding new staff development system.** The budget proposes no funding for Chapter 1362/88 (SB 1882, Morgan), which authorized a major, new staff development system for K-12 teachers, consisting of (1) school-level staff development programs, (2) resource agencies or consortia that will assist in coordinating staff development programs, and (3) statewide projects in specific subject matter areas. The measure declared legislative intent that funding for its purposes be provided in the annual Budget Act. We estimate that full implementation could cost up to \$37 million annually.

**DEPARTMENT OF EDUCATION—Continued**

- **Subsidizing District Intern programs.** Our review indicates that the state will continue to face shortages of qualified teachers in specific subject areas—notably, bilingual education, mathematics, and science. One of the most cost-effective ways of addressing such shortages is to recruit experienced workers into teaching through nontraditional entry routes such as the District Intern program. (This program, authorized by SB 813, allows individuals to obtain a teaching credential through on-the-job training provided by a school district.) By fully or partially subsidizing districts' costs of (1) providing such training for teachers in specified shortage areas and (2) disseminating proven model programs, the state could expand the pool of qualified teachers for less than it would cost to provide similar training through the California State University. School district costs currently average about \$1,400 per teacher trained through this alternative method; state costs would be subject to legislative appropriation and would depend upon (1) specified state funding rates and (2) total number of teachers trained.

**4. Lottery Revenues (Item 6110-101-814)*****We recommend approval.***

The California State Lottery Act—Proposition 37 of 1984—and subsequent legislation provide that a portion of lottery revenues shall be allocated to public school districts serving grades K-12, community colleges, county superintendents of schools, the University of California (UC), the California State University (CSU), the Hastings College of the Law, the California Maritime Academy (CMA), the California Youth Authority (CYA), developmental centers operated by the Department of Developmental Services, and the state special schools.

Table 9 shows the estimated distribution of lottery revenues for public education as displayed in the Governor's Budget. The amount estimated for K-12 education—\$763 million—is basically an extension of the current-year allocation and amounts to \$157 per student. We review lottery expenditures in the budget analysis for each separate segment, as appropriate.

**Table 9**  
**Distribution of Lottery Revenues**  
**1987-88 through 1989-90**  
**(dollars in thousands)**

Segment	Actual 1987-88	Est. 1988-89	Est. 1989-90	Change from 1988-89	
				Amount	Percent
K-12 Education.....	\$650,852	\$763,142	\$762,566	-\$576	-0.1%
Community colleges .....	96,838	113,725	113,642	-83	-0.1
California State University.....	35,907	42,036	42,004	-32	-0.1
University of California .....	20,150	23,732	23,713	-19	-0.1
California Youth Authority .....	144	910	701	-209	-23.0
Hastings College of the Law.....	209	217	217	—	—
California Maritime Academy .....	48	57	57	—	—
Department of Developmental Services....	—	338	1,048	710	210.1
State Special Schools .....	40	140	140	—	—
Totals.....	\$804,188	\$944,297	\$944,088	-\$209	— <sup>a</sup>
Lottery revenues per student (actual dollars) .....	\$141	\$162	\$157	-\$5	-3.1%

<sup>a</sup> Less than 0.1 percent.

## **B. Specialized Education Programs**

Specialized education programs—sometimes referred to as “categorical programs”—are intended to address particular educational needs or to serve specific groups of students. Funding provided for these programs may be used only for the purposes specified in law and may not be used to support a district’s general education program. For purposes of our analysis, we group specialized education programs into seven categories: (1) programs relating to classroom instruction, (2) programs relating to teaching and administration, (3) Special Education, (4) vocational education programs, (5) compensatory education programs, (6) school desegregation, and (7) other specialized education programs.

### **School-Based Program Coordination**

**Background.** The School-Based Program Coordination Act (Ch 100/81) allows schools and school districts to coordinate various categorical programs with one another, or with the regular program, at the school site level. The major programs which schools may coordinate under the act include:

- School Improvement Program;
- Economic Impact Aid;
- Gifted and Talented Education;
- Miller-Unruh Reading program;
- Special Education; and
- Local staff development programs.

The act allows schools to combine materials and staff funded by these categorical programs, without requiring that schools use resources from each program to provide services exclusively to “eligible” students.

Current law requires the Legislative Analyst to report annually in the *Analysis of the Budget Bill* regarding the implementation of the School-Based Program Coordination Act.

**Report on Implementation.** The SDE indicates that, during the current year, 2,586 schools (36 percent of the state’s 7,125 schools) are operating school-based coordinated programs (SBCPs). This is an increase of 67 percent from the previous year, and reflects a dramatic upward trend in participation since 1986-87, as shown in Chart 3.

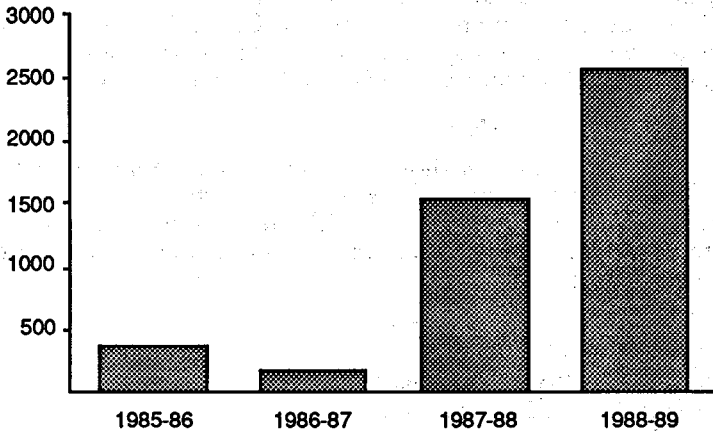
According to the department, the substantial participation increase is due primarily to the June 30, 1987 “sunset” of the School Improvement Program (SIP). The sunset terminated the authority for SIP schools to receive full ADA reimbursement for a maximum of eight staff development days; however, schools operating SBCPs maintain this authority.

Our analysis of the data supports this explanation. Specifically, 39 percent of the participating schools are coordinating SIP and regular education funds *only*, even though such coordination is possible without participating in a SBCP. This suggests that these schools’ primary motivation for participating may be to receive additional staff development funding, rather than to enhance program coordination.

## DEPARTMENT OF EDUCATION—Continued

Chart 3

**Number of Schools Operating  
School-Based Coordinated Programs<sup>a</sup>**  
1985-86 through 1988-89



<sup>a</sup> Includes data available as of January 4, 1989.

**Barriers to Successful Implementation.** For the reasons discussed above, the increase in the number of SBCP schools does *not* necessarily indicate that schools are finding SBCPs to be effective. In fact, our review indicates that, since the enactment of Chapter 100, three major problems have surfaced with SBCPs that have seriously impeded effective coordination.

**First**, because federal law (prior to the current year) did not permit schools to include in SBCPs federal funds, such as those received under Chapter 1 of the Education Consolidation and Improvement Act, disadvantaged students continue to receive duplicative and uncoordinated services. In the current year, school districts were allocated \$334 million under Chapter 1, which, except for Special Education, is more than is received under any of the state programs specified in the SBCP Act. The inability of schools to coordinate funds of this magnitude has therefore significantly impeded the goals of Chapter 100.

**Second**, state law does not permit school districts to commingle state categorical funds with general purpose revenues, thereby further discouraging program coordination.

*Finally*, state law provides few guarantees that school-based coordinated programs will actually result in improvements in student performance. While the SBCP Act requires schools to evaluate their programs, it does not specify the scope and quality of these evaluations. As a result, schools can implement programs that are only marginally effective, or that—by reducing the amount of services provided to compensatory education students—might actually diminish these students' performance.

***Potential Solutions Provided by New Federal Legislation.*** Recently enacted amendments to Chapter 1 may provide solutions to these problems. The new federal legislation (PL 100-297) allows schools with large numbers of disadvantaged students to combine Chapter 1 funds with other revenues to conduct "schoolwide projects" aimed at upgrading the school's entire educational program. These projects would serve all students in the school, not just those who are eligible for Chapter 1. After three years, however, schools must demonstrate that achievement levels among compensatory education students have either increased over time, or are greater than the achievement levels of comparable students in other district schools. Secondary schools may use dropout or graduation rates in lieu of achievement test scores.

By allowing for greater coordination of services, and by establishing an accountability system, the new federal law provides partial remedies to the problems with SBCPs. The Legislature may wish to build upon these solutions by incorporating similar features into state law. Specifically, the Legislature may wish to consider (1) allowing schools to commingle categorical funds and general purpose revenues (as federal law now permits), so as to encourage schools to upgrade their *entire* educational program, and (2) establishing an accountability system for all SBCP schools to measure program outcomes among compensatory students. The Legislature might also consider funding technical assistance for schools that cannot demonstrate satisfactory outcomes, so that these schools could implement more effective programs.

### **1. Programs Relating to Classroom Instruction**

Table 10 summarizes local assistance funding from the General Fund and state special funds for programs relating to classroom instruction. In total, the budget requests \$501 million for the classroom instruction budget programs in 1989-90—an increase of \$110 million (28 percent) above estimated current-year expenditures.

The increase is due primarily to the Governor's proposed initiative to reduce class size. The budget also proposes augmentations to the School Improvement Program (\$6.9 million), the Instructional Materials Program (\$6.4 million), and a new "consolidated assessment system" (\$1 million). These increases, however, would be mostly offset by the elimination of (1) funding for the Educational Technology program (\$12.7 million), which is scheduled to "sunset" on June 30, 1989, and (2) a one-time, \$1 million appropriation in 1988-89 for an interactive instructional technology project.

## DEPARTMENT OF EDUCATION—Continued

Table 10

**K-12 Education**  
**Support for Programs Relating to Classroom Instruction**  
**Local Assistance**  
**1987-88 through 1989-90**  
**(dollars in thousands)**

Programs	Actual 1987-88	Est. 1988-89	Prop. 1989-90	Change from 1988-89	
				Amount	Percent
School Improvement Program.....	\$230,284	\$251,081 <sup>a</sup>	\$257,951	\$6,870	2.7%
Instructional materials .....	92,536	112,478 <sup>a</sup>	118,916	6,438	5.7
Class size reduction .....	—	—	110,000	110,000	— <sup>b</sup>
High school pupil counseling .....	7,603	7,223 <sup>a</sup>	7,187	-36	-0.5
Demonstration programs in reading and math .....	4,367	4,367 <sup>a</sup>	4,367	—	—
Environmental education .....	601	604	515	-89	-14.7
Intergenerational education .....	150	165	165	—	—
Educational Technology program .....	12,964	12,720	—	-12,720	-100.0
Interactive instructional technology .....	—	1,000 <sup>a</sup>	—	-1,000	-100.0
Institute of Computer Technology .....	338	338	—	-338	-100.0
Consolidated Assessment System .....	—	—	1,000	1,000	— <sup>b</sup>
California State Summer School for the Arts .....	(514) <sup>c</sup>	1,111 <sup>d</sup>	1,280 <sup>d</sup>	169	15.2
Totals .....	\$348,843	\$391,087	\$501,381	\$110,294	28.2%
Funding Sources					
General Fund .....	\$348,242	\$389,783	\$500,681	\$110,898	28.5%
Environmental License Plate Fund .....	601	604	—	-604	-100.0
Special Deposit Fund .....	—	700	700	—	—

<sup>a</sup> Funding provided in Item 6110-230-001 in 1988-89.<sup>b</sup> Not a meaningful figure.<sup>c</sup> Funding included in summer school apportionments.<sup>d</sup> Funding provided in Item 6255-001-001.

We recommend approval of the proposed funding shown in Table 10 for the following programs relating to classroom instruction which are not discussed elsewhere in this analysis:

- **School Improvement Program (Item 6110-116-001)**—\$258 million from the General Fund for the School Improvement Program (SIP). This amount includes (1) \$220.9 million for grades K-6 and (2) \$37.1 million for grades 7-12. The budget proposes (1) \$6.9 million to provide a 3.21 percent statutory COLA for grades K-6, and (2) continuation of planning grants for junior high schools at the current-year level of funding (\$30 per student), rather than the amount (\$102 per student) provided to most other such schools in the past.
- **Instructional materials (Items 6110-186-001, 6110-187-001, and 6110-015-001)**—\$119.3 million from the General Fund for instructional materials local assistance, warehousing, and distribution. This amount includes (1) \$95.2 million for grades K-8 local assistance, (2) \$23.8 million for grades 9-12 local assistance, and (3) \$318,000 for state warehousing and shipping (not shown in Table 10). It represents an increase of \$6.4 million (5.7 percent) above the current-year level consisting of (1) \$3.6 million to provide a 4.3 percent statutory COLA for grades K-8 and (2) \$2.8 million to adjust for enrollment growth.



- *High school pupil counseling (Item 6110-109-001)*—\$7.2 million from the General Fund for supplemental counseling services for pupils who have not reached the age of 16 or the end of the tenth grade. This is a reduction of \$36,000 from the current year, due to declining high school enrollment.
- *Demonstration programs in reading and math (Item 6110-146-001)*—\$4.4 million from the General Fund for programs that are intended to demonstrate innovative instructional techniques. This is the same level of funding as is provided in the current year.
- *Environmental education (Item 6110-185-001)*—\$515,000 from the General Fund to provide grants to local education agencies, other government agencies, and nonprofit organizations to plan and implement education programs related to the environment, energy, and conservation. (The program was previously funded from the Environmental License Plate Fund.) The proposed amount reflects a decrease of \$89,000 to reflect a transfer of funding for "Project Learning Tree" from the SDE to the Department of Forestry.
- *Intergenerational education (Item 6110-128-001)*—\$165,000 from the General Fund for programs that provide for the involvement of senior citizens in public elementary and secondary schools. This is the same level of funding as is provided in the current year.

**Class Size Reduction (Item 6110-107-001)**

*We recommend that the Legislature transfer the \$110 million proposed for class size reduction to the Proposition 98 reserve, in order to allow the Legislature to allocate these funds according to its priorities. (Delete \$110,000,000 in Item 6110-107-001 and amend Control Section 12.31 to provide for an equivalent increase in the Proposition 98 reserve.)*

The Governor's Budget proposes \$110 million for class size reduction. The Budget Summary indicates that \$75 million of this amount would be for class size reduction in unspecified high school courses, and that the funding proposed for 1989-90 would be the first year in a six-year plan to reduce the size of the designated classes to no more than 20 students per class. The remaining \$35 million would be for class size reduction for reading, writing, and spelling classes in grades 1 through 3. By targeting the class size reduction funds to specific subjects and grades, we estimate that affected class sizes could be reduced by one or more students. The Budget Bill, however, does not contain any language that would accomplish these objectives, nor does it contain language that would govern how the proposed funds would be allocated among districts.

**Proposition 98.** Proposition 98 was promoted, in large part, as a measure that would result in smaller class sizes in California. Accordingly, in passing the measure in the November, the voters indicated their desire to spend funds for this purpose. Moreover, the measure sets specific targets for class sizes and per-pupil expenditures. Specifically, Proposition 98 provides that the allocation to school districts of General Fund revenues that exceed the state's appropriations limit would not be required if the average class size in California is no greater than the average class size in the ten states with the smallest classes, and if expenditures per student are no less than the average expenditure per student of the ten states with the highest expenditures.

**Concerns with Class Size Reduction.** Our review of the research indicates that class size reduction is among the *least* cost-effective

**DEPARTMENT OF EDUCATION—Continued**

strategies for improving student achievement. Specifically, research indicates that reducing the pupil:teacher ratio from the present 23.5:1 to the proposed 20:1 would have little—if any—effect on student achievement. In fact, most research suggests that class sizes would need to be reduced to about 15 students per class (at a cost of more than \$1.5 billion), before a significant improvement in student achievement could be expected.

Although most research suggests that smaller classes are not necessarily better in terms of student achievement, there are some indications that smaller classes *could* result in higher achievement under specific conditions. Specifically, research suggests that smaller classes result in larger achievement gains for socially or economically disadvantaged students and for those with lower academic abilities. There is also some evidence that smaller classes produce larger gains in some specific subjects—such as mathematics.

In addition, research suggests that one reason for the limited effectiveness of smaller class sizes in improving academic achievement may be that teachers in small classes tend to use the same instructional techniques as teachers in larger classes—predominantly the lecture method. Lecturing fails to capture the supposed advantages of smaller classes, such as increased individual or small group interaction. Accordingly, we believe that smaller classes may be more effective if the reduced class size is accompanied by staff development to train teachers to fully utilize the advantages of having fewer students.

***Budget Proposal Falls Short.*** Our review indicates that the Governor's Budget does not adequately address these issues. Although there is an apparent intent to target the funds to specific grades and subjects, there is no proposed language that would accomplish this. In addition, the budget fails to address the issues of (1) the types of students that may benefit most from smaller classes and (2) appropriate training for teachers of smaller classes.

***Recommendation.*** We have no analytical basis for recommending a specific amount for class size reduction, because—within the range of funds available for this purpose—any amount appropriated is likely to have the same, minimal, impact on student achievement. Instead, we believe that the amount to appropriate for this purpose should be determined in the context of other legislative priorities. Accordingly, we recommend that the Legislature transfer the \$110 million proposed for class size reduction to the Proposition 98 reserve specified in Control Section 12.31, where it may then be appropriated for designated K-12 and community college education expenditures, based on the Legislature's priorities for the use of these funds. (Please see our analysis of Item 6110-198-001 for a discussion of K-12 options for the use of Proposition 98 funds.)

We also recommend that, if the Legislature appropriates funds for class size reduction, it also adopt Budget Bill language that would direct the funds to the specific types of students and subjects for which smaller classes are most effective. In addition, we recommend that the Legislature consider designating part of any funds appropriated for class size reduction for appropriate staff development, in order to train teachers to make more effective use of smaller classes. Finally, we recommend that the Legislature consider allowing districts that are unable to reduce class

sizes, because of a shortage of classroom space, to spend class size reduction funds on alternative educational interventions that provide similar benefits. Such alternatives could include increased use of educational technology, peer or cross-age tutoring, parent or community volunteers, or classroom aides.

**Consolidated Assessment System (Item 6110-113-001)**

*We recommend that the Legislature delete \$1 million requested from the General Fund for a consolidated assessment system, because private test publishers can develop such a system more effectively, and the state's role should be limited to review and regulation. (Eliminate Item 6110-113-001 and amend Control Section 12.31 to provide for a \$1 million increase in the Proposition 98 reserve.)*

The California Assessment Program (CAP) currently provides the public, Legislature, and local school districts with information regarding the level of K-12 student performance in the state. Under this program, school districts administer state-developed achievement tests in grades 3, 6, 8, and 12. The state reports the results on a schoolwide and districtwide basis, rather than on an individual student basis. Many districts also administer other standardized tests in order to obtain individual student scores.

**Consolidated Assessment System.** The budget proposes \$1 million for development of a Consolidated Assessment System that would combine the CAP test with other standardized exams for the purpose of reducing total testing time and cost. (The Governor proposed a similar system in last year's budget, which was rejected by the Legislature.) Although the Legislature has not received a written expenditure plan, the Department of Finance indicates that the proposed system would require all participating districts to administer the same tests, so that—like CAP—scores could be compared across districts (as well as across schools). The new system—unlike CAP—would also yield individual student scores.

**What Role Should the State Play?** We agree that consolidating tests may be desirable from a school district perspective. But it is not clear that this should be a *state* responsibility, for two reasons.

**First**, several private test publishers have developed, or are developing, consolidated assessment systems. Furthermore, we expect the number of such systems to increase in the future, as publishers compete to maintain their shares of the testing market. Consequently, a state-developed system is unnecessary.

**Second**, a single, state-developed system would be less responsive to individual district needs than would tests developed by commercial publishers. As a result, there is no guarantee that a large number of districts would wish to administer the new state tests. Districts currently differ in how and when they test students, the tests used, and the specific skills and knowledge evaluated. Assessment systems developed by competing publishers are likely to offer districts with a greater amount of choice than would a single, state-subsidized system such as the one proposed by the Governor.

For these reasons, our analysis indicates that it would be more effective for private test developers, and not the state, to take the lead in developing a consolidated assessment system. We therefore recommend that the Legislature delete the \$1 million requested for the development of a consolidated assessment system, and transfer these funds to the Proposition 98 reserve.

**DEPARTMENT OF EDUCATION—Continued****Educational Technology Program**

The Educational Technology program, as amended by Chapter 1133, Statutes of 1983, provides support for the use of technology in the classroom. Specifically, Chapter 1133 authorizes the expenditure of program funds for a variety of uses, including grants to schools to support the acquisition of computer hardware and software, the purchase of statewide software and instructional television (ITV) licenses, and various resource and support services and projects that support the use of technology in the classroom.

The Governor's Budget proposes no funding for the Educational Technology program in 1989-90, because Chapter 1133 provides that the program shall terminate on June 30, 1989, unless legislation is enacted to extend or delete this "sunset" date. The General Fund appropriation in 1988-89 was \$13.3 million (\$0.6 million for state operations and \$12.7 million for local assistance).

In our sunset review report on this program, we recommended that the Legislature continue the Educational Technology program, with specified modifications. For further discussion of issues related to this program, please refer to our August 1988 report, *The Educational Technology Local Assistance Program: A Sunset Review*.

**Institute of Computer Technology**

*We recommend that the Legislature continue state funding for the Institute of Computer Technology (ICT), which was inadvertently eliminated as part of the Educational Technology program. (Augment new Item 6110-181-001 by \$338,000 and adopt specified Budget Bill language; amend Control Section 12.31 to provide for an equivalent reduction to the Proposition 98 reserve.)*

The Institute of Computer Technology (ICT) was established, pursuant to Chapter 1528, Statutes of 1982, by three school districts in Santa Clara County — Sunnyvale Elementary, Fremont Union High School, and Los Gatos Joint Union High School — to provide education and training in computer technology for pupils in grades K-12 and adults. The ICT receives funding through fees and from the participating school districts, private companies, and the state.

Although the ICT is a separate program, it historically has been funded out of Item 6110-181-001 (the Educational Technology program) for administrative convenience. As noted above, the Educational Technology program, including the ICT, is not funded in the Governor's proposed 1989-90 budget. (ICT's General Fund appropriation in 1988-89 was \$338,000.)

Our analysis indicates that the ICT, unlike the Educational Technology program, does not sunset on June 30, 1989. Our analysis further indicates that the ICT is meeting its legislatively authorized purpose. Accordingly, we recommend that the Legislature continue state funding for the ICT by (1) establishing Item 6110-181-001 and augmenting the budget by the current-year level of \$338,000 from the Proposition 98 reserve specified in Control Section 12.31, and (2) adopting the following language:

**Provisions:**

1. An amount not to exceed \$338,000 from the funds specified in this item shall be available for funding average daily attendance of the Institute for

Computer Technology in accordance with Article 8 (commencing with Section 52480) of Chapter 9 of Part 28 of the Education Code.

2. Notwithstanding any other provision of law, for the 1989-90 fiscal year, the Institute for Computer Technology shall receive state funding for no more than 100 average daily attendance.
3. An amount not to exceed \$50,000 of the amount specified in Provision 1 for the Institute of Computer Technology may be utilized to disseminate curriculum developed pursuant to Chapter 1516 of the Statutes of 1985.

## 2. Programs Relating to Teaching and Administration

Local assistance funding in the prior, current, and budget years for programs relating to teaching and administration is shown in Table 11. All of these programs are either staff development programs, have staff development components, or relate in some way to teacher education and training.

As Table 11 shows, the budget proposes approximately \$75 million from the General Fund for these programs in 1989-90. This is a decrease of \$131,000 (0.2 percent) compared to estimated current-year expenditures, and primarily reflects the transfer of \$1.1 million for the School Business Personnel Staff Development program from local assistance to state operations.

**Table 11**  
**K-12 Education**  
**Support for Programs Relating to Teaching and Administration<sup>a</sup>**  
**Local Assistance**  
**1987-88 through 1989-90**  
**(dollars in thousands)**

Program	Actual 1987-88	Est. 1988-89	Prop. 1989-90	Change from 1988-89	
				Amount	Percent
General Fund:					
Mentor Teacher Program .....	\$49,810	\$63,595 <sup>b</sup>	\$64,734	\$1,139	1.8%
Administrator Training and Evaluation Program.....	4,270	4,802 <sup>b</sup>	4,802 <sup>b</sup>	—	—
Teaching improvement programs.....	542	1,172	1,132	-40	-3.4
California International Studies Project...	480	880	880	—	—
Classroom Teacher Instructional Improvement Program.....	50	—	—	—	—
Bilingual Teacher Training Program.....	842	842	842	—	—
School Business Personnel Staff Develop- ment program .....	159	1,250	— <sup>c</sup>	-1,250	-100.0
Reader service for blind teachers .....	114	35	175	140	400.0
Beginning teacher support .....	—	1,718	1,718	—	—
Regional Science Resource Center.....	—	500	500	—	—
Subtotals, General Fund.....	(\$56,267)	(\$74,914)	(\$74,783)	(-\$131)	(-0.2%)
Federal funds:					
Math and Science Teacher Training Grant.....	\$4,657	\$7,293	\$7,294	\$1	—
Totals .....	\$60,924	\$82,087	\$82,077	-\$10	—

<sup>a</sup>The table does not include staff development programs funded from federal Education Consolidation and Improvement Act (ECIA), Chapter 2 funds.

<sup>b</sup>All numbers reflect proposed expenditures or budgeted amounts. They do not necessarily reconcile with the amounts displayed in the Governor's Budget.

<sup>c</sup>The Budget Bill contains \$1.1 million for this program in state operations (Item 6110-003-001).

**DEPARTMENT OF EDUCATION—Continued**

We recommend approval of the proposed funding shown in Table 11 for the following programs relating to teaching and administration, which are not discussed elsewhere in this analysis:

- **The Mentor Teacher Program (Item 6110-191-001 (b))**—\$64.7 million from the General Fund to provide \$4,000 stipends and \$2,000 support cost allowances for 10,789 mentor teachers—5 percent of the state's eligible teachers. (This represents full funding of the maximum participation level authorized by SB 813.) This request, an increase of \$1.1 million (2 percent) above the current-year amount, supports an additional 190 mentor teachers.
- **Teaching improvement programs (Item 6110-191-001 (e))**—\$1.1 million from the General Fund to support the SDE's share of a joint program with the California State University (CSU) to improve teacher education and address other public education concerns. This budget request, which is \$40,000 less than the amount provided in the current year, will support the following four components: (1) high school quality reviews; (2) a New Teacher Retention program; (3) a Curriculum Institute; and (4) Comprehensive Teacher Institutes.
- **California International Studies Project (Item 6110-191-001 (d))**—\$880,000 from the General Fund to operate twelve regional centers which provide curriculum and staff development in international studies for K-12 teachers, in collaboration with colleges and universities. This is the same level of funding that is provided in the current year.
- **Reader service for blind teachers (Item 6110-191-001 (f))**—\$175,000 from the General Fund, for transfer to the Reader Employment Fund—Item 6110-001-812, to provide legally blind, certificated teachers with the services of a reader. The budget proposes an increase of \$140,000 (or 400 percent), because more blind teachers are requesting the service.
- **Beginning teacher support (Item 6110-191-001 (g))**—\$1.7 million from the General Fund to test and evaluate beginning teacher support and assessment programs. This is the same level of funding as provided in the current year.
- **Regional Science Resource Center (Item 6110-191-001 (h))**—\$500,000 from the General Fund to support a regional science resource (teacher training) center at the Exploratorium in San Francisco. This is the same level of funding as provided in the current year.
- **Math and Science Teacher Training Grant (Item 6110-128-890)**—\$7.3 million from the federal Education for Economic Security Act, Title II (PL 98-377) grant program, which provides funds to improve teacher training and retraining in the fields of mathematics and science. This is essentially the same level of funding that is provided in the current year.

**No Funding For New Staff Development Programs**

The Governor's Budget proposes no funds to implement Chapter 1362/88 (SB 1882, Morgan), which authorized a major, new staff development system for K-12 teachers, consisting of (1) school-level staff development programs, (2) resource agencies or consortia that will assist

in coordinating staff development programs, and (3) statewide projects in specific subject matter areas. Specifically, this act:

- Authorizes school districts to establish and implement school development plans designed to improve teachers' subject matter knowledge and instructional practices;
- Allows local education agencies and nonprofit educational entities, or any combination thereof, to establish resource agencies or consortia to (1) design and implement school staff development plans, (2) coordinate school staff development activities, and (3) provide staff development, as necessary; and
- Directs the University of California (if the Regents so choose), in cooperation with the California State University and the Superintendent of Public Instruction, to administer subject matter projects modeled after the California Writing Project or the California Mathematics Project.

Chapter 1362 also declares legislative intent to provide funding for implementation of this statute in the annual Budget Act. We estimate a total annual General Fund cost of up to \$37 million to fully implement this measure, as follows:

- Up to \$26 million to fund the implementation of school development plans;
- Approximately \$5 million to fund the full-year implementation costs of 10 resource consortia; and
- Approximately \$6 million annually to fund four additional subject matter projects.

As we indicate in our analysis of Item 6110-198-001, the Legislature may wish to consider providing funding for this purpose from the Proposition 98 reserve fund.

#### **Administrator Training and Evaluation Program (Item 6110-191-001 (a))**

*We recommend that the Legislature adopt Budget Bill language in Item 6110-191-001 (a) to focus the Administrator Training and Evaluation Program on practicing administrators and school board members, thereby ensuring the most cost-effective use of limited program funds. We further recommend that the Legislature adopt supplemental report language in this item directing the State Department of Education and the Commission on Teacher Credentialing jointly to report on ways to incorporate, if appropriate, the Administrator Training and Evaluation Program into colleges' administrator training curriculum.*

The Governor's Budget requests \$4.8 million from the General Fund to support the Administrator Training and Evaluation Program (ATEP). This program consists of a Central Institute and 11 regional administrator training centers. The Central Institute designs the training curriculum which the regional training centers use to train practicing school administrators—and persons who wish to become school administrators—in instructional leadership. Approximately 20 percent of the 3,500 participants who are enrolled in the 1988-89 program do not now hold an administrative position, even though they hold an administrative credential. The remainder of the participants are practicing administrators, SDE employees, school district superintendents, or school board members.

Although we believe it is appropriate for the state to support school administrator training for school board members and practicing admin-

**DEPARTMENT OF EDUCATION—Continued**

istrators, we question whether it is cost-effective for the state to pay the training costs of participants who do not now hold an administrative position. A recent evaluation of the program shows that, while all participants believed their training had significantly improved their personal knowledge in instructional leadership, persons who were not practicing administrators were generally not now in a position to use the training to improve their schools. We believe it would be appropriate to direct the training to practicing administrators who can use their newly acquired skills to start making changes in the schools *now*.

Furthermore, we question why the state needs to support additional training for these participants before they become practicing administrators. In order to receive an administrative credential, the state requires a teacher to complete five years of teaching and an additional one to two years of coursework. If the teacher takes the required coursework at one of the California State University campuses, the state will have spent approximately \$5,760 to provide their administrative training. We do not believe that the state should provide the *additional* investment of approximately \$4,200 (estimated state cost for a participant to complete the three-year Administrator Training and Evaluation Program) unless it will be used by a practicing administrator.

Accordingly, we recommend that the Legislature adopt the following Budget Bill language in Item 6110-191-001 (a) to focus the Administrator Training and Evaluation Program on practicing administrators and school board members:

These funds may only be used to support the training of practicing school administrators and school board members.

***Review Needed of Administrator Credential Training Curriculum.*** In addition to the above, we believe that the training provided at the ATEP should be included in the college administrator credential curriculum since most ATEP participants believed that the ATEP training helped to increase significantly their knowledge and skills in instructional leadership. As mentioned, these individuals hold an administrative credential based on having completed one to two years of additional college training. Even though this training should have given them the necessary skills to serve as a California school administrator, the participants believe that the additional ATEP training is useful. On the one hand, this finding may indicate that individuals who completed their coursework many years ago benefit from updating their skills and knowledge. On the other hand, this finding may indicate that the college administrator credential training curriculum needs to incorporate additional leadership skills training.

The Legislature does not have the necessary information to resolve this question and determine if the administrator credential training curriculum needs revision. Thus, we believe that the SDE and the Commission on Teacher Credentialing need to consider this issue. Accordingly, we recommend that the Legislature adopt the following supplemental report language in Item 6110-191-001 (a):

The State Department of Education and the Commission on Teacher Credentialing shall report to the Legislature by November 1, 1989 on whether additional training in instructional leadership should be included in colleges' administrator training curriculum. If the two agencies recommend that such additional training is necessary, then the report should contain recommenda-



tions on how to incorporate this training into the administrator training curriculum.

**Bilingual Teacher Training Program (Item 6110-191-001 (c))**

*We withhold recommendation on \$842,000 requested from the General Fund for the Bilingual Teacher Training Program, pending receipt and evaluation of additional information from the State Department of Education.*

The Bilingual Teacher Training Program (BTTP) provides training for teachers who are seeking certification as bilingual instructors and have been granted temporary waivers of the certification requirements. Although state law no longer requires that teachers obtain a bilingual certificate or waiver in order to teach bilingual classes, many districts still prefer—and in some cases require—that these teachers either obtain a certificate or begin courses that will prepare them for certification.

The budget proposes \$842,000 from the General Fund for the BTTP. This funding level is equal to the current year amount and will support approximately 11 training sites. The BTTP provided training for approximately 1,600 teachers in 1987-88.

*Cost-Effectiveness Evaluation Incomplete.* In the 1987 Budget Act, the Legislature provided \$50,000 to the SDE to complete a study of the cost-effectiveness of various bilingual teacher training programs. Our review indicates that the report, which the department submitted in December 1988, provides incomplete information regarding these programs' cost-effectiveness. Accordingly, we have asked for—and the department has agreed to provide—further information on the relative cost-effectiveness of bilingual teacher training compared to other alternatives like recruiting bilingual professionals into the teaching profession. We withhold recommendation on the BTTP budget request, pending receipt and evaluation of this additional information.

**3. Special Education (Items 6110-006-001, 6110-007-001, 6110-161-001, 6110-161-890, and 6110-162-001)**

The main elements of the Special Education program include (1) the Master Plan for Special Education, (2) state administration, and (3) the state special schools. In 1988-89, the program will serve an estimated 443,000 students (excluding those in state special schools) who are learning, communicatively, physically, or severely handicapped.

Table 12 shows the expenditures and funding for the Special Education program in the prior, current, and budget years.

For 1989-90, the budget proposes total support of approximately \$2.1 billion—\$1.5 billion from the General Fund (including amounts budgeted in revenue limit apportionments that support special education), \$378.5 million from local funds and reimbursements, and \$173.2 million in federal funds.

The total amount represents an increase of \$75.6 million (3.8 percent) above the current-year level. This augmentation includes statutory increases of \$50.9 million for a 3.21 percent cost-of-living increase and \$7.3 million for workload adjustments related to authorized enrollment growth. It also includes discretionary increases of \$15 million for other enrollment growth and \$2.1 million for new or expanded programs.

## DEPARTMENT OF EDUCATION—Continued

**Table 12**  
**Special Education Programs**  
**1987-88 through 1989-90**  
**(dollars in thousands)**

<i>Expenditures</i>	<i>Actual</i> 1987-88	<i>Est.</i> 1988-89	<i>Prop.</i> 1989-90	<i>Change from</i> <i>1988-89</i>	
				<i>Amount</i>	<i>Percent</i>
<b>State Operations <sup>a</sup></b>					
State administration .....	\$7,405	\$8,697	\$8,789	\$92	1.1%
Clearinghouse depository .....	486	505	513	8	1.6
Southwest deaf-blind center .....	6	11	11	—	—
Special schools .....	41,927	42,822	45,333	2,511	5.9
Special schools transportation .....	425	436	436	—	—
Alternative programs .....	32	97	50	-47	-48.5
Subtotals, state operations .....	(\$50,281)	(\$52,568)	(\$55,132)	(\$2,564)	(4.9%)
<b>Local Assistance</b>					
Support for local programs .....					
General Fund .....	\$1,086,711	\$1,197,034	\$1,258,959	\$61,925	5.2%
Federal funds .....	109,757	119,512	122,512	3,000	2.5
Local funding (excluding special education revenue limits) <sup>b</sup> .....	265,448	272,220	279,633	7,413	2.7
Special education revenue limit funds <sup>c</sup> .....	303,804	316,260	316,260	—	—
Subtotals, support for local pro- grams .....	(\$1,765,720)	(\$1,905,026)	(\$1,977,364)	(\$72,338)	(3.8%)
Federally-funded programs .....					
Preschool program .....	\$20,767	\$26,228	\$26,228	—	—
Other programs .....	7,457	15,127	16,064	\$937	6.2%
Subtotals, federally-funded pro- grams .....	(\$28,224)	(\$41,355)	(\$42,292)	(\$937)	(2.3%)
Alternative programs .....					
School success program .....	\$430	\$430	\$430	—	—
Hyperactivity pilot project .....	210	210	—	-\$210	-100.0%
Subtotals, alternative programs .....	(\$640)	(\$640)	(\$430)	(-\$210)	(-32.8%)
Subtotals, local assistance .....	(\$1,794,584)	(\$1,947,021)	(\$2,020,086)	(\$73,065)	(3.8%)
Grand totals .....	\$1,844,865	\$1,999,589	\$2,075,218	\$75,629	3.8%
<b>Funding Sources</b>					
General Fund <sup>d</sup> .....	\$1,340,626	\$1,459,636	\$1,523,523	\$63,887	4.4%
Federal funds .....	144,288	168,934	173,210	4,276	2.5
Local <sup>e</sup> .....	356,589	367,098	374,511	7,413	2.0
Reimbursements .....	3,362	3,921	3,974	53	1.4

<sup>a</sup> Includes amount for SDE administration of state special schools.

<sup>b</sup> Includes county property taxes (including excess funds reallocated to school districts) and computed local general fund contribution.

<sup>c</sup> Revenue limit funding calculated for use in special education.

<sup>d</sup> Includes estimated state funding share of revenue limit (70 percent).

<sup>e</sup> Includes estimated local funding share of revenue limit (30 percent).

We recommend approval of the proposed funding shown in Table 12 for the following program elements, which are not discussed elsewhere in this analysis:

- **State special schools (Items 6110-006-001 and 6110-007-001)**—\$45.8 million for the six state special schools (\$42 million from the General Fund and \$3.8 million in reimbursements) serving the blind, deaf, and neurologically handicapped. This amount includes (1) \$41.5

million for operation of the schools, (2) \$436,000 for transportation, and (3) \$362,000 for operation of a center for specialized assessments of visually- and hearing-impaired students. SDE estimates that the schools will serve a total of 1,397 students in 1989-90.

- **Alternatives to special education (Item 6110-162-001)**—\$430,000 from the General Fund for the Early Intervention for School Success Program, which is aimed at reducing the severity of learning disabilities and the need for placing children in the Special Education program. The budget reflects a reduction of \$210,000 related to the conclusion of a three-year pilot project on hyperactivity which began in 1986-87.

Our recommendations concerning the remaining budget for the Special Education program are discussed below.

**a. Master Plan for Special Education (Item 6110-161-001)**

*We recommend approval.*

Students in California's K-12 public schools receive special education and related services through the Master Plan for Special Education (MPSE). Under the Master Plan, school districts and county offices of education administer services through regional organizations called special education local plan areas (SELPAs). Each SELPA is required to adopt a plan which details the provision of special education services among the member districts. The SELPA may consist of a single district, a group of districts, or the county office of education in combination with districts.

**Instructional Settings.** Special education students are served through one of four instructional settings:

- **Designated Instruction and Services (DIS)**—this instructional setting provides special services such as speech therapy, guidance, and counseling to students in conjunction with their regular or special education classes.
- **Resource Specialist Program (RSP)**—this program provides instruction and services to pupils who are assigned to regular classroom teachers for the majority of the school day.
- **Special Day Class or Center (SDC)**—these classrooms (or facilities) meet the needs of students that regular education programs cannot accommodate.
- **Nonpublic Schools (NPS)**—these schools serve students who cannot appropriately be served in a public school setting.

Table 13 displays the distribution of special education students by general disability and instructional setting, as of April 1, 1988.

**Table 13**  
**K-12 Special Education Enrollments**  
**By Type of Disability and Placement**  
**April 1, 1988**

Placement	Disability				Totals
	Communi- cation	Learning	Physical	Severe	
Designated Instruction and Services (DIS).....	103,651	6,736	12,666	2,046	125,099
Resource Specialist Program (RSP) .....	2,921	163,558	1,916	1,349	169,744
Special Day Class (SDC).....	11,577	69,824	10,962	40,158	132,521
Nonpublic Schools (NPS) .....	178	840	179	3,997	5,194
Totals .....	118,327	240,958	25,723	47,550	432,558

**DEPARTMENT OF EDUCATION—Continued**

**Funding.** School districts and county offices of education receive state reimbursement for their special education program costs based on (1) state-authorized levels of personnel, (2) costs incurred in 1979-80, adjusted for inflation, (3) levels of federal funding, (4) local general fund contributions to the program, (5) local property taxes, and (6) general school apportionments ("revenue limits") for students in special day classes.

The budget proposes a total of \$2.0 billion in local assistance for the Master Plan, of which a total of \$1.3 billion is from the General Fund.

Table 14 displays (1) the average revenue limits of school districts, and (2) the statewide average additional cost per pupil, by instructional setting, of providing special education services. The table shows that, in 1988-89, the average additional cost of providing special education services in a unified school district ranged from \$2,120 in the DIS setting to \$4,116 in SDCs. On average, therefore, total costs of educating special education students in unified districts ranged from \$4,904 (DIS) to \$6,900 (SDC) or 176 percent to 248 percent, respectively, of the statewide average revenue limit.

**Table 14**  
**K-12 Special Education Costs Per Pupil**  
**By Instructional Setting**  
**(Based on 1988-89 Statewide Averages)**

<i>Type of School District</i>	<i>Regular Program Average Revenue Limit</i>	<i>Additional Costs for Special Education</i>		
		<i>Special Day Class (SDC)</i>	<i>Resource Specialist Program (RSP)</i>	<i>Designated Instruction and Services (DIS)</i>
Elementary.....	\$2,615	\$4,285	\$2,951	\$2,120
High school.....	3,254	3,646	2,951	2,120
Unified.....	2,784	4,116	2,951	2,120

**Program Growth.** The budget proposes \$22.3 million from the General Fund in order to fund additional instructional units in the budget year. Of this amount, discretionary increases include (1) \$14.5 million for additional units due to increasing levels of enrollment in SDCs, RSPs and DISs serving students ages 5-21, and (2) \$500,000 for units approved by waiver for sparse and rural SELPAs which are not eligible for more units based on statutory enrollment standards. A statutory increase of \$7.3 million is also provided for growth needs in the NonPublic Schools (NPS) program, regionalized services, county longer day and year incentives, and extended year programs.

**b. Federal Public Law 94-142 - Special Education (Item 6110-161-890)**

The Education for All Handicapped Children Act (P.L. 94-142) established and funded the right of such pupils to a "free and appropriate public education." The budget estimates that California will receive \$173 million under P.L. 94-142 (and other related federal programs), consisting of \$123 million for direct assistance to local programs, \$42 million for a variety of special-purpose programs, and \$8 million for state administration.

The proposed amount is a net increase of \$4.3 million (or 2.5 percent) above the estimated current-year level, and includes (1) a \$3 million increase in funding for local entitlements, (2) a \$1.5 million increase in local assistance for new and expanded programs, (3) a \$177,000 increase (in Item 6110-001-890) for state operations, and (4) a reduction of \$550,000 in local assistance to reflect the elimination of one-time carry-over monies available in the current year. The budget also proposes \$162,000 from federal funds for state operations (in Item 6110-001-890) to research and develop materials and training programs for special education staff, which will be provided through satellite teleconferencing.

### Special-Purpose Programs

*We recommend that the Legislature review the Governor's proposed funding allocations for special-purpose programs, in light of its priorities as specified in the 1988 Budget Bill.*

For 1989-90, the budget estimates that the state will receive total federal funds of \$11.3 million to support special-purpose programs. This amount is an increase of \$1 million (9.8 percent) over current-year funding levels. We believe this is a reasonable estimate of the funds that will be available for these programs in the budget year. During debate on the 1988 Budget Bill, the Legislature established its priorities for funding

**Table 15**  
**Special Education**  
**Federally Funded, Special-Purpose Programs**  
**1988-89 Legislative Funding Priorities**  
**Compared to 1989-90 Budget Proposal**  
**(in thousands)**

Program	1988-89		1989-90 Budget Proposal	Change from Amount Funded in 1988-89
	Legislative Priority	Amount Funded		
Infant programs.....	\$2,324	\$2,324	\$2,324	—
LCI impaction growth units.....	1,000	1,000	1,000	—
Project Work Ability.....	1,750	1,750	1,750	—
Low-incidence specialized services.....	1,700	1,700	1,700	—
Comprehensive personnel development....	3,000	3,000	3,000	—
Timpany Center .....	300	300	—	—\$300
Assessment centers, state special schools....	350	256	(362) <sup>a</sup>	—256 <sup>b</sup>
Disabilities awareness.....	400	—	—	—
Extended year, state special schools.....	1,050	—	—	—
Comprehensive personnel development....	1,072	—	618	618
Comprehensive program evaluation .....	200	—	—	—
Statewide teacher training needs assess- ment .....	50	—	—	—
Low-incidence specialized services.....	500	—	—	—
Project Work Ability.....	1,500	—	750 <sup>c</sup>	750
Behavioral interventions—"aversive thera- pies" (AB 520—1987-88 session) .....	75	—	—	—
Cross-cultural assessments <sup>d</sup> .....	—	—	200	200
Totals.....	\$15,271	\$10,330	\$11,342	\$1,012

<sup>a</sup> From the General Fund (nonadd).

<sup>b</sup> Federal fund change.

<sup>c</sup> Includes \$75,000 for state operations in Item 6110-001-890.

<sup>d</sup> Proposal for 1989-90 and not part of Legislature's 1988-89 priority list.

**DEPARTMENT OF EDUCATION—Continued**

of special-purpose programs and specified the order in which these programs would be funded in the event that funding was not sufficient to undertake the full range of activities. Table 15 displays (1) the Legislature's 1988-89 priorities (with infant programs being the highest), (2) the amount actually funded in the current year, (3) the proposed funding for the budget year, and (4) the change in funding from 1988-89 to 1989-90.

Table 15 shows that, in 1989-90, the Governor proposes to use the increased funding of \$1 million to support three programs that are of lower priority than others designated by the Legislature in the 1988 Budget Bill. Specifically, the budget proposes to fund the following:

- ***Comprehensive personnel development***—\$618,000 for personnel development, of which \$615,000 is for local assistance to SELPAs to conduct in-service training programs. These programs include a parent training component as well as evaluation components.
- ***Project Work Ability***—\$675,000 for local assistance and \$75,000 for state operations (in Item 6110-001-890) to expand the project to additional school districts. This program provides handicapped youth with services intended to increase their prospects for employment after graduating from high school.
- ***Cross-cultural assessments***—\$200,000 for local assistance for research and training in alternative assessments for students from diverse cultures. This project follows up on work, conducted by a statewide task force, in response to a court order directing SDE to address: training needs for educators, alternative assessment procedures, and technical assistance to school districts. (This proposal has not been funded previously and is not reflected in the Legislature's list.)

According to its 1988 priority list, however, the Legislature considers the following three uses of federal funds to be higher priorities than comprehensive personnel development and the expansion of Project Work Ability:

- ***Timpany Center***—This center, operated by the Santa Clara County Office of Education, provides physical and occupational "aquatics" therapy to children and adults. The Legislature appropriated \$350,000 for the center in 1984-85 and \$380,000 annually in 1985-86 through 1987-88. In 1988-89, the center received \$300,000.
- ***Disabilities awareness program***—This program was established by Ch 1677/84 to increase awareness among nonhandicapped students of the problems encountered by the handicapped. The Legislature appropriated \$200,000 annually for the program in 1984-85 through 1986-87. In 1987-88, the program received \$500,000.
- ***Extended-year program for state special schools***—This proposal would provide a four-week extended school year program for blind, deaf-blind, and deaf students who meet specified criteria. Although this program has never been funded, the Legislature's 1988 priority list authorized up to \$1,050,000 for this purpose (if sufficient funds had been available).

Our review indicates that, if the *Legislature's* priority list were adhered to, \$300,000 would be allocated to the Timpany Center, \$400,000 to the disabilities awareness program, and the remaining \$312,000 to the extended year for state special schools.

In previous issues of the *Analysis*, we have questioned the cost-effectiveness of the Work Ability program (please see 1988-89 *Analysis*, page 852) proposed for funding in 1989-90. We also note that the Legislature has specifically provided funds for the Timpany Center since the 1984 Budget Act. For these reasons, the Legislature may wish to consider deleting the \$750,000 proposed for the expansion of Project Work Ability, and redirect these and other funds proposed by the administration for lower-priority activities towards other, higher-priority purposes.

#### 4. Vocational Education Programs

Table 16 summarizes funding for all vocational education programs, including Regional Occupational Centers and Programs (ROC/Ps). In total, the vocational education budget requests approximately \$340 million for these programs in 1989-90—a net increase of \$18.3 million (5.7 percent) above the estimated current-year level of expenditures. The increase primarily reflects additional funding for (1) ROC/Ps (\$7 million), (2) Partnership Academies (\$1 million), and (3) reimbursements from the Employment Development Department (\$10.2 million).

We recommend approval of the proposed funding shown in Table 16 for the following vocational education program changes, which are not discussed elsewhere in this analysis:

- *Partnership academies (Items 6110-166-001 and 6110-166-890)*—\$2.3 million (\$1.4 million from the General Fund and \$814,000 in federal funds) to provide grants to local school districts to replicate special programs ("Partnership Academies") for educationally disadvantaged youth, pursuant to Ch 1405/87 (SB 605, Morgan). The proposed amount is an increase of \$1 million above the current-year level, for the purpose of establishing 15 new academies; and
- *Federal JTPA/other reimbursements (Item 6110-166-001)*—\$26.3 million in reimbursements from (1) federal funds for the Job Training Partnership Act (JTPA) (\$25.4 million), (2) the Department of Social Services for GAIN assessment (\$780,000), and (3) the Employment Training Panel for training-related activities (\$76,000). The proposed amount is an increase of \$11.3 million above the current-year level, due to an expected increase in JTPA participation.

We also recommend approval of the following vocational education programs, which have no proposed change in funding level:

- *Vocational education student organizations (Item 6110-118-001)*—\$550,000 from the General Fund;
- *Agricultural Vocational Education Incentive program (Item 6110-167-001)*—\$3 million from the General Fund;
- *School-based programs (Item 6110-166-890)*—\$71.6 million from the Federal Trust Fund; and
- *GAIN matching funds (Item 6110-166-001)*—\$7.2 million from the General Fund.

## DEPARTMENT OF EDUCATION—Continued

Table 16

**K-12 Education  
Funding for Vocational Education Programs  
1987-88 through 1989-90  
(dollars in thousands)**

Programs	Actual 1987-88	Est. 1988-89	Prop. 1989-90	Change from 1988-89	
				Amount	Percent
Regional Occupational Centers/Programs ..	\$218,559 <sup>a</sup>	\$221,966 <sup>a</sup>	\$228,978	\$7,012	3.2%
Student organizations .....	550	550	550	—	—
Agricultural education .....	2,999	3,000	3,000	—	—
School-based programs .....	68,985	71,559 <sup>b</sup>	71,559 <sup>c</sup>	—	—
Special-purpose programs:					
Partnership academies .....	\$600	\$1,216	\$2,263	\$1,047	86.1%
GAIN matching funds .....	3,714	7,200	7,200	—	—
Federal JTPA/other reimbursements .....	19,169	16,024	26,256	10,232	63.9
Subtotals, special-purpose programs ....	<u>(\$23,483)</u>	<u>(\$24,440)</u>	<u>(\$35,719)</u>	<u>(\$11,279)</u>	<u>(46.1%)</u>
Totals .....	\$314,576	\$321,515	\$339,806	18,291	5.7%
Funding Sources:					
General Fund .....	\$224,922	\$232,124	\$239,677	\$7,553	3.3%
Federal funds .....	68,985	71,867	72,373	506	0.7
Local funds .....	1,500	1,500	1,500	—	—
Reimbursements .....	19,169	16,024	26,256	10,232	63.9

<sup>a</sup> Includes \$5 million for GAIN in Control Section 22.00.

<sup>b</sup> Excludes \$308,000 in federal funds for Partnership Academies.

<sup>c</sup> Excludes \$814,000 in federal funds for Partnership Academies.

**Regional Occupational Centers/Programs (Item 6110-102-001)**

The Governor's Budget proposes \$227.5 million from the General Fund and \$1.5 million from local funds to support vocational training provided to high school pupils and adults in Regional Occupational Centers/Programs (ROC/Ps). The proposed amount is a net increase of \$7 million above the current-year level, which reflects enrollment growth of 2.4 percent (\$5.1 million) and a 3.1 percent cost-of-living adjustment (\$6.9 million), which are partially offset by a reduction of \$5 million in funding from the Greater Avenues for Independence (GAIN) program.

**COLA Funding Should Reflect Legislative Priorities**

*We recommend that \$6.9 million proposed for a 3.1 percent discretionary COLA for Regional Occupational Centers/Programs (ROC/Ps) be deleted, in order to allow the Legislature to determine funding levels for all discretionary COLAs in the context of its priorities for the use of Proposition 98 funds. (Reduce Item 6110-126-001 (a) (4) by \$6,916,000 and amend Control Section 12.31 to provide for a \$6,916,000 augmentation to the Proposition 98 reserve.*

Current law does not require that a cost-of-living adjustment be provided to ROC/Ps. The budget, however, proposed \$6.9 million to provide these programs with a 3.1 percent discretionary COLA.

With respect to *discretionary* COLAs, we find no analytical basis for distinguishing one education program from another. Rather, we believe that the choices of whether to provide such COLAs—and their respective funding levels—are decisions that only the Legislature can make in light



of its overall priorities for the use of limited funds.

Accordingly, we recommend that the Legislature eliminate the \$6.9 million proposed for an ROC/P COLA, and transfer this amount to the Proposition 98 reserve in Control Section 12.31. In so doing, we make no recommendation on the level of COLA that ROC/Ps should receive—only that such a decision should be made in the context of funding for all programs not granted COLAs in statute. (We discuss the Legislature's options for using Proposition 98 funds elsewhere in this analysis.)

### 5. Compensatory Education Programs

Compensatory education programs include federal Education Consolidation and Improvement Act (ECIA) Chapter 1, Economic Impact Aid, federal refugee and immigrant programs, Indian education, and the Miller-Unruh Reading Program. These programs assist students who are educationally disadvantaged due to poverty, language barriers, or cultural differences, or who experience learning difficulties in specific subject areas.

Table 17 summarizes local assistance funding from the General Fund and federal funds for compensatory education programs in the prior, current, and budget years. As the table shows, the budget proposes a total of \$706 million for compensatory education programs—\$218 million from the General Fund and \$488 million from federal funds. All of these programs are funded at the same levels as in the current year.

We recommend approval of the proposed funding shown in Table 17 for the following compensatory education programs, which have no change in funding level and are not discussed elsewhere in this analysis:

- *Education Consolidation and Improvement Act—Chapter 1 (Items 6110-136-890 and 6110-141-890)*—\$469 million;
- *Refugee and Immigrant Programs (Item 6110-176-890)*—\$19 million;
- *Miller-Unruh Reading Program (Item 6110-126-001)*—\$20 million; and
- *Native American Indian Education Program (Item 6110-131-001)*—\$365,000.

**Table 17**  
**Funding for Compensatory Education Programs**  
**Local Assistance**  
**1987-88 through 1989-90**  
**(dollars in thousands)**

	<i>Actual</i> 1987-88	<i>Est.</i> 1988-89	<i>Prop.</i> 1989-90
<b>General Fund:</b>			
Economic Impact Aid .....	\$196,952	\$196,952	\$196,952
Miller-Unruh Reading Program .....	19,869	19,869	19,869
Native American Indian Education Program .....	365	365	365
Indian Education Centers .....	861	861	861
Subtotals .....	(\$218,047)	(\$218,047)	(\$218,047)
<b>Federal funds:</b>			
ECIA Chapter 1 .....	\$411,766	\$469,202	\$469,202
Refugee and immigrant programs .....	19,514	18,741	18,741
Subtotals .....	(\$431,280)	(\$487,943)	(\$487,943)
<b>Totals .....</b>	<b>\$649,327</b>	<b>\$705,990</b>	<b>\$705,990</b>

**DEPARTMENT OF EDUCATION—Continued**

**Legislative Oversight: ECIA Chapter 1.** Public Law 100-297 (H.R. 5), signed into law in April 1988, reauthorizes the ECIA Chapter 1 program. In addition, the law provides added flexibility to school districts that receive federal Chapter 1 funds. The SDE, in an October 21, 1988 program advisory, notes that some of the most significant changes are "...added flexibility in funding staff development for *all* staff who serve compensatory education students, greater flexibility to adopt schoolwide approaches to using compensatory education funding, new authority to use a portion of funding for innovation projects, and an increased emphasis on parent involvement."

At the time this analysis was prepared, the SDE, in consultation with an advisory committee, was in the process of developing a state plan required by P.L. 100-297. This plan will include standards and timelines for implementing program improvement activities, and will establish measures for assessing student performance, as required for accountability purposes under the law. The SDE plans to submit the proposed plan to the State Board of Education (SBE) by late spring.

**Legislative Oversight: Bilingual Education.** The state's bilingual education program, among other compensatory education programs, sunsetted on June 30, 1987. That is, the program's funding has continued for the general purposes of the program, but all relevant *state* statutes and regulations governing the program have ceased to be operative. (The state must continue, however, to meet applicable *federal* bilingual education requirements.)

Since June 1987 (as additional legal interpretations of the state and federal bilingual education requirements have become available), the SDE has issued several program advisories to school districts regarding the impact of the sunset on local programs. Most recently, on January 13, 1989, the SBE approved guidelines for evaluating certain program waiver requests by school districts.

Through the general waiver process authorized by current law, school districts may request that the SBE waive any requirement of the bilingual education program, with the exception of specified pupil identification and assessment criteria. The board's new guidelines generally provide additional flexibility to school districts for meeting specified bilingual education requirements.

Specifically, the guidelines state that the board will "...consider granting a waiver of the statutory requirement to provide academic instruction through the [student's] primary language" if: (1) the district has an acceptable alternative instructional program, *and* (2) the district meets one of several specified conditions. Generally, these conditions apply to districts that (1) have small numbers of isolated or scattered limited-English proficient (LEP) students, (2) find that curricular materials for certain language groups, grade levels, and/or subjects are unavailable, (3) intend to conduct alternative instructional programs that are potentially effective in ensuring the access of LEP students to the core curriculum, or (4) have insufficient numbers of qualified primary language teachers and/or bilingual instructional aides and have obtained state approval of a plan to remedy the teacher shortage.

At the time this analysis was prepared, the SDE was developing a program advisory for school districts based on these guidelines.

**Economic Impact Aid (Item 6110-121-001)**

*We recommend that the State Department of Education present, prior to budget hearings, a revised formula for allocating Economic Impact Aid to school districts that more accurately accounts for relative needs for funds among districts.*

The Economic Impact Aid (EIA) program provides funds to school districts with high concentrations of children who are poor, educationally disadvantaged, or have limited proficiency in English. These funds are used to (1) supplement educational services, particularly in basic skills, for children who have difficulty in reading, language development, or mathematics and (2) provide bilingual education programs (EIA-LEP) for children who are classified as limited English-proficient.

The budget proposes \$197 million from the General Fund for the EIA program in 1989-90. This is the same amount that is provided in the current year.

**Funding Formula.** Funding for the EIA program is distributed according to a primary and a secondary formula. The primary formula, which is used by SDE to allocate approximately 91 percent of EIA funds, involves a complex multi-step process which (1) determines statewide and district shares of "gross need" and (2) allocates available resources based on (a) maintaining at least 85 percent of each district's prior-year funding level and (b) using any remaining funds to address "unmet need." The secondary formula, commonly known as the "bounce file," provides for distribution of the remaining funds (approximately \$18 million) at the discretion of the Superintendent of Public Instruction, within defined parameters. This formula provides funding to districts whose primary entitlements would not yield sufficient funding to serve a "reasonable" (as defined in the annual Budget Act) portion of the population of students from families in poverty.

In practice, the EIA funding formula places the highest priority on maintaining each school district's prior-year funding allocation. This is because the state failed to adjust downward the calculation of statewide "gross need" when it became clear that federal compensatory education funds could not be counted toward meeting this need. As a result, for most school districts, "gross need" greatly exceeds the amount of available state funds. And, as long as a district's "gross need" exceeds its prior-year grant amount, it is entitled under the formula to receive its prior-year amount plus a COLA. As a consequence, the allocation of EIA funds does not reflect districts' relative needs for funds as measured by the formula.

**Problems with Formula.** In our report, *The Economic Impact Aid Program: A Sunset Review*, issued in June 1987, we found that, in 1985-86, districts received funding amounting to widely varying percentages of their computed "gross need" amounts—from less than 10 percent of "need" to greater than 3,000 percent of "need". Our review indicates that there is even *less* of a relationship between "need" and actual EIA allocations in the current year.

We find that the goal of the EIA program—to provide school districts that are impacted with concentrations of disadvantaged students with the additional resources needed to provide enhanced educational opportunities for such students—is not being met through the current funding formula, because it does not accurately allocate funds to districts based on their need. Our review this year indicates that some districts and other

**DEPARTMENT OF EDUCATION—Continued**

policy advisors share our concerns about the formula. Furthermore, we find that revising the EIA formula to better account for population shifts among districts by those served through EIA—students who (a) live in poverty, (b) have limited-English proficiency, and (c) are transient—would improve the state's ability to target funds to those districts most in need of additional state assistance.

**Recommendation.** Accordingly, we recommend that, prior to budget hearings, the SDE present a revised formula for allocating EIA funds to school districts that more accurately accounts for relative need for funds among the districts. We will report on this issue and make recommendations, as appropriate, to the Legislature at the time of budget hearings.

**Indian Education Centers Program (Item 6110-151-001)*****We recommend approval.***

The California Indian Education Centers program is statutorily directed to "strengthen the instructional program within the public schools by establishing California Indian education centers." The statute further specifies that they "shall serve as educational resource centers in Indian communities to the Indian students, parents, and the public schools."

In 1988-89, 12 centers will receive a total of \$861,000 (an average of \$72,000 per center) in General Fund support to serve an estimated 1,650 K-12 Indian students and 1,990 Indian adults. Tutoring for K-12 students and library assistance for adults are the most common types of services provided. At the state level, the SDE will spend approximately \$313,000 to support portions of four positions in the American Indian Education Office to administer this program.

**Budget Proposal.** The budget proposes \$1,189,000—an increase of \$15,000, or 1.3 percent—to fund the California Indian Education Centers program in 1989-90. Of this amount, \$861,000—the same amount as in the current year—is for direct support of the centers, and \$328,000—a \$15,000, or 4.8 percent increase over the current year—is for state administration.

**Comprehensive Evaluation.** As a result of the sunset review process required by Ch 1270/83, we recommended in the 1988-89 *Analysis*—and the Legislature adopted—language in the *Supplemental Report of the 1988 Budget Act* directing the SDE to develop a detailed plan, including a funding proposal, to conduct a comprehensive evaluation of the Indian Education Centers program. The language specified that, at a minimum, such an evaluation should focus on such areas as the effectiveness of the program, and the individual projects, in increasing the academic achievement of its participants.

In accordance with this language, SDE developed and submitted such a plan on September 15, 1988. The plan indicates that a total of \$65,000 over an 18-month period (\$49,000 in 1989-90, and \$16,000 in 1990-91) would be necessary to conduct the evaluation. The Governor's Budget, however, provides no funding to support such an effort.

Our review indicates that a comprehensive evaluation of the Indian Education Centers programs is warranted and that the costs associated with conducting the plan developed by SDE are reasonable. We discuss this evaluation, and a recommended method for funding it, as part of our analysis of the Proposition 98 reserve (Item 6110-198-001).

**6. School Desegregation (Items 6110-114-001 and 6110-115-001)*****We recommend approval.***

State reimbursement of school desegregation costs is not required by the California Constitution. Under the provisions of current law, however, the state reimburses school districts for the cost of both court-ordered and voluntary school desegregation programs. These reimbursements are funded from the General Fund based on claims filed by school districts. Currently, eight school districts receive reimbursement for court-ordered programs, and 37 school districts receive reimbursement for voluntary programs.

Table 18 shows the three-year funding history for these programs.

**Table 18**  
**K-12 Education**  
**General Fund Appropriations for School Desegregation Programs**  
**1987-88 through 1989-90**  
**(dollars in thousands)**

	<i>Actual</i> 1987-88	<i>Est.</i> 1988-89	<i>Prop.</i> 1989-90	<i>Change</i> <i>from 1988-89</i>	
				<i>Amount</i>	<i>Percent</i>
Court-ordered desegregation .....	\$315,551	\$399,933	\$398,730	-\$1,203	-0.3%
Voluntary desegregation .....	44,136	50,343	58,808	8,465	16.8
Totals .....	\$359,687	\$450,276	\$457,538	\$7,262	1.6%

**Budget Proposal.** The budget proposes \$398.7 million for court-ordered programs and \$58.8 million for voluntary programs in 1989-90, for a total of \$457.5 million. This total represents an increase of \$7.3 million (1.6 percent), above estimated current-year expenditures.

The increase in voluntary programs includes \$1.7 million for a 2.31 percent COLA and \$6.8 million for enrollment growth. Cost-of-living and enrollment growth adjustments are the only funding increases that are authorized by current law for districts that operate voluntary programs.

Districts that operate court-ordered programs, however, are entitled to these adjustments *plus* 80 percent of any additional cost increases that are claimed by the district and approved by the State Controller. As shown in Table 18, the budget proposes a \$1.2 million *decrease* in funding for court-ordered programs in 1989-90. The decrease reflects the deletion of a one-time appropriation of \$18 million that was provided in the current year for prior-year deficiencies. This deletion is partially offset by the following funding increases: (1) \$7.2 million for enrollment growth, (2) \$8.7 million for a 2.31 percent COLA, and (3) \$925,000 for additional program expansion.

**Prior-Year Claims Language Deleted.** Language contained in previous Budget Acts has specified that district desegregation costs incurred in prior years could be funded through the budget-year appropriation. The 1989-90 Budget Bill does not contain such language. The Department of Finance indicates that the language was deleted for technical reasons, so that the state could better track the distinct impact of prior-year desegregation claims versus budget-year claims. The department further indicates that districts may continue to file deficiency claims for such costs through separate legislation.

**7. Other Specialized Education Programs**

This section analyzes those specialized education programs that are not included in any of the six categories discussed above. These programs include Pupil Dropout Prevention and Recovery; Gifted and Talented

**DEPARTMENT OF EDUCATION—Continued**

Education; specialized secondary schools; foster youth services; federal and state drug and alcohol abuse prevention programs; School/Law Enforcement Partnership; commissions on professional competence; driver training; and the ECIA Chapter 2 federal block grant. Table 19 summarizes local assistance funding for these programs.

We recommend approval of the proposed funding shown in Table 19 for the following programs which are not discussed elsewhere in this analysis:

- *Foster youth services (Item 6110-119-001(a))*—\$821,000;
- *Federal drug and alcohol abuse prevention program (Item 6110-183-890)*—\$13.3 million;
- *School/Law Enforcement Partnership program (Item 6110-225-001)*—\$150,000;
- *Commissions on professional competence (Item 6110-209-001)*—\$30,000;
- *Specialized secondary schools (Item 6110-119-001(b))*—\$2.1 million;
- *Federal ECIA Chapter 2 block grant (Item 6110-101-890)*—\$39.7 million; and
- *Driver training (Item 6110-171-178)*—\$21.2 million.

These programs are continued at essentially the same levels as in the current year.

**Table 19**  
**K-12 Education**  
**Support for Other Specialized Education Programs**  
**Local Assistance**  
**1987-88 through 1989-90**  
**(dollars in thousands)**

Programs	Actual 1987-88	Est. 1988-89	Prop. 1989-90	Change from 1988-89	
				Amount	Percent
Pupil Dropout Prevention and Recovery ...	\$12,250	\$12,250	\$8,350	-\$3,900	-31.8%
Foster youth services .....	821	821	821	—	—
State drug and alcohol abuse prevention ...	177	427	—	-427	-100.0
Federal drug and alcohol abuse preven- tion .....	11,424	13,870	13,255	-615	-4.4
School/Law Enforcement Partnership .....	150	150	150	—	—
Commissions on professional competence ..	18	30	30	—	—
Opportunity classes and programs .....	1,209 <sup>a</sup>	1,209 <sup>a</sup>	1,013 <sup>b</sup>	-196	-16.2
Gifted and Talented Education .....	22,510	23,433	24,839	1,406	6.0
Specialized secondary schools .....	2,101	2,101	2,101	—	—
Federal block grant (ECIA Chapter 2) .....	40,227	39,734	39,734	—	—
Driver training .....	20,136	21,236	21,236	—	—
Totals .....	\$111,012	\$115,261	\$111,529	-\$3,732	-3.2%
Funding Source:					
General Fund .....	\$39,236	\$40,421	\$37,304	-\$3,117	-7.1%
Federal funds .....	51,651	53,604	52,989	-615	-1.1
Special funds .....	20,136	21,236	21,236	—	—

<sup>a</sup> Opportunity classes and programs have been funded through reappropriation of the unencumbered balance of Item 6110-119-001 (b) of the Budget Act of 1984. The program spent approximately \$1.2 million in 1987-88 and will spend at least \$1.2 million in 1988-89.

<sup>b</sup> The Governor proposes an appropriation of \$249,000 to be combined with a reappropriation of \$764,000 of the unencumbered balance of Item 6110-119-001 (b) of the Budget Act of 1984.

**Gifted and Talented Education (Item 6110-124-001)**

Gifted and Talented Education (GATE) programs provide unique educational opportunities for gifted and talented pupils, while ensuring the participation of children from disadvantaged and varying cultural backgrounds.

In the current school year, the GATE program funds 424 school districts that serve approximately 220,000 students identified as gifted and talented.

Table 20 shows program participation and funding from 1986-87 through 1988-89. As the table indicates, the estimated number of pupils served by the program declined by 2.5 percent between 1986-87 and 1988-89, while expenditures per pupil increased by 13 percent over this time period.

**Table 20**  
**K-12 Education**  
**Gifted and Talented Education**  
**Funding Data**  
**1986-87 through 1988-89**

<i>Year</i>	<i>Appropriation</i>	<i>Number of GATE Students</i>	<i>Per-Pupil Expenditure</i>
1986-87.....	\$21,236,000	225,663	\$94
1987-88.....	22,510,000	216,440	104
1988-89.....	23,433,000	220,000 <sup>a</sup>	107
Change from 1986-87			
Amount.....	\$2,197,000	-5,663	\$12
Percent.....	10.3%	-2.5%	13.2%

<sup>a</sup> Estimated.

**Budget Proposal.** As shown earlier in Table 19, the budget provides \$24.8 million in local assistance funding for GATE. The budget also provides \$447,000 for state administration of the program.

**Program's Legal Status.** Chapter 1270, Statutes of 1983, provided that the GATE program would "sunset" on June 30, 1988, unless legislation was enacted to extend or delete that date following a specified "sunset review" process. Under the terms of Chapter 1270, funding would continue to be provided for the general purposes of the GATE program, even if legislation was not enacted to extend the program. The latter provision, however, was superseded by Ch 1544/85, which required the actual termination of the GATE program as of June 30, 1988.

Because legislation was not enacted to reauthorize the GATE program, it currently has no statutory status. The Legislature, however, provided funding for the program in the 1988 Budget Act. Consistent with the provisions of Chapter 1270, the Superintendent of Public Instruction has allocated this funding based on existing formulas for the program's general purposes. The Budget Bill contains language clarifying that funding for GATE shall not be terminated, but shall continue to be allocated based on existing formulas for the program's general purposes.

**COLA No Longer Required by Law**

*We recommend that the \$1.4 million provided from the General Fund for a 6 percent cost-of-living adjustment for the Gifted and Talented Education program be deleted and redirected, instead, to the Proposi-*

**DEPARTMENT OF EDUCATION—Continued**

*tion 98 reserve to meet legislative priorities, because there is no statutory COLA requirement for this program. (Reduce Item 6110-226-001 (d) by \$1,406,000 and amend Control Section 12.31 to provide for a \$1,406,000 augmentation to the Proposition 98 reserve.)*

The budget provides a 6 percent COLA (\$1.4 million) for GATE on the assumption that it is required by statute. Our review of the law, however, indicates that the statute requiring the COLA was repealed as of June 30, 1988. Accordingly, we recommend that the GATE program be reduced by \$1.4 million to reflect accurately the requirements of statute. We note that this does not preclude the Legislature from providing some COLA adjustment to the GATE program if it is warranted based on other legislative priorities. Accordingly, we further recommend that the Legislature augment the Proposition 98 reserve (Control Section 12.31) by \$1.4 million to reflect the funds available for its own priorities. (We discuss the Legislature's options for using Proposition 98 funds elsewhere in this analysis.)

**Pupil Dropout Prevention and Recovery Programs (Item 6110-120-001)**

*We withhold recommendation on \$8,350,000 requested for dropout prevention and recovery programs, pending receipt from the State Department of Education of a statutorily required evaluation.*

The budget proposes a General Fund appropriation of \$8.3 million for dropout prevention and recovery programs, a reduction of \$3.9 million (or 32 percent) below the amount appropriated in the current year. It will eliminate funding for the following two programs that are scheduled to "sunset" during or before the budget year:

- **Alternative education and work centers**—\$2 million to fund outreach coordinators at alternative education and work centers that provide vocational training and instruction in basic academic skills to students who have previously dropped out of school. This program is due to sunset on January 1, 1990.
- **Educational clinics**—\$1.9 million to fund nine educational clinics that provide dropouts with intensive, individualized instruction in order to prepare them for reentry into another education program or the military. This program is due to sunset on June 30, 1989.

**Evaluation Report Overdue.** Although the enabling legislation requires the SDE to evaluate and report to the Legislature on the effectiveness of both of these programs by January 1, 1989, the department had not yet completed its evaluation at the time this analyses was written. After we receive and review the evaluation reports, we will comment on the Governor's proposed elimination of these two programs.

**Opportunity Program Incentives (Item 6110-119-001(b))**

*We withhold recommendation on \$249,000 requested in Item 6110-119-001(b), pending receipt and evaluation of updated budget estimates.*

Current law provides fiscal incentives for school districts to increase the availability of "opportunity classes and programs" in grades 7 to 9. The purpose of these classes is to provide pupils who are identified as potential truants or disciplinary problems "an opportunity...to resolve their problems," so that they may return to regular classroom instruction.



School districts maintaining opportunity classes are eligible to receive reimbursements for costs associated with increasing the availability of such classes in grades 7 to 9, "which are in excess of the reimbursements provided in the regular apportionment." The amount of reimbursements received by a district may not, however, exceed \$425 per pupil for each additional pupil enrolled in opportunity classes above the 1982-83 enrollment level in these grades.

The budget proposes total funding of \$1,013,001 for opportunity program incentives, consisting of a \$249,000 General Fund appropriation in Item 6110-119-001(b) and a \$764,000 reappropriation (in Item 6110-490) of the balance from this item in the Budget Act of 1984.

Our analysis indicates that the proposed funding level will be insufficient to cover the costs of the program. We have shared our concerns with the Department of Finance staff who indicate that they plan to review the funding level and to make adjustments, as needed, in the May revision. We will make recommendations for any needed adjustments at that time. Accordingly, we withhold recommendation on \$249,000 requested in Item 6110-119-001(b), pending receipt and evaluation of updated budget estimates. (Since the reappropriation will be needed in any event, we recommend approval of it.)

## II. ANCILLARY SUPPORT FOR K-12 EDUCATION PROGRAMS

This section analyzes those programs that complement the direct instructional support function, including (1) student transportation programs, (2) school facilities programs (construction and deferred maintenance), and (3) child nutrition programs.

### A. Transportation

There are four elements to this program—the home-to-school transportation program, the school bus driver instructor training program, the small school district bus replacement program and the school bus demonstration program. Proposed funding for these programs is shown in Table 21.

We recommend approval of the proposed funding shown in Table 21 for the following programs, which are not discussed elsewhere in this analysis:

- *Small School District Bus Replacement (Item 6110-111-001(b))*—\$3.2 million from the General Fund to provide aid for school districts with fewer than 2,501 ADA to replace or recondition school buses. This is the same level of support provided in the current year.
- *School Bus Driver Instructor Training Program (Item 6110-001-178)*—\$877,000 from the Driver Training Penalty Assessment Fund for a program that prepares school bus drivers to instruct classes for prospective drivers. This is an increase of \$40,000 (4.8 percent) over the current-year funding level.

## DEPARTMENT OF EDUCATION—Continued

**Table 21**  
**K-12 Education**  
**Transportation Aid**  
**1987-88 through 1989-90**  
**(dollars in thousands)**

Program	Actual 1987-88	Est. 1988-89	Prop. 1989-90	Change from 1988-89	
				Amount	Percent
Home-to-school transportation.....	\$290,311	\$290,073	\$290,311	\$238	0.1%
Small school district bus replacement.....	3,151	3,151	3,151	—	—
School Bus Driver Instructor Training Program .....	773	837	877	40	4.8
School Bus Demonstration Program <sup>a</sup> .....	—	22,000	37,000	15,000	68.0
Totals.....	\$294,235	\$316,061	\$331,339	\$15,278	4.8%
Funding Sources:					
General Fund.....	\$293,462	\$293,224	\$293,462	\$238	0.1%
Driver Training Penalty Assessment Fund.....	773	837	877	40	4.8
Katz Schoolbus Fund (transfer from federal Petroleum Violation Escrow Account).....	—	22,000	37,000	15,000	68.0

<sup>a</sup> Discussed in Item 3360-001-853.

As shown in the table, the Governor's Budget also proposes to appropriate \$37 million from the Katz Schoolbus Fund (funded by the federal Petroleum Violation Escrow Account (PVEA)) in Item 3360-001-853 for the school bus demonstration program. This program was established pursuant to Chapter 1426, Statutes of 1988 (AB 35, Katz), to field test the fuel efficiency of different types of school buses and to enable local education agencies to purchase replacement school buses, as specified. Chapter 1426 appropriated \$59.6 million from the PVEA, of which \$22 million is estimated as current-year expenditures and \$37 million is proposed for the budget year. The remaining balance of \$600,000 will be available for expenditure in subsequent years.

The budget proposal for the home-to-school transportation program is discussed below.

#### **Home-to-School Transportation (Item 6110-111-001 (a))**

*We withhold recommendation on \$290.3 million requested in Item 6110-111-001 (a), pending review of the State Department of Education's evaluation of two alternative formulas for allocating transportation aid.*

The home-to-school transportation program provides state reimbursement for the approved transportation costs of local school districts and county offices of education, up to a specified amount. The program also funds transportation to and from related student services required by the individualized education programs for special education pupils.

In *The 1988-89 Budget: Perspectives and Issues*, we discussed four alternatives to the current formula for allocating home-to-school transportation. In our analysis, we found that—on the basis of specified criteria—all of the alternatives rated higher than the current formula, and that two of the alternatives rated highest overall. The two highest-rated alternatives were to provide reimbursement (1) for a fixed percentage of approved costs and (2) on the basis of the number of buses operated.

In order to collect the information needed to identify the best formula for allocating state transportation aid, the Legislature added supplemental report language to the 1988 Budget Act requiring the SDE to report to the fiscal committees and the Joint Legislative Budget Committee on the two alternative formulas. The language specified that the report include: (1) the basic costs which should be eligible for reimbursement, (2) the appropriate rate of reimbursement, and (3) how the allocation of funds under these new formulas would compare with current law.

The SDE plans to submit the report by March 1. Accordingly, we withhold recommendation on the proposed expenditure of \$290.3 million in Item 6110-111-001 (a), pending receipt of the department's report on the alternative funding formulas for home-to-school transportation.

### **B. School Facilities Programs**

School facilities programs include:

- Construction or modernization of school facilities;
- Deferred maintenance of school facilities;
- Emergency portable classrooms;
- The School Facilities Asbestos Abatement program (discussed in Item 6350, later in this *Analysis*);
- Year-round school incentive payments; and
- The School Facilities Planning Unit within the State Department of Education.

Of these programs, funding for the first four is provided primarily through statutory appropriations, while funding for the latter two is included in the annual Budget Act. The allocation of funds under these programs to school districts is determined by the State Allocation Board (SAB), which includes four members of the Legislature and one representative each from the Departments of Finance, Education, and General Services.

Funding for the construction, modernization or deferred maintenance of school facilities and the Emergency Portable Classroom program is provided through the following sources:

- ***Proceeds from bond sales.*** The voters may authorize the state to raise funds for school facilities aid programs by approving state general obligation bonds. Most recently, the voters approved the (1) School Facilities Bond Act of 1988 (Proposition 75) which authorized the sale of \$800 million in bonds, and (2) 1988 School Facilities Bond Act (Proposition 79) which authorized the sale of an additional \$800 million in bonds. All of the funds authorized by Proposition 75 have been fully allocated. In addition, the SAB anticipates that the \$800 million authorized by Proposition 79 will be fully committed by September 1989.
- ***Tidelands oil revenues.*** Current law appropriates \$150 million of these revenues annually in 1989-90 through 1990-91 for the school construction program. As discussed below, the Governor proposes to eliminate the statutorily-required appropriation for 1989-90.
- ***General Fund (school district "excess repayments").*** Excess repayments represent the amount by which school district principal and interest payments on State School Building Aid loans exceed the state's debt service costs. These payments, which are estimated at \$56.3 million in the budget year, are initially deposited in the General Fund and then transferred to the State School Deferred Maintenance

**DEPARTMENT OF EDUCATION—Continued**

nance Fund to be used primarily to fund school district deferred maintenance projects. Any remaining amount is used to fund new construction.

**Table 22**  
**K-12 Education**  
**Revenues Available for School Facilities Aid <sup>a</sup>**  
**1987-88 through 1989-90**  
**(dollars in millions)**

	<i>Actual</i> 1987-88	<i>Est.</i> 1988-89	<i>Prop.</i> 1989-90	<i>Change from</i> 1988-89	
				<i>Amount</i>	<i>Percent</i>
<i>State Building Program (construction and modernization)</i>					
Tidelands oil revenues.....	—	—	— <sup>b</sup>	—	—
School Facilities Bond Act of 1988 (Proposition 75).....	—	\$750.0	—	—\$750.0	—100.0%
1988 School Facilities Bond Act (Proposition 79) .....	—	200.0	\$600.0 <sup>c</sup>	400.0	200.0
Greene-Hughes School Building Lease-Purchase Bond Law of 1986 (Proposition 53) .....	\$600.0	—	—	—	—
Subtotals, state building program .....	(\$600.0)	(\$950.0)	(\$600.0)	(—\$350.0)	(—36.8%)
<i>Deferred Maintenance Program</i>					
General Fund ("excess repayments") ....	\$63.6	\$52.8	\$56.0	\$3.2	6.1%
<i>Emergency Classroom Program</i>					
School Facilities Bond Act of 1988 (June 1988) .....	—	\$50.0	—	—\$50.0	—100.0%
Tidelands oil revenues <sup>d</sup> .....	\$35.0	—	—	—	—
Rental revenues .....	4.1	6.6	\$9.4	2.8	42.4
Subtotals, emergency classroom program .....	(\$39.1)	(\$56.6)	(\$9.4)	(—\$47.2)	(—83.4%)
<i>Year-Round School Incentives</i>					
Tidelands oil revenues <sup>d</sup> .....	\$29.4	\$30.0	\$7.3	—\$22.7	—75.7%
General Fund .....	—	—	30.0	30.0	— <sup>e</sup>
Subtotals, year-round incentives .....	(\$29.4)	(\$30.0)	(\$37.3)	(\$7.3)	(24.3%)
<i>Orchard Plan (General Fund)</i>	—	\$0.3	\$0.3	—	—
<i>Asbestos Abatement Program<sup>f</sup></i>	\$22.0	—	—	—	—
<i>Child care facilities<sup>g</sup></i> .....	18.0	12.4	1.6	—\$10.8	—87.1%
<i>Child care capital outlay<sup>g</sup></i> .....	0.9	5.5	—	—5.5	—100.0
<i>Air conditioning for year-round schools</i> ....	8.7 <sup>g</sup>	1.0 <sup>g</sup>	—	—1.0	—100.0
Totals .....	\$781.7	\$1,108.6	\$704.6	—\$404.0	—36.4%

<sup>a</sup> This table illustrates only revenue sources; this is not a fund condition statement and, accordingly, does not include any beginning balances.

<sup>b</sup> Although current law provides for a \$150 million appropriation, revenue projections for the budget year indicate that there will be insufficient revenues to support this appropriation.

<sup>c</sup> Up to \$140 million of these funds may be spent for asbestos abatement (\$100 million) and air conditioning for year-round schools (\$40 million).

<sup>d</sup> These funds were originally appropriated in 1984-85 and 1985-86 but were not fully spent; consequently, a balance has remained available for reappropriation.

<sup>e</sup> Not a meaningful figure.

<sup>f</sup> Carried over from prior years' appropriations.

<sup>g</sup> One-time federal settlement funds received pursuant to Section 8(g) Outer Continental Shelf Lands Act.

Table 22 shows the total amount of revenues allocated for school facilities aid during the prior and current years, as well as the amount proposed for the budget year. We note that actual expenditures under the SAB administered programs in a given year may not equal the revenues available, because (1) prior-year reserves may be used to finance project grants and (2) the SAB may choose not to allocate all revenues that become available in any one year.

**Budget Proposal.** The budget proposes to allocate a total of \$704.6 million for school facilities aid during 1989-90 as follows:

- **\$600 million from Proposition 79 general obligation bonds.** Information from the SAB, however, indicates that *at most* there will be \$525 million of Proposition 79 funds available during the budget year and, of that amount, up to \$140 million may be used for asbestos abatement (\$100 million) and air-conditioning for year-round schools (\$40 million).
- **\$56.3 million from the General Fund ("excess repayments").** \$56 million of these funds would be used to finance deferred maintenance projects, and \$336,000 would support state administrative costs.
- **\$37.3 million from the General Fund (\$30 million) and unexpended tidelands oil revenues (\$7.3 million).** These funds would be used to provide incentive payments to school districts operating year-round schools because of overcrowding.
- **\$9.4 million from rental income generated from portable classrooms.** These funds would be used to finance the construction, installation, and relocation of portable classroom facilities under the Emergency Classroom program.
- **\$1.6 million from unexpended federal funds.** These funds, received pursuant to a settlement related to Section 8(g) of the Outer Continental Shelf Lands Act, would be deposited in the State Child Care Facilities Fund for capital outlay needs relating to extended day care services.
- **\$300,000 from the General Fund.** These funds would be used to provide individual grants of \$60,000 each to the five districts selected to participate in the Orchard Plan year-round school demonstration project.
- **Tidelands Oil Revenues.** Control Section 11.5 proposes to waive the statutorily-required \$150 million appropriation from tidelands oil revenues for use in 1989-90. (Our analysis indicates that, given current statutory priorities for the use of tidelands funds, there would be insufficient revenues from this source to provide any funding for school facilities—even in the absence of the proposed control section.)

In sum, the budget proposes a funding level of \$704.6 million, which is \$404 million, or 36 percent, *less* than the level of funding provided in the current year.

### 1. State School Building Lease-Purchase Program

Through the State School Building Lease-Purchase program, the SAB allocates funds to school districts for (1) acquisition and development of school sites, (2) construction or modernization of school buildings, and (3) purchase of equipment for newly-constructed buildings.

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***It's a Grant—Not Lease-Purchase.*** Current law provides for school districts to “rent” newly-constructed or modernized facilities from the state under a long-term, lease-purchase agreement that transfers title to the facility from the state to the district within 40 years. Current law also requires rent to be paid to the state at the rate of *\$1 per year*, plus (1) specified revenues from the sale of surplus school sites and (2) any interest earned on state funds deposited in the county school lease-purchase fund on behalf of the district. The proceeds of the rental payments are to be deposited in the General Fund. Our review indicates, however, that contrary to current law, school districts are not being assessed these nominal rental payments. As a result, (1) this program actually provides school districts with a grant, rather than the lease-purchase of a new facility and (2) the state General Fund is losing several million dollars annually in uncollected rental revenues.

***School Construction Need.*** There is no reliable estimate available of the *need* for school facilities funding on a statewide basis. We can, however, provide data on the volume of school facilities funding requests that are pending before the SAB.

Currently, school district requests for state aid through the Lease-Purchase program far exceed the funding available for this purpose. Specifically, as of November 1988, applications from school districts for state aid (\$4.3 billion) exceeded existing available funding (\$800 million) by approximately \$3.5 billion. To the extent that school districts file additional requests for aid between now and the next time additional funds could be made available to the program—either July 1989 (an appropriation in the Budget Act) or June 1990 (bond funds provided at the next statewide election)—the disparity between requests and availability of funds will continue to grow.

**Streamlining Funding Eligibility**

***We recommend that the Office of Local Assistance in the Department of General Services report at the time of budget hearings on the status of implementing a Price Waterhouse study recommendation for streamlining the calculation of funding eligibility.***

Pursuant to Ch 886/86 (Leroy Greene), the firm of Price Waterhouse conducted an evaluation of the school facilities application process. In its evaluation report of January 10, 1988, Price Waterhouse made a number of findings and recommendations, one of which related to streamlining the calculation used to determine districts' eligibility for state aid. Specifically, the firm recommended replacing the standard method of computing available square footage with a currently-used “alternative method”, based on numbers of teaching stations. Price Waterhouse indicated that a substantial amount of processing time—up to several months—could be saved by this change. In addition, our analysis indicates that a substantial amount of state administrative costs—up to several hundred thousand dollars annually—could also be saved if this recommendation was implemented.

This recommendation can be implemented administratively by the SAB. Further, our review indicates that the recommendation is sound and implementation is warranted. Accordingly, we recommend that the OLA report to the Legislature on the implementation status of this Price Waterhouse recommendation at the time of budget hearings.

## **2. Deferred Maintenance**

The SAB apportions funds from the Deferred Maintenance Fund on a dollar-for-dollar matching basis to school districts for local deferred maintenance projects. The maximum amount of this apportionment is limited to an amount equal to 1 percent of a district's total local general fund budget (excluding capital outlay).

Funding for the Deferred Maintenance Fund is provided from the state General Fund, based on the amount by which school district payments on State School Building Aid loans exceed the amount needed to amortize state school construction bonds issued under that program.

The budget indicates that, in 1989-90, these "excess repayments" will total approximately \$56.3 million. The entire amount will be transferred to the State School Deferred Maintenance Fund and the bulk of it (\$56 million) be used as matching funds for local projects. The remainder (\$336,000) would be used to finance state administrative costs.

***Delaying Deferred Maintenance Projects.*** "Deferred maintenance" refers to projects that are needed to maintain, rather than change or enhance, a school facility's utility. Examples of such projects include re-roofing, repaving blacktop areas such as playgrounds, and reglazing and recaulking windows.

Information from the SAB indicates that in the current year there is \$52.8 million available to fund an estimated \$135 million in deferred maintenance requests from approximately 900 eligible applicants (school districts and county offices of education), resulting in a funding shortfall of approximately \$82 million. Our analysis indicates that a similar shortfall will likely occur during the budget year.

To the extent that the state is unable to provide full funding for all the eligible requests, local districts will either have to (1) fully fund with local resources an increasing number of their deferred maintenance projects, and/or (2) delay such deferred maintenance projects.

## **3. Emergency Portable Classroom Program**

Through the Emergency Portable Classroom program, the SAB allocates funds for the acquisition, installation and relocation of portable classroom facilities, including furnishings, to be rented to districts with overcrowded schools. The SAB estimates that it will have between 4,700 and 5,000 of these classrooms available for rental at the close of the current year. Such classrooms may be relocated to another school site when they are no longer needed because of declining enrollments or the availability of new facilities.

Districts rent these portable classrooms, on a year-to-year basis (districts already renting such classrooms must annually justify their need to retain the facilities), at an annual cost of \$2,000 per building. The rental income is used by the SAB for the construction, installation, and relocation of additional emergency classrooms. Our analysis indicates that the Emergency Portable Classroom program provides a quick and cost-effective solution to overcrowding in schools.

***Governor's Proposal.*** The budget includes \$9.4 million (the projected rental income during the budget year) for the Emergency Portable Classroom program in 1989-90. This is a reduction of \$47.2 million, or 83 percent, from the level of support provided in the current year. Current law authorizes the SAB, from any available funds, to allocate up to \$35 million annually for this program. Current law also declares legislative

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intent that this allocation be funded from a Budget Act appropriation. The budget, however, does not include any funding support beyond that which will be generated from the rental income.

**Budget-Year Shortfall—The Beginning of a Backlog.** Information from the OLA indicates that the Emergency Portable Classroom program is projected to have a surplus of approximately 150 portable classroom facilities at the close of the current year. The \$9.4 million in budget-year rental income will be sufficient to purchase an additional 250 portable classrooms, allowing a total of 400 new portable classrooms to be made available to school districts in 1989-90. Our review of school district requests, however, indicates that, *at a minimum*, there will be approved requests for 1,000 such classrooms, resulting in a shortfall of at least 600 units. At an estimated cost of \$38,000 per unit (construction and installation), an additional \$22.8 million would be needed to enable this program to provide the projected minimum number of approved requests for portable classrooms in the budget year.

To the extent that the state is unable to provide funding for all the eligible requests, a backlog in this program will begin to grow. As a result, local districts will either have to (1) obtain portable classroom facilities from private sources, at a significantly higher per-unit cost, and/or (2) use other alternative methods for accommodating overcrowding, such as busing, double sessions, or year-round schools.

**4. Orchard Plan (Item 6110-224-001 (a))**

*We recommend approval.*

Chapter 1246, Statutes of 1987 (Isenberg), establishes a four-year pilot project, known as the "Orchard Plan", under which five school districts are to operate specified year-round instruction programs. The purposes of the program include increasing pupil enrollment at participating schools, reducing class size, improving academic achievement and reducing costs and absentee rates, as specified.

Chapter 1246 provides for each of the five participating districts to receive \$60,000: (1) upon selection for the program—1988-89, (2) upon commencement of the program—1989-90, and (3) upon commencement of the second year of participation in the program—1990-91, for a total of \$180,000 per participant. The SDE has selected four of the five participating districts; the fifth district will be selected later this year.

The budget includes \$300,000 from the General Fund for the Orchard Plan program in the budget year. This amount is sufficient to provide the second of the three \$60,000 payments to the five districts selected to participate in the program.

**5. Year-Round School Incentives (Items 6110-224-001(b) and 6110-224-344)**

In 1989-90, school districts that accommodate overcrowding through the use of year-round schools may be eligible to receive incentive funds through programs authorized under two separate statutes:

- **Senate Bill 813 (Ch 498/83).** SB 813 authorizes a flat rate payment of \$25 per pupil, for every pupil in an eligible school which is operated on a year-round basis because of overcrowding.
- **Senate Bill 327 (Ch 886/86).** SB 327 (Leroy Greene) authorizes a payment of up to \$125 (adjusted annually for inflation—it is \$128 in



the current year), *in addition to the \$25 payment provided by SB 813*, for every pupil in a school which is operated on a year-round basis because of overcrowding. The exact per-pupil amount a district may receive is based on a complicated formula that considers both (1) the amount it would have cost the state to acquire a site and construct a new school of sufficient size to house the students accommodated through year-round operations and (2) the extent to which the district succeeds in increasing available capacity to a target level of 15 percent. The current year is the second year that the SB 327 program will be operative.

These programs provide eligible districts with additional general purpose aid, which may be spent for any purpose the district chooses. Both programs also allow school districts to remain "in line" for state aid to construct new facilities to house these pupils, while they receive the incentive funds. As a result, the state actually realizes no "savings" as a result of providing these incentive funds.

**Budget Proposal.** The budget proposes \$37.3 million—\$30 million from the General Fund and \$7.3 million from the State School Building Lease-Purchase Fund (unexpended tidelands oil revenues)—for incentive payments to school districts under these two programs. This is an increase of \$7.3 million, or 24 percent, from the level of support provided in the current year.

#### **SB 327 Incentive Payment Exceeds Costs Avoided**

*We recommend that the Legislature amend proposed Budget Bill language relative to the SB 327 year-round school program to reduce the amount of incentive payments provided to school districts, because the payment level specified (1) does not reflect action taken by the Legislature in the prior and current years and (2) would exceed the costs avoided by the state. (Amend Provision 4(g) of Item 6110-224-344.)*

The additional incentive payments available under the SB 327 program are intended to be provided at such a level that the full amount of the state's "savings" from avoiding the costs of constructing a new school are passed to the affected school district. As mentioned, the incentive funds are provided under a complicated formula that provides districts an incentive to increase attendance in year-round schools to at least 15 percent in excess of these schools' existing capacity under a traditional academic calendar.

**Governor's Proposed Formula.** The Governor proposes the adoption of Budget Bill language specifying the formula by which the amount of the incentive payment under the SB 327 program would be calculated. This language is nearly identical to language the Governor has proposed two years in a row (1987-88 and 1988-89) and that the Legislature has rejected in both of those years. Specifically, the Governor's proposed language would increase from 5 percent to 7 percent the amount of the state's total "savings" (presumably from not building a facility) that annually is shared with eligible districts.

An analysis of the costs of constructing a new school facility (financed over a 20-year period) compared to the costs of providing the incentive payment indicates that at the 5 percent sharing ratio, districts receive approximately 100 percent of the state's savings (*exclusive of the additional \$25 per pupil payment provided under the SB 813 program*). At the 7 percent sharing ratio level proposed by the Governor, districts

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would receive an estimated 140 percent of the state's total savings from not building a facility (Note: this increases to 167 percent when also accounting for the \$25 payment). We can find no analytical basis for providing school districts with incentive payments that would *exceed* the costs to taxpayers of building a new school.

Our review indicates that providing school districts with 100 percent of the state's savings is (1) consistent with the action taken by the Legislature in the prior and current years (the first two years of the program's operation), (2) sufficient compensation to encourage districts to participate in the programs, and (3) enables the state to better use its limited resources to assist districts with their school construction needs. Accordingly, we recommend that the Legislature amend Provision 4 of Item 6110-224-344 as follows:

- In subsection (g), change “.07” to “.05”.

**SB 327 Program Administration**

*We recommend that the Legislature adopt Budget Bill language in Item 6110-224-344 to (1) clarify the eligibility criteria for the SB 327 program, (2) specify the minimum level of overcrowding that must be achieved by a school in order to receive SB 327 funds, and (3) clarify how “excess capacity” is to be determined.*

As noted, 1987-88 was the first year that the SB 327 program was operative and, consequently, the first year that the OLA received and processed claims for this program. Our analysis of the processes established indicates that—in several areas—the calculations used by the OLA to determine the amount of a district's funding eligibility do not reflect the Legislature's intent and, in addition, result in excessive levels of funding for some districts.

**Eligibility Criteria.** Our review of existing law indicates that the SB 327 incentive payment (up to \$125) is to be made available to school districts *as supplementary to, but not independently from*, those payments made available under the SB 813 program (the \$25 flat rate payment). In other words, districts must first be eligible to receive incentive payments under the SB 813 program, before pursuing the incentive payments made available under the SB 327 program.

The SB 327 program is based on the concept that the state's “savings” from not building a school facility should be shared with school districts. In order for such “savings” to occur, however, the district must first be *eligible* to receive state school facilities aid. Specifically, current law states that “a school district may apply for year-round education incentive payments *in excess of those provided for in Section 42250*” (the SB 813 program) if certain specified conditions are met. One of these conditions is that “the district would be allowed to construct new facilities pursuant to state law absent the use of year-round education.”

Because the SB 813 program *does* require districts to be eligible for a new construction project in order to receive incentive payments, our review indicates that it is appropriate to use the SB 813 eligibility requirements as a condition for qualifying for the SB 327 program. Information from OLA, however, indicates that, while no district has yet applied separately for funding under the SB 327 program only, it is their understanding that a district could legally do so.

**Level of Overcrowding.** Current law specifies that there must be "substantial overcrowding in the school district or high school attendance areas" in order for a district to apply for year-round incentive payments under the SB 327 program. In March 1988, the SAB defined "substantial overcrowding" as a minimum of 5 percent overcrowding. That is, a school district or high school attendance area must be accommodating a minimum of 5 percent more students than the number that the facilities are designed to accommodate according to specified state facility loading standards. Our review, however, indicates that OLA's calculations allow school districts to receive incentive payments on behalf of individual schools that have increased their capacities by *less than* 5 percent. Although we believe it is appropriate to allow districts to qualify for the SB 327 program based on high school attendance area (rather than districtwide) measures of overcrowding, we can find no justification for providing the incentive payments on behalf of individual schools that have increased their capacities by less than 5 percent.

**Excess Capacity.** Under the SB 327 program, the exact per-pupil amount a district may receive is based on a complicated formula that, in part, considers the extent to which the district succeeds in increasing available capacity to a target level of 15 percent. In reviewing OLA calculations for determining the amount of increased capacity accommodated, we learned that additional capacity generated through the use of leased portable classrooms is improperly being calculated as though it were generated by the use of a year-round calendar. As a result, some districts have been receiving payments based on calculations indicating they have increased their capacities by as much as 70 percent—an increase that is technically unattainable simply as a result of converting to a year-round calendar. Payments to these districts, therefore, are in excess of what they should be.

**Recommendation.** In order to prevent these unintended outcomes, and to provide school districts with a level of payment that accurately reflects the number of additional students that have been accommodated as a result of operating schools on a year-round basis (for an unknown savings to the General Fund), we recommend that the Legislature add the following language in Provision 4 of Item 6110-224-344:

1. In order to receive payments pursuant to Education Code Section 42250.3, a district must first apply and be approved as eligible for the incentive payments made available pursuant to Education Code Section 42250.
2. In calculating the total amount of incentive payments for which a district is eligible, the Office of Local Assistance shall not include payment for any students attending a school where the school's capacity has not increased by a minimum of 5 percent.
3. Excess capacity shall reflect only the additional capacity that has been generated as a result of using a multitrack year-round calendar, and shall not reflect increased capacity generated by any other means.

**6. Department of Education—School Facilities Planning Unit (Item 6110-001-344)**

*We recommend approval.*

The budget includes \$1.3 million from the State School Building Lease-Purchase Fund for support of the School Facilities Planning Unit (SFPU) in the Department of Education. This is an increase of \$209,000 (19 percent) above estimated current-year expenditures. This increase

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reflects (1) \$158,000 to support two new positions which will provide technical assistance to school districts relating to year-round school operations, and (2) the amount needed to annualize the current-year cost-of-living adjustment for employee compensation.

**C. Child Nutrition (Items 6110-021-001, 6110-201-001, and 6110-201-890)***We recommend approval.*

The department's Office of Child Nutrition Services administers the State Child Nutrition and Pregnant/Lactating Students programs. It also supervises the federally funded National School Lunch and Breakfast programs and the Child Care Food program. These programs assist schools in providing nutritious meals to pupils, with emphasis on providing free or reduced-price meals to children from low-income households.

**Funding for Child Nutrition Programs.** Table 23 summarizes funds for child nutrition programs in the prior, current, and budget years.

The table shows that child nutrition programs are supported primarily by federal funds. The budget proposes an increase of \$101,000—or 1.2 percent—for state operations, and an increase of \$2.2 million—or 0.4 percent—for local assistance.

**Table 23**  
**K-12 Education**  
**Funding for Child Nutrition Programs**  
**1987-88 through 1989-90**  
**(dollars in thousands)**

	<i>Actual</i> 1987-88	<i>Est.</i> 1988-89	<i>Prop.</i> 1989-90	<i>Change from</i> 1988-89	
				<i>Amount</i>	<i>Percent</i>
<i>State Operations</i>					
General Fund.....	\$1,439	\$1,548	\$1,611	\$63	4.1%
Federal Funds.....	6,139	7,113	7,151	38	—
Subtotals, State Operations.....	(\$7,578)	(\$8,661)	(\$8,762)	(\$101)	(1.2%)
<i>Local Assistance</i>					
General Fund.....	\$41,039	\$42,077	\$44,286 <sup>a</sup>	\$2,209	5.3%
Federal Trust Fund.....	455,849	485,400	485,400	—	—
Subtotals, Local Assistance.....	(\$496,888)	(\$527,477)	(\$529,686)	(\$2,209)	(0.4%)
Totals.....	\$504,466	\$536,138	\$538,448	\$2,310	0.4%

<sup>a</sup> Includes proposed 5.25 percent COLA.

We recommend approval of the proposed funding levels for the following child nutrition programs:

- **Nutrition Education and Training Projects (NETP) (Item 6110-021-001)**—\$588,000 from the General Fund for grants to local education agencies and child care agencies to implement nutrition education programs for the classroom. The program also provides nutrition education for food service personnel. The level of funding proposed for the budget year is the same as that provided in the current year.
- **State Child Nutrition and Pregnant/Lactating Students Programs (Item 6110-201-001)**—\$45.3 million from the General Fund, as follows: (1) \$45 million (\$1 million for state operations and \$44 million for local assistance) to provide a basic subsidy for each meal served to eligible pupils from low-income households by public schools,

private not-for-profit schools, and nonprofit residential child care institutions and child care centers, and (2) \$294,000 (\$15,000 for state operations and \$279,000 for local assistance) to provide reimbursement for specified additional nutrition supplements served to students who are pregnant or lactating. The proposed level of funding provides reimbursement for the same number of meal subsidies and nutrition supplements in 1989-90 as in the current year and fully funds the 5.25 percent statutory COLA, which is based on the "food away from home" component of the Consumer Price Index for San Francisco and Los Angeles.

- **Federal Child Nutrition Programs (Item 6110-201-890)** —\$492.6 million from the Federal Trust Fund (\$7.2 million for state operations, and \$485.4 million in local assistance) to provide nutrition subsidies to participating schools and eligible child care institutions under the following four programs: (1) National School Lunch, (2) School Breakfast, (3) Special Milk, and (4) Child Care Food. This amount represent a one-half percent increase in state operations funding, and maintains the same level of funding provided in the current year for local assistance.

### III. NON-K-12 EDUCATION PROGRAMS

This section analyzes those programs administered by the SDE which are not part of the K-12 education system. These include child development, adult education, the Office of Food Distribution, and private postsecondary education assistance.

#### A. CHILD DEVELOPMENT (Items 6110-195-001, 6110-196-001, and 6110-196-890)

The Child Development Division (CDD) within SDE administers a variety of subsidized child care and development programs which provide services directly to children from low-income families and to those with special needs. The major goals of these direct service programs are to (1) enhance the physical, emotional, and developmental growth of participating children, (2) assist families to become self-sufficient by enabling parents to work or receive employment training, and (3) refer families in need of various support services to appropriate agencies. The CDD also administers several programs which provide indirect services such as capital outlay, child care referrals to parents, and training for providers.

**Funding.** Table 24 summarizes funding for the prior, current, and budget years for child development programs. For 1989-90, the budget proposes a total funding level of \$338.7 million for child development local assistance—an increase of \$1.8 million (0.5 percent) from estimated current-year expenditures. (It is likely that an additional unknown amount of funding carried over from previous years (primarily from 1987-88) will also be available in 1989-90—the SDE will report on the availability of these funds in March 1989.) The budget also proposes \$4.7 million for state operations—an increase of \$80,000 (1.7 percent). The changes primarily reflect:

- An increase of \$5.9 million from the General Fund for a 3.0 percent COLA for state-subsidized child development programs administered by school districts, county offices of education and community colleges. (The Governor's Budget, due to technical errors, incorrectly identifies this as a 3.21 percent COLA for these programs.)

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- A decrease of \$4.5 million in local assistance and \$112,000 in state operations to reflect (1) the termination of various programs and (2) the elimination of one-time funding provided in the current year.
- An increase of \$192,000 for personnel and operating costs.

**Table 24**  
**K-12 Education**  
**Child Development Programs**  
**Expenditures and Funding**  
**1987-88 through 1989-90**  
**(dollars in thousands)**

	<i>Actual</i> 1987-88	<i>Est.</i> 1988-89	<i>Prop.</i> 1989-90	<i>Change from</i> <i>1988-89</i>	
				<i>Amount</i>	<i>Percent</i>
<i>State Operations</i>					
State Preschool.....	\$394	\$414	\$434	\$20	4.8%
Child Development.....	4,308	4,193	4,253	60	1.4
Subtotal, state operations.....	(\$4,702)	(\$4,607)	(\$4,687)	(\$80)	(1.7%)
<i>Local Assistance</i>					
State Preschool.....	\$35,755	\$37,285	\$38,435	\$1,150	3.1%
Preschool Scholarship Incentive Program.....	(276)	(288)	(288)	—	—
General child care.....	200,331	208,576	211,782	3,206	1.5
Campus children's centers.....	6,196	6,459	6,556	97	1.5
School-Age Parenting and Infant Development (SAPID).....	6,634	6,941	7,155	214	3.1
Migrant child care.....	8,416	9,466	9,837	371	3.9
Special allowance for rent.....	396	441	451	10	2.3
Severely Handicapped.....	656	740	750	10	1.4
Alternative Payment.....	31,906	33,315	33,827	512	1.5
Resource and Referral.....	7,297	7,636	7,871	235	3.1
Campus Child Care Tax Bailout.....	4,026	4,191	4,320	129	3.1
Protective Services.....	1,027	1,069	1,085	16	1.5
Child Care Employment Act.....	1,379	—	—	—	<sup>a</sup>
Child care capital outlay (carryover).....	185	—	—	—	<sup>a</sup>
California Child Care Initiative (Ch 1299/85).....	250	250	250	—	—
Before and after school program incentives (Ch 1440/85).....	252	336	—	-336	-100.0
Extended day care (Ch 1026/85).....	13,713	16,111	16,358	247	1.5
School age child care (PL 99-425).....	—	259	—	-259	-100.0
Special projects (carryover).....	4,584	3,895	—	-3,895	-100.0
Subtotals, local assistance.....	(\$323,003)	(\$336,970)	(\$338,677)	(\$1,707)	(0.5%)
Totals.....	\$327,705	\$341,577	\$343,364	\$1,787	0.5%
<i>Funding Sources</i>					
<i>General Fund</i> .....	\$324,257	\$338,729	\$340,963	\$2,234	0.7%
<i>Federal funds</i> .....	1,688	2,735	2,399	-336	-12.3
<i>Special Account for Capital Outlay</i> .....	185	—	—	—	<sup>a</sup>
<i>State Child Care Facilities Fund</i> .....	175	112	—	-112	-100.0
<i>Reimbursements</i> .....	1,400	1	2	1	100.0

<sup>a</sup> Not a meaningful figure.

**Participation.** Table 25 summarizes the scope of SDE-administered child development services in each of the seven major types of programs funded on the basis of daily enrollment. During the current year, almost

500 public and private agencies will provide subsidized child care services for an average daily enrollment of approximately 53,200 children who are from low-income families and/or have special needs. These agencies will receive reimbursements for each day an eligible child is enrolled in a child care program. The maximum amount of reimbursement to be provided to each agency is established by the SDE.

Additional preschool and child care services are provided by the following state-subsidized programs which are not funded on a daily enrollment basis: (1) State Preschool, (2) Alternative Payment—county welfare department component, (3) extended day care (Latchkey) program, (4) School-Age Parenting and Infant Development (SAPID), (5) Protective Services, and (6) Severely Handicapped.

**Table 25**  
**K-12 Education**  
**Child Development Services**  
**Participation**  
**1988-89**

<i>Program</i>	<i>Number of Contracting Agencies</i>	<i>Average Days of Service<sup>a</sup></i>	<i>Average Daily Enrollment<sup>b</sup></i>
General child care—public.....	108	246	27,508
General child care—private.....	213	245	13,265
General child care—family day care homes ..	24	253	1,484
Campus children's centers .....	52	185	2,056
State migrant .....	22	160	1,838
Federal migrant .....	5	118	638
Alternative Payment.....	69	250	6,411
Totals .....	493	— <sup>c</sup>	53,200

<sup>a</sup> Weighted average.

<sup>b</sup> Average daily enrollment: The average number of full-time equivalent children enrolled in a program on any given day of operation.

<sup>c</sup> Not a meaningful figure.

In 1985-86, the most recent year for which detailed enrollment data are available for *all* the child development programs, the programs served approximately 110,000 children, including those enrolled part- and full-time.

**Legislative Oversight: Sunset Review Process.** Under current law, the child development programs will sunset on June 30, 1989, unless legislation is enacted to extend or repeal this date. Even if legislation is not enacted to continue the child development programs beyond the sunset date, the programs will not actually terminate. Instead, the statute provides that funding provided in the annual budget "shall continue for the general purposes of [the] program[s] as specified in the provisions relating to the establishment and operation of the program[s]."

As part of the sunset review process, the SDE submitted a report to the Legislature on the program's effectiveness. In addition, the Legislative Analyst was required to review the SDE's report and submit to the Legislature her own findings, comments, and recommendations regarding the program.

As a result of our sunset review, we have identified several areas of needed improvement in the Child Development program. (Many of these issues are discussed in subsequent sections of this analysis.) Our

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analysis also indicates, however, that the program is generally effective in meeting the needs of children served through the majority of child development funds—that is, children from low-income families where both parents (or the single parent) are in the labor force. Accordingly, we recommend in our report, *The Child Development Program: A Sunset Review* (Report 89-5), that the program be continued, with specified modifications.

**Impact of Federal Welfare Reform**

*We recommend that the State Department of Education report to the Legislature, prior to budget hearings, on the impact of federal welfare reform on the Child Development program.*

Our report, *Federal Welfare Reform in California: A Review of the Family Support Act of 1988* (Report 89-2), issued in January 1989, discusses recently enacted federal legislation which, among other things, establishes the Job Opportunities and Basic Skills (JOBS) program to provide education, training, and employment services to Aid to Families with Dependent Children (AFDC) recipients to help them become financially self-sufficient. The program is similar in many respects to the state's existing Greater Avenues for Independence (GAIN) program.

In our report, we make recommendations on two issues related to SDE's child development programs:

- **Transitional Child Care.** The federal welfare reform legislation requires states to provide child care for 12 months after a family becomes ineligible for AFDC due to specified reasons. We recommend that the SDE assist the Department of Social Services (DSS) in reporting to the Legislature by May 1, 1989 on (1) alternative sliding fee scales, including the administrative costs of each alternative and (2) alternatives for administering the program, including the costs and benefits of each alternative.
- **Child Care Monitoring.** The federal welfare reform legislation authorizes grants to states that may be used, in part, to improve the monitoring of child care provided to AFDC recipients. The legislation does not specify what kinds of activities would qualify for these funds. We recommend that the SDE assist the DSS in reporting to the fiscal committees during hearings on the 1989-90 Budget Bill on California's potential allocation and use of the funds authorized by Congress to improve child care licensing and monitoring.

Our review also indicates that the federal welfare reform legislation may result in increased federal funds becoming available to provide child care (1) to the children of JOBS participants and (2) to the children of former AFDC recipients during a one-year transition period.

**Recommendation.** To assist the Legislature in determining the impact of this legislation on the Child Development program—particularly on the availability of federal funds for the program—we recommend that the SDE report, prior to budget hearings, on its plans to address the issues discussed above.

**COLA Funding Should Reflect Legislative Priorities**

*We recommend that \$5.9 million proposed for a 3 percent discretionary COLA for local education agency-operated child care programs be deleted in order to allow the Legislature to determine funding levels for all discretionary COLAs in the context of its priorities for the use of*



***Proposition 98 funds. (Reduce Item 6110-226-001(g) by \$5,938,000 and amend Control Section 12.31 to provide for a \$5,938,000 augmentation to the Proposition 98 reserve.)***

Current law does not require that a cost-of-living adjustment be provided to child development programs. The budget, however, proposes \$5.9 million to provide a 3 percent discretionary COLA only to such programs operated by local education agencies (school districts, county offices of education, and community colleges).

With respect to *discretionary* COLAs, we find no analytical basis for distinguishing one education program from another. Rather, we believe that the choices of whether to provide such COLAs—and their respective funding levels—are decisions that only the Legislature can make in light of its overall priorities for the use of limited funds.

Accordingly, we recommend that the Legislature eliminate the \$5.9 million proposed for a COLA for LEA-operated child care programs, and transfer this amount to the Proposition 98 reserve in Control Section 12.31. In so doing, we make no recommendation on the level of COLA that such programs should receive—only that such a decision should be made in the context of funding for all programs not granted COLAs in statute. We further recommend that, if the Legislature chooses to provide a discretionary COLA to child development programs, it not distinguish between programs operated by LEAs versus private providers. (We discuss the Legislature's options for using Proposition 98 funds elsewhere in this analysis.)

#### **Staff Ratio Savings**

***We recommend that the Legislature adopt Budget Bill language in Items 6110-195-001 and 6110-196-001 to phase in a change in staff:child ratios for preschool-aged children served through subsidized child development programs from 1:8 to 1:10 (on an enrollment basis), because this ratio would maintain high-quality programs while still providing a richer staff:child ratio than that required by the Department of Social Services for nonsubsidized child care programs. When fully implemented, this change would result in annual savings of up to \$19 million. To the extent the Legislature wishes to maintain its existing practices of reallocating available child care funds to provide additional services and distributing funds to counties based on need, we further recommend that the Budget Bill language give first priority for the allocation of the annual savings resulting from this change to counties that are relatively underserved by existing child development funds.***

Most subsidized child development programs must maintain higher staff:child ratios than nonsubsidized programs. For example, nonsubsidized programs are required by Department of Social Services (DSS) licensing standards to place one teacher in charge of no more than 12 preschoolers, for a 1:12 staff ratio. The SDE, however, requires that subsidized programs meet a 1:8 staff ratio for this age group (usually one teacher and two aides for a group of 24 children).

Historically, subsidized programs have been required to meet higher staff ratio requirements because they serve low-income children and children with special needs, such as abused and neglected children. Based on the results of the comprehensive National Day Care Study, however, we find that current staff ratios for preschool children enrolled in

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subsidized care could be liberalized, while still maintaining high-quality programs and richer staff:child ratios than those required by the DSS for nonsubsidized child care programs. (We have no analytical basis for recommending staff ratio changes for infants or school-age children because no similar comprehensive studies are available for these age groups.) The results of this study are summarized below.

**The National Day Care Study.** The National Day Care Study, completed in 1979, was a four-year study of the effects of child care center characteristics on the cost and quality of care for *low-income* urban children aged 3 to 5. The study is generally well-regarded by child care policy experts because it used a controlled experimental design (that is, it compared children whose child care situations were not changed with similar children whose situations were changed).

The study found that staff:child ratios in the range of 1:5 to 1:10, based on enrollment (rather than actual attendance, which is generally lower than enrollment), show a "slight," but not significant, relationship to improved child behavior (compared to ratios such as 1:11 or 1:12), but *are not related to gains on developmental tests*. Staff:child ratios, however, are "the strongest determinant of differences in center costs."

**Subsequent Research.** More recent research on staff ratios for preschool-aged children is mixed. Some studies find that staff ratios have a greater effect on program quality than was found in the National Day Care Study, while other studies found even less of an effect. Overall, though, the research does not indicate that changing staff ratios slightly (unless the change is leaner than a 1:12 ratio—such as 1:13 or 1:14) would have major effects on child behavior or developmental gains. (The research indicates that the effect on child behavior and developmental gains of changing staff ratios would be even less noticeable if the lead teachers in each group have appropriate training in the care of young children. The SDE requires teachers to have such training.)

Our review indicates that the results of the National Day Care Study are applicable to California's subsidized child development programs, because the programs serve the same general population—low-income, primarily urban, children. Specifically, we find that the existing staff:child ratios for subsidized child development programs could be modified, in order to achieve a substantial cost savings while maintaining high-quality programs.

**Recommendation.** Accordingly, we recommend that the Legislature adopt Budget Bill language to change staff ratios for children aged 3 to 5 from 1:8 to 1:10, on an enrollment basis. A 1:10 ratio would maintain high-quality programs while still providing a richer staff:child ratio than that required by the DSS for nonsubsidized child care programs. In addition, we note that in 1986, 44 of the 50 states had staff ratios of 1:10 or lower (such as 1:12) for 3 to 5 year olds.

We further recommend that (1) the staff ratio change be phased in, to allow child care providers to adjust to the changes through normal staff attrition or reassignment and (2) the language require the SDE to capture the savings prescribed by the new ratios, once the ratios are phased in. (We discuss the potential distribution of these savings in the next section.)

We estimate that full implementation of this recommendation would result in General Fund savings of up to \$19 million annually, *which could*

*be used to serve up to 4,300 additional children.*

Based on the reasons cited above, we recommend that the Legislature adopt the following Budget Bill language in Items 6110-195-001 and 6110-196-001:

Notwithstanding Section 8288 of the Education Code or any other provision of law or regulation, the State Department of Education shall implement a 1:10 staff:child ratio (based on enrollment) for children ages 3 through 5 in center-based care. It is the intent of the Legislature that high-quality programs be maintained, and that this change shall be phased in, to allow child care providers to adjust to the changes only through normal staff attrition or reassignment. The department shall ensure that the savings resulting from this change are recaptured.

**Target Savings to Specific Areas.** According to the SDE, the number of children receiving Aid to Families with Dependent Children (AFDC) in each county is probably the single best indicator of each county's demand for subsidized child care. Our review indicates that some counties receive a relatively large amount of child development funds, compared with their demand for subsidized child care, as measured by their percentage of the state's AFDC children. Specifically, we estimate that 13 of the state's 58 counties (many of which are located in the San Francisco Bay Area) receive more than one and one-half times the state's average funding amount per AFDC child. On the other hand, we estimate that 15 counties (many of which are primarily rural counties, such as Fresno, Lake, and San Bernardino Counties) receive less than half of this amount.

Historically, the Legislature has almost always acted to use funds allocated, but not spent, for subsidized child care to provide other child care services. In addition, the Legislature most recently has acted (when establishing the extended day care—Latchkey—program) to require that funds be distributed to each of the state's counties based on need. *To the extent that the Legislature wishes to maintain these practices*, we recommend that it give priority to allocating the savings (of up to \$19 million annually from the General Fund) available through modification of existing staff ratios for subsidized child care programs to counties that are relatively underserved by child development funds.

The following Budget Bill language, if added to the language recommended previously on staff ratios (for Items 6110-195-001 and 6110-196-001), would accomplish this:

The SDE shall give priority for the distribution of the savings resulting from this change in staff ratios to counties that are relatively underserved by child development funds, as measured by funding per Aid to Families with Dependent Children (AFDC) child in each county and other measures as deemed necessary by the department.

#### **Adjust Reimbursement Rates**

*We recommend that the Legislature adopt Budget Bill language in Items 6110-195-001 and 6110-196-001 to modify, on a phased-in basis, the child development reimbursement rate structure to more accurately reflect the actual costs of care. When fully implemented, this change would result in potential annual savings of somewhat less than \$1.8 million, depending primarily on the extent to which programs are granted rate waivers.*

*To the extent the Legislature wishes to maintain its existing practices of reallocating available child care funds to provide additional services and distributing funds to counties based on need, we further*

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*recommend that the Budget Bill language give first priority for the allocation of the annual savings resulting from this change to counties that are relatively underserved by existing child development funds.*

Most child development programs are reimbursed on a daily enrollment basis; that is, they receive different reimbursement amounts for children that are enrolled part-time, full-time, or more than full-time. In our *Analysis of the 1988-89 Budget Bill*, we recommended, based on the results of a study completed in September 1986 by MPR Associates, that reimbursement rates be modified to reflect more accurately the actual costs of providing child care for varying lengths of time. Specifically, we recommended that reimbursement rates, as a percentage of the full-time daily rate, (1) be reduced from 150 to 118 percent for children enrolled more than 10.5 hours per day, (2) be reduced from 75 to 73 percent for children enrolled 4 to 6.5 hours per day, and (3) be increased from 50 to 55 percent for children enrolled less than four hours per day.

We further noted that adopting this recommendation would result in up to a \$1.8 million savings, without changing the level of child care services provided. Part or all of these savings could be used to serve up to 400 additional children.

The SDE originally concurred with this recommendation. However, in late spring of 1988, some child care agencies found that the proposal might have unanticipated adverse consequences. For example, some (but not all) migrant child care programs enroll new children every three or four weeks during harvesting season; these programs were concerned that the proposed rates would not cover their unique enrollment costs. As a result, adoption of the proposed rates (particularly for children enrolled more than full-time) could have resulted in somewhat decreased services.

Based on this concern, we withdrew our recommendation pending further review. Accordingly, the reimbursement rates remain unchanged in the current year.

Our subsequent review this year indicates that, with minor modifications, implementation of the MPR-recommended reimbursement rates is still warranted, because the rates generally reflect the actual costs of caring for children. In order to ensure that the level of subsidized child care services provided is not adversely affected, however, we recommend the following modifications:

- Phase in the rate changes evenly over a two-year period (during 1989-90 and 1990-91);
- Provide SDE with appropriate authority to grant full or partial rate waivers to programs that demonstrate they have actual costs that are (1) reasonable and (2) in excess of the proposed rates; and
- Leave the reimbursement rate for children enrolled 4 to 6.5 hours unchanged, because a change would adversely affect certain child care programs. (This has relatively little fiscal impact statewide).

We also recommend that the SDE recapture the savings prescribed by the new reimbursement factors. (We discuss the potential distribution of these savings in the next section.)

The effect of these changes would be to reduce the potential \$1.8 million savings that we identified last year by some unknown amount, depending primarily on the extent to which programs were granted waivers.

For the reasons cited above, we recommend that the Legislature adopt the following Budget Bill language in lieu of provision 2 in Item 6110-195-001 and in lieu of provision 4 in Item 6110-196-001:

The following reimbursement factors shall remain in effect:

- (a) Under 4 hours per day: 52.5 percent of the full-time daily rate.
- (b) 4 to under 6.5 hours: 75 percent of the full-time daily rate.
- (c) 6.5 to under 10.5 hours: 100 percent of the full-time daily rate.
- (d) 10.5 hours and over: 134 percent of the full-time daily rate.

It is further the intent of the Legislature that, in 1990-91, provision (a) shall be increased to 55 percent and provision (d) shall be reduced to 118 percent.

The State Department of Education shall ensure that the savings resulting from these changes are recaptured. The State Department of Education may waive the reimbursement rate factors for child care providers that have actual costs that are reasonable and in excess of these specified factors. In no case, however, may the department grant waivers allowing child care providers to use reimbursement rate factors in excess of those that were in effect as of June 29, 1989.

**Target Savings to Specific Areas.** As mentioned previously in this analysis, the Legislature has almost always acted to use funds allocated, but not spent, for subsidized child care to provide other child care services. In addition, the Legislature most recently has acted to require that funds be distributed to each of the state's counties based on need. *To the extent that the Legislature wishes to maintain these practices*, we recommend that it give priority to allocating the potential savings (of somewhat less than \$1.8 million annually from the General Fund) available through modification of existing reimbursement rate factors for subsidized child care programs to counties that are relatively underserved by child development funds.

The following Budget Bill language, if added to the language recommended previously on reimbursement rate factors (for Items 6110-195-001 and 6110-196-001), would accomplish this:

The SDE shall give priority for the distribution of the savings resulting from this change in reimbursement rate factors to counties that are relatively underserved by child development funds, as measured by funding per child receiving Aid to Families with Dependent Children (AFDC) in each county and other measures as deemed necessary by the department.

#### **Use of Carryover Funds**

*We recommend that the State Department of Education submit to the Legislature, prior to budget hearings, its plans to spend child care carryover funds, including its plans to address several specified programmatic and fiscal issues.*

Child care carryover funds are funds that have been allocated to subsidized child care agencies but that have not been spent by the agencies and have been returned to the SDE. State law specifies that carryover funds may be used by the department for a total of three years (the year they are allocated but unspent and for two years afterwards) as follows:

- First, for the SDE's accounts payable;
- Second, to reimburse alternative payment programs for the provision of certain additional services, as specified; and
- Third, for special projects, which could include the purchase of materials approved by the SDE for deferred and major maintenance

**DEPARTMENT OF EDUCATION—Continued**

of existing facilities, one-time-only services, or any combination of these expenditures which will directly benefit enrolled children.

Historically, carryover funds have amounted to approximately 1 percent of all child development funds, or about \$3 million annually over the past few years. The majority of these funds has usually been spent for the third priority—one-time-only expenditures—identified above.

We discuss below several fiscal and program issues we have identified that could be addressed through the use of one-time carryover funds next year.

**Potential Uses of Carryover Funds.** In our report, *The Child Development Program: A Sunset Review*, we make recommendations on several program and fiscal issues related to the program. We find that six of these recommendations could be addressed through the use of one-time carryover funds, at a cost of approximately \$50,000 each. (We note, however, that once a plan for a comprehensive evaluation is developed—as recommended below—the actual evaluation would probably cost several hundred thousand dollars.) The issues follow:

- **Comprehensive evaluation.** The SDE should develop a plan, including a funding proposal, for conducting a comprehensive evaluation of specified child development programs.
- **State Preschool program.** The SDE should report to the Legislature on the extent to which State Preschool funds are distributed across the state to meet differing levels of demand. This report also should discuss whether some State Preschool funds should be reallocated, as appropriate, (1) to meet the demand for the program in unfunded areas or (2) to meet the demand for the full-day general child care program.
- **Resource and Referral program.** The SDE should develop a comprehensive system for funding Resource and Referral agencies, based on agency workload and county population.
- **Group size ceiling.** The SDE should report on the impact of establishing a group size ceiling of 20 children (on an enrollment basis) for subsidized child development programs.
- **Enrollment and cost tracking system.** The SDE should develop a system for tracking child care enrollments and costs, in order to provide comparable information over time to the Legislature. The system should include information on the amount of additional child care services that is supported by parent fees and interest earned on child care funds.
- **Rates and fees for disabled children.** The SDE should report to the Legislature on recommended reimbursement rates and parent fees for disabled children served through various subsidized child development programs.

**Recommendation.** To ensure that carryover funds are spent for legislative priorities in the budget year (and during the remainder of the current year, as appropriate), we recommend that the SDE submit to the Legislature, prior to budget hearings, its plans for the expenditure of identified carryover funds. We further recommend that the department's plans include a discussion of the specific programmatic and fiscal issues raised above.

**B. ADULT EDUCATION (Items 6110-156-001, 6110-156-890, and 6110-158-001)**

Adult education programs provide instruction to adults designed to (1) improve general literacy, English-speaking skills, employability, and knowledge of health and safety and (2) meet the special needs of older adults, parents, and the handicapped. We estimate that, in 1988-89, average daily attendance (ADA) in adult education will be 181,021 in K-12 schools and 72,022 in the community colleges. In addition, we anticipate that adult education providers will serve the equivalent of 100,000 ADA under the federal Immigration Reform and Control Act (IRCA)—which provides amnesty for certain illegal aliens.

Table 26 shows the state operations and local assistance funding for K-12 adult education in the prior, current, and budget years. (The budget proposal for community colleges is discussed in Item 6870-101-001 of the *Analysis*.)

We recommend approval of the proposed funding shown in Table 26 for the following adult education programs, which are not discussed elsewhere in this analysis:

- **Federal Adult Basic Education Act (Item 6110-156-890)**—\$9.6 million from the Federal Trust Fund for local assistance in adult education. The proposed amount reflects a continuation of the current-year level of funding.

**Table 26**  
**K-12 Education**  
**Adult Education Funding**  
**1987-88 through 1989-90**  
**(dollars in thousands)**

	<i>Actual</i> 1987-88	<i>Est.</i> 1988-89	<i>Prop.</i> 1989-90	<i>Change from</i> 1988-89	
				<i>Amount</i>	<i>Percent</i>
<b>State Operations</b>					
General Fund .....	\$225	\$218	\$228	\$10	4.6%
Federal funds .....	848	1,010	970	-40	-4.0
Special Deposit Fund .....	164	219	227	8	3.7
State Legalization Impact Assistance					
Grants (SLIAG) .....	113	1,787	2,328	541	30.3
Reimbursements .....	—	8	—	-8	-100.0
Subtotals, state operations .....	(\$1,350)	(\$3,242)	(\$3,753)	(\$511)	(15.8%)
<b>Local Assistance</b>					
General Fund .....					
School districts .....	\$237,450	\$253,767 <sup>a</sup>	\$275,229	\$21,462	8.5%
Correctional facilities .....	2,038	2,322	2,545	223	9.6
GAIN excess ADA .....	17,000	15,000	13,500	-1,500	-10.0
Subtotals, General Fund <sup>b</sup> .....	(\$256,488)	(\$271,089)	(\$291,274)	(\$20,185)	(7.4%)
SLIAG .....	\$34,200	\$102,800	\$181,400	\$78,600	76.5%
Federal funds .....	8,649	9,578	9,578	—	—
Reimbursements .....	—	92	—	-92	-100.0
Subtotals, local assistance .....	(\$299,337)	(\$383,559)	(\$482,252)	(\$98,693)	(25.7%)
Totals .....	\$300,687	\$386,801	\$486,005	\$99,204	25.6%
Personnel-years .....	15.3	25.3	16.3	-9.0	-35.6%

<sup>a</sup> Funding provided in Item 6110-230-001 in 1988-89. Of amount shown, \$725,000 not yet apportioned by SDE.

<sup>b</sup> Figures do not reflect Governor's Budget display.

**DEPARTMENT OF EDUCATION—Continued**

- *Adults in Correctional Facilities (Item 6110-158-001)*—\$2.5 million from the General Fund for education of adults in correctional facilities. This is a \$223,000 increase over the current-year funding level. It includes \$144,000 for a 6 percent (statutory) COLA, and \$79,000 for enrollment growth of 2.5 percent. We recommend approval of the requested amount, except for the portion requested for a COLA (which we discuss next in our analysis of Item 6110-156-001).

**State K-12 Adult Education Program (Item 6110-156-001)**

The budget proposes a General Fund appropriation of \$275 million for school district-operated programs. This is a net increase of \$21 million (8.5 percent) above estimated expenditures in the current year, which includes (1) \$15.6 million for a statutory 6 percent COLA, and (2) \$5.9 million for a 2.5 percent increase in enrollments in the areas of English as a Second Language (ESL), basic skills instruction, and the Greater Avenues for Independence (GAIN) program. The requested amount includes no funding for the revenue limit equalization adjustment required by current law (Ch 498/83).

In addition to the amounts discussed above, the budget proposes (1) \$13.5 million from the General Fund (in Control Section 22.00) for educational services provided to welfare recipients participating in the Greater Avenues for Independence (GAIN) program—which we discuss in greater detail in Item 5180 of this *Analysis*—and (2) \$181.4 million in State Legalization Impact Assistance Grant (SLIAG) funds for individuals granted amnesty under IRCA.

**Alternative Method Needed for Allocating Expansion Funds**

*We recommend that the Legislature specify an alternative methodology for allocating adult education expansion funds, in order to recognize needs in underserved geographic areas.*

Current law, enacted in the wake of Proposition 13 to control program scope and costs, imposes a number of fiscal restrictions on the funding of adult education. Specifically, state funding is limited only to those districts that were operating a program in 1977-78, thus preventing over 150 districts from providing adult education services. In addition, current law fixes the amount of state-funded ADA in each program to the amount funded in 1979-80 (increased annually thereafter by 2.5 percent), and restricts funding to ten specified instructional areas.

While the distribution of adult education services may have originally corresponded to adult education needs, the distribution among geographic areas has not been routinely adjusted for population growth and other demographic changes that have occurred over the last ten years—resulting in significant unmet demands in certain areas. As a result, the Legislature established a policy, beginning in 1987-88, of targeting additional adult education resources to areas with unmet demands in high-priority instructional areas—specifically, English as a Second Language (ESL) and basic skills.

*Budget Proposal.* Consistent with the Legislature's policy, the budget proposes to target \$5.9 million proposed for adult education growth to the areas of ESL and basic skills—including services provided under the



Greater Avenues for Independence (GAIN) program. The Superintendent of Public Instruction would determine the specific amounts to be allocated to each area. If the Superintendent, as was the case in the current year, used 28 percent for GAIN, a total of \$4.2 million would remain for expansion of the non-GAIN adult education program.

The budget also proposes that the Superintendent allocate ESL funds in proportion to the number of limited English-proficient (LEP) students in each district, under the assumption that districts with high LEP counts in grades K-12 would also have high demands for adult ESL services. (Although the budget does not specify a formula for the basic skill funds, in the past the Superintendent has also allocated these funds based on LEP counts.)

**Analysis.** Our analysis indicates two problems with this method for allocating growth funds.

**First**, the method does not take into account the amount of *existing* adult education resources available to districts. Our review indicates widespread variation in districts' current base ADA entitlements, even after taking account of variations in district size. Because a portion of the demand for high-priority services can be met with existing resources, omission of this factor from the allocation formula unfairly benefits districts with disproportionately high ADA entitlements, at the expense of others.

**Second**, the allocation method proposed in the budget makes no provision for the establishment of new programs. There are some areas of the state (including 13 entire counties) without *any* adult education programs. We can find no analytical basis for denying these areas a portion of the adult education expansion funds, if unmet demands for high-priority services can be documented.

**Recommendation.** For these reasons, we recommend that the Legislature specify an alternative methodology for allocating adult education expansion funds. Any such alternative should utilize various indicators of need (such as the LEP count), but should also (1) incorporate data on the level of existing resources in each district and (2) provide for the establishment of new programs.

#### **Reduced Funding for Adult Education COLA Warranted**

*We recommend that adult education programs again be provided with a cost-of-living adjustment (COLA) equal to the COLA used for general school apportionments, rather than the arbitrary 6 percent COLA specified in statute, for an increase of \$7.3 million in funding available for other, higher-priority K-14 education purposes. (Reduce Item 6110-226-001(b)(1) by \$7,244,000 and 6110-226-001(b)(2) by \$67,000, adopt corresponding Budget Bill language, and amend Control Section 12.31 to provide for a \$7,311,000 increase in the Proposition 98 reserve.)*

Under current law, K-12 adult education programs are entitled to receive an annual 6 percent COLA. This amount differs from the COLA prescribed in current law for school revenue limit apportionments, which is tied to the percentage change in the "Implicit Price Deflator for State and Local Government Purchases of Goods and Services." Based upon estimates of this index, the budget proposes a COLA of 3.21 percent for revenue limits in the budget year.

The Education Code also prescribes COLAs only for a select number of other educational programs. In almost all cases, *including adult educa-*

**DEPARTMENT OF EDUCATION—Continued**

*tion COLAs for programs operated by community colleges*, these COLAs are directly tied to a variable index of inflation. Current law specifies a fixed—nonvariable—COLA only in the cases of adult education programs operated by school districts and the “meals for needy pupils” revenue limit adjustment.

In last year’s *Analysis*, we pointed out that there is no analytical reason why K-12 adult education programs should be provided a different COLA than that provided most other education programs. The types of goods and services used by K-12 adult programs are the same as those purchased by most other education programs. Thus, there is no basis for assuming that the costs faced by K-12 adult programs rise more rapidly than in other education programs. The Legislature agreed, and provided these programs a 1988-89 COLA equal to the one provided for school revenue limits.

**Recommendation.** We recommend that the Legislature again provide K-12 adult education programs with the school revenue limit COLA (3.21 percent). Adoption of this recommendation would result in General Fund savings of \$7.3 million in 1989-90. Accordingly, we recommend that the Legislature (1) reduce the amounts requested in Item 6110-226-001(b) (1) by \$7,244,000 and Item 6110-226-001(b) (2) by \$67,000, and (2) adopt the following Budget Bill language:

In lieu of the inflation adjustments calculated pursuant to Sections 41841.5 and 52616 of the Education Code, the inflation adjustment for adult education programs shall be the percentage adjustment prescribed by statute for K-12 revenue limits. This provision applies to the appropriations contained in schedule (b).

Consistent with these changes, the Legislature should also amend Control Section 12.31 to provide for a \$7,311,000 increase to the Proposition 98 reserve.

**Report on High School Students Served By Adult Education**

In last year’s *Analysis*, we recommended that the Legislature reduce funding for high school students concurrently enrolled in adult education by \$15.6 million in order to reflect more accurately the cost of serving these students. In lieu of adopting this recommendation, however, the Legislature directed the SDE to (1) collect cost data from local school districts and (2) report these data to the Legislature by February 1, 1989 and, for data associated with the current year, by November 1, 1989.

We will comment on the department’s February report at the time of budget hearings and make recommendations as appropriate.

**Immigration Reform and Control Act (IRCA)—Control Section 23.50**

*We recommend that the Legislature direct the State Department of Education to report, at the time of budget hearings, on (1) how it would implement the administration’s policy goal of restricting a portion of IRCA funding for critical services and (2) what the size of the restricted portion should be.*

The Immigration Reform and Control Act (IRCA), passed by Congress in 1986, authorized a general amnesty for (1) undocumented aliens who have lived in the country continuously since January 1982 (known as “pre-82s”), and (2) seasonal agricultural workers (SAWs).

Under IRCA, pre-82s are required by November 1990 to demonstrate minimum competencies in English and civics—specifically by either (1) passing a short INS exam, or (2) receiving from an adult education provider a “certificate of satisfactory pursuit” in a course of study leading to such competencies. Pre-82s may earn these certificates by completing 40 hours of instruction in a 60-hour course covering ESL and civics, or civics only (if taught in English). Pre-82s who fail to meet the competency requirements by November 1990 could become subject to deportation.

SAWs, and pre-82s under the age of 16 or over 64, are exempt from these competency requirements.

The Department of Finance estimates that, of the 1.3 million individuals who applied for amnesty, 781,000 are pre-82s subject to the English/civics education competency requirement and, of these, 703,000 will enroll in adult education in order to obtain certificates of satisfactory pursuit.

**Types of Educational Services.** Conceptually, the educational services provided to newly legalized immigrants may be thought of as falling into two categories:

- **Critical services.** These services consist of ESL and civics instruction designed to assist individuals in obtaining certificates of satisfactory pursuit. As we discuss more fully below, critical services may be defined either broadly or narrowly, depending on whether one includes or excludes services to individuals requiring *only* civics instruction.
- **Discretionary services.** These services include courses provided to SAWs or pre-82s who have already obtained certificates, and are intended to enhance their ability to function successfully in society. As such, it is desirable—but not absolutely necessary under the terms of IRCA—for the state to provide funding for these services.

**Budget Proposal.** The Governor’s Budget proposes to allocate a total of \$348 million for educational local assistance over the five years of IRCA. The five-year amount is intended to provide critical services (narrowly defined) to the estimated 703,000 pre-82s requiring such assistance, as well as some discretionary services to pre-82s and SAWs. (We provide a comprehensive overview of the Governor’s five-year plan in our companion volume, *The 1989-90 Budget: Perspectives and Issues*.)

Of the \$348 million, the Governor proposes to spend \$181 million in the budget year—a 46 percent increase above the amount proposed for the regular adult education program (including community colleges). The budget proposal thus represents a significant expansion of the adult education system.

The administration also proposes to target education funding in the budget year primarily to pre-82s lacking minimum proficiency in English. Specifically, it would require the SDE to expend at least 80 percent of the funds on critical services (excluding “civics only” courses). If provider claims for discretionary services were to exceed 20 percent of total funding on a statewide basis, the SDE would be required to suspend payments to all providers.

**Local Providers Unwilling to Set Priorities.** The administration’s targeting proposal is intended to address a failure among local providers to give priority to those aliens with the most critical needs for services. Because the huge increases in both demand and funding for IRCA-

**DEPARTMENT OF EDUCATION—Continued**

related courses have overwhelmed providers, many have been forced to establish waiting lists—and, if those with critical needs are not served by November 1990, they could become subject to deportation. In spite of this situation, a December 1988 report prepared under contract to the California Postsecondary Education Commission found that few providers give explicit priority to aliens with critical needs.

Much of the problem stems from a long-standing practice among adult education providers to serve individuals on a first come, first served basis, and to keep providing instruction until students have obtained higher levels of competency, exceeding minimum needs under IRCA. Providers therefore are reluctant to terminate instruction for currently-enrolled students (including those who have met the 40-hour minimum), in order to serve others still on waiting lists.

**Analysis of Targeting Proposal.** Our analysis indicates that some state-mandated targeting is necessary and appropriate in order to compel providers to set priorities. For this reason, we recommend that the Legislature support—in concept—the administration's targeting proposal. There are a number of issues, however, that need to be clarified, in order to determine if the administration's specific proposal would work.

**First**, it is unclear how SDE would implement the proposal. The SDE would have to develop mechanisms to ensure that statewide claims for critical services do not fall below 80 percent of the total; otherwise, all claims for discretionary services that providers subsequently submit would go unpaid—a risk that could discourage some local providers from offering *any* discretionary services. The SDE would also need to develop guidelines for assisting providers to target funds (such as setting aside a number of classrooms exclusively for critical services and serving all pre-82s currently on waiting lists by a specified date). The SDE needs to inform the Legislature what mechanisms, if any, would be stringent enough to ensure that local providers set priorities, but also flexible enough not to deny access to discretionary services unnecessarily.

**Second**, it is unclear whether 80 percent is the appropriate amount to set aside for critical services. Our preliminary estimates of the size of the critical need in the budget year indicate that an 80 percent minimum for critical services (as defined by the administration to exclude "civics only" courses) may be too high, and that a 40 or 50 percent figure may be more reasonable. Given the many uncertainties involved, however, including the lack of information on the amount of need being met in the current year, and the possibility of federal budget cuts, we believe that the Legislature should wait for better information before specifying a different threshold.

**Finally**, it is unclear whether the definition of critical services should include or exclude courses for pre-82s who require instruction in civics but not in English. The administration's targeting proposal does not include these pre-82s within the target group—presumably because they could obtain knowledge of civics in other ways, such as through self-study. This policy, however, may force these individuals to risk their permanent residency status on success or failure with the INS exam, when the state—for all practical purposes—could ensure their permanent status through 40 hours of enrollment in a civics course. The Legislature needs to resolve this issue before an appropriate amount for critical services can be determined.

For these reasons, we recommend that, while the Legislature should adopt *in principle* the concept of setting aside a portion of the funds for critical services, it should not approve the specifics of the proposal until these various issues have been resolved. We recommend that the Legislature instead direct the SDE to report, at the time of budget hearings, on (1) how it would implement the administration's proposal and (2) what amount *it believes* should be set aside for critical services.

We will provide further comments and recommendations, as appropriate, based upon the department's response.

### C. OFFICE OF FOOD DISTRIBUTION (Item 6110-001-687)

#### *We recommend approval.*

The Office of Food Distribution (OFD) administers the Surplus Food program. Under this program, the OFD receives surplus food commodities donated from the United States Department of Agriculture (USDA) and distributes them to schools, child care centers, charitable institutions, and food programs for the elderly. The OFD is entirely self-supporting; local agencies that receive commodities under the Surplus Food program are assessed processing and handling charges (\$2.00 per unit of donated food in the current year) that are sufficient to cover 100 percent of the program's costs.

Table 27 shows the value of food distributed, as well as the costs of administering the Surplus Food program, from 1987-88 through 1989-90.

**Table 27**  
**State Department of Education**  
**Office of Food Distribution—Surplus Food Program <sup>a</sup>**  
**Distribution Activity and Program Costs**  
**1987-88 through 1989-90**  
**(dollars in thousands)**

	<i>Actual</i> 1987-88	<i>Est.</i> 1988-89	<i>Prop.</i> 1989-90	<i>Change From</i> 1988-89	
				<i>Amount</i>	<i>Percent</i>
<b><i>Distribution Activity:</i></b>					
Total value of food distributed.....	\$106,397	\$104,000	\$100,000	—\$4,000 <sup>b</sup>	—3.8%
Number of agencies participating.....	2,865	2,900	2,900	—	—
<b><i>State Administration:</i></b>					
State administrative costs <sup>c</sup> .....	\$9,751	\$12,006	\$13,151	\$1,145	9.5%
Personnel years .....	82.7	100.7	112.1	11.4	11.3

<sup>a</sup> Donated Food Revolving Fund.

<sup>b</sup> Reflects loss of approximately \$4 million in dairy "bonus" commodities due to reduced support volume from USDA.

<sup>c</sup> The state is fully reimbursed for these costs through fees charged to local agencies.

Table 27 indicates that, during the budget year, the OFD will distribute an estimated \$100 million in donated food commodities—a decrease of \$4 million from the current year. The table also shows an expenditure of \$13.2 million for administrative costs in 1989-90—an increase of \$1.1 million, or 9.5 percent—from estimated 1988-89 expenditures. This increase is primarily due to staffing and workload increases needed in order to comply with recently revised federal regulations.

### D. PRIVATE POSTSECONDARY EDUCATION DIVISION (Item 6110-001-305)

#### *We recommend approval.*

The Private Postsecondary Education division within the State Department of Education regulates private schools in the state, and is the

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administrative arm of the Council for Private Postsecondary Educational Institutions. The division is self-supporting and derives its revenues from (1) federal reimbursements, (2) fees charged to private schools seeking state licensure, and (3) charges assessed to the Student Tuition Recovery Fund. (The Student Tuition Recovery Fund partially reimburses students when such institutions close before they have completed their instructional programs.)

The budget proposes an appropriation of \$1,680,000 from the Private Postsecondary Education Administration Fund to support the division's operations. This is an increase of \$111,000, or 7.1 percent, over the current-year funding level and reflects increases of \$82,000 to maintain the current level of service and \$29,000 for additional legal support.

**IV. STATE DEPARTMENT OF EDUCATION**

This section discusses the overall administrative budget for the State Department of Education (SDE), as well as those administrative activities that are not tied to a particular local assistance item, such as the California Assessment Program (CAP). Administrative issues related to particular local assistance items are discussed elsewhere in connection with the programs themselves. Issues related to the state special schools, the Office of Food Distribution, the Private Postsecondary Education Division, and the State Library also are discussed elsewhere in this analysis.

**K-12 Programs State Operations (Items 6110-001-001 and 6110-003-001)**

Table 28 shows state operations expenditures for the SDE (excluding the state special schools, the Office of Food Distribution, the Private

**Table 28**  
**Department of Education**  
**K-12 Education Programs**  
**State Operations Funding<sup>a</sup>**  
**1987-88 through 1989-90**  
**(dollars in thousands)**

	<i>Actual</i> 1987-88	<i>Est.</i> 1988-89	<i>Prop.</i> 1989-90	<i>Change from</i> 1988-89	
				<i>Amount</i>	<i>Percent</i>
<b>Funding:</b>					
General Fund .....	\$43,338 <sup>b</sup>	\$42,767	\$45,540 <sup>c</sup>	\$2,773	6.5%
Federal funds .....	33,492	40,277	41,414	1,137	2.8
State School Building Lease-Purchase Fund .....	1,040	1,105	1,314	209	18.9
First Offender Program Evaluation Fund .....	7	—	—	—	—
SLIAG .....	113	1,787	2,328	541	30.3
State Child Care Facilities Fund .....	175	112	—	-112	-100.0
Special Deposit Fund .....	403	1,136	1,173	37	3.3
Student Tuition Recovery Fund .....	50	51	53	2	3.9
Subtotals .....	(\$78,618)	(\$87,235)	(\$91,822)	(\$4,587)	(5.3%)
Reimbursements .....	\$8,214	\$8,781	\$9,011	\$230	2.6%
Totals .....	\$86,832	\$96,016	\$100,833	\$4,817	5.0%

<sup>a</sup> Excludes state special schools, Office of Food Distribution, Private Postsecondary Education, and State Library.

<sup>b</sup> Includes \$5,236 for one-time funding of audit exception related to desegregation.

<sup>c</sup> Includes Fiscal Oversight and Management Assistance.

Postsecondary Division, and the State Library) in the prior, current, and budget years. The budget proposes \$101 million in 1989-90, including \$45.5 million from the General Fund and \$41.4 million from federal funds. The General Fund amount is \$2.8 million (6.5 percent) above the estimated current-year level.

### Significant General Fund Changes in 1989-90

Table 29 shows the elements of the \$2.8 million net increase in General Fund support proposed for SDE in the budget year. As the table shows, the budget proposes (1) net baseline reductions of \$868,000 and (2) total increases of \$3.6 million to fund various program changes in the budget year.

The \$3.6 million proposed for program changes reflects increases for (1) fiscal oversight and management assistance to local education agencies (\$1.9 million), (2) maintenance costs for the California Assessment Program (CAP) (\$215,000), (3) second-year funding for an evaluation of bilingual education (\$280,000), (4) new consultant positions to provide assistance to a larger number of partnership academies (\$197,000), and (5) legal costs related to the *NAACP v. Los Angeles Unified School District, et al.*, school desegregation case (\$619,000).

**Table 29**  
**Department of Education**  
**Proposed 1989-90 General Fund Changes**  
**State Operations <sup>a</sup>**  
**(dollars in thousands)**

1988-89 Expenditures (Revised) .....	\$42,767
<i>Baseline Adjustments</i>	
Salary and benefits increases .....	\$1,249
GAIN reduction for limited-term positions .....	-149
One-time cost reductions .....	-1,367
Price increase .....	—
Other baseline adjustments .....	-601
Subtotal, baseline adjustments .....	(-\$868)
<i>Program Changes</i>	
Fiscal oversight and management assistance .....	\$1,900 <sup>b</sup>
CAP testing program maintenance .....	215
Bilingual evaluation—year 2 .....	280
Teacher salary database .....	95
Partnership academies .....	197
Continue GAIN positions .....	162
Administrative services .....	92
Litigation .....	619
Attendance accounting .....	81
Subtotal, program changes .....	(\$3,641)
1989-90 Expenditures (Proposed) .....	\$45,540
Change from 1988-89:	
Amount .....	\$2,773
Percent .....	6.5%

<sup>a</sup> Excludes state special schools, Office of Food Distribution, Private Postsecondary Education, and State Library.

<sup>b</sup> New Budget Bill Item 6110-003-001.

**DEPARTMENT OF EDUCATION—Continued**

**Personnel.** The budget proposes a total of 1,400.1 personnel-years (PYs) supported from all funds in 1989-90 (excluding the State Library and special schools)—an increase of 15.5 PYs (1.1 percent) above the current-year level.

We recommend approval of the following significant budget proposals in Item 6110-001-001 that are not discussed elsewhere in this analysis:

- **Bilingual education evaluation**—\$280,000 for the second year of an evaluation of bilingual education.
- **California Assessment Program**—\$215,000 for increased contract costs for CAP maintenance.
- **Partnership academies**—\$197,000 to establish new positions to assist a larger number of partnership academies.
- **Greater Avenues for Independence (GAIN)**—\$162,000 for the department to continue positions to review county plans associated with the GAIN program.

In addition, we recommend approval of \$1.9 million (General Fund) proposed in Item 6110-003-001 for school business officer training and school district fiscal oversight. This amount continues the current-year level of support for these programs (\$900,000 for school business officer training, which was previously provided in another Budget Act item; and \$792,000 for school district fiscal oversight, which was appropriated in separate legislation in the current year). In addition, the amount includes increases of \$109,000 for school business officer training and \$99,000 for school district fiscal oversight for additional staff.

**Legal Costs of Los Angeles Desegregation Case**

*We withhold recommendation on \$619,000 from the General Fund for legal costs related to the desegregation case, NAACP v. Los Angeles Unified School District, et al., pending legislative action on the Department of Justice funding request for this purpose.*

*NAACP v. Los Angeles Unified School District, et al.* is an ongoing desegregation case involving whether or not the district (and the SDE, through its monitoring and funding responsibilities) provides equal educational opportunities to its students generally, and in particular to black students in south-central Los Angeles.

The budget proposes \$619,000 from the General Fund for legal costs associated with the case—\$550,000 for reimbursements to the state Attorney General for its legal costs and \$69,000 for the SDE's own legal staff. The budget also proposes, however, to provide reimbursement authority totaling \$932,000 to the Attorney General for legal staff and economic and demographic consultants to defend the case—\$382,000 more than the amount of funds provided to the SDE for such reimbursements.

In our analysis of the Department of Justice's (DOJ) budget (Item 0820), we note that we have received information from both the SDE and the Attorney General indicating that a settlement is pending in the case.



Accordingly, we withhold recommendation on the DOJ request for \$932,000 in reimbursement authority and, instead, recommend that the DOJ and SDE jointly report to the Legislature, prior to budget hearings, on the status and costs of the case.

Pending legislative action on the DOJ funding request, we also withhold recommendation on the \$619,000 requested in the SDE's budget.

#### **Program Evaluations**

*We recommend that the Legislature adopt Budget Bill language directing the State Department of Education to redirect \$53,000 from the annual evaluation of categorical programs to support evaluations of (1) the Indian Education Centers program and (2) continuation high schools.*

The SDE's Program Evaluation and Research Division (PERD) is responsible for conducting a number of special studies and evaluations of educational programs. The budget requests a total of \$3.5 million for PERD in 1989-90 from the General Fund and federal funds.

The *Supplemental Report of the 1987 Budget Act* directed the SDE annually to submit a plan to the Legislature outlining the specific evaluation and reporting activities it intends to conduct in the coming fiscal year. The purpose of this requirement is to help ensure that these activities will address the Legislature's priorities and concerns. The department submitted its proposed plan for the budget year on January 20, 1989.

**Evaluations Not Addressed.** Our review of PERD's proposed budget plan indicates that it fails to address two important studies of interest to the Legislature.

**First**, no funding is proposed for a comprehensive evaluation of Indian Education Centers. The *Supplemental Report of the 1988 Budget Act* directed SDE to develop an evaluation plan (and funding proposal) that would focus on such areas as the effectiveness of the program, as well as individual projects, in increasing student achievement. Because the Governor's Budget proposes no specific funding to support such an evaluation (which SDE estimates would cost \$49,000 in 1989-90 and \$16,000 in 1990-91), however, SDE does not plan to conduct the study.

**Second**, the evaluation plan does not address a legislatively-required study—in the *Supplemental Report of the 1987 Budget Act*—on improving the effectiveness of continuation high schools. This study (which SDE estimates would cost \$25,000) has not been completed.

**Legislature Should Redirect Funds.** Our analysis indicates that the department could conduct these studies if it redirected funds from another proposed study that, in our opinion, is of lower priority—specifically, the annual "Consolidated Evaluation of State and Federal Categorical Programs." The department plans to allocate \$102,000—\$49,000 from federal funds and \$53,000 from other sources—for this report, which provides information on the achievement levels of students in six categorical programs.

Our review of the department's latest available evaluation indicates that the data presented in the report cannot be used to draw any valid conclusions regarding the effectiveness of these programs. Furthermore, the section of law requiring this report was repealed in 1988.

The Legislature should not eliminate all funding for the evaluation, however, because federal law does require periodic reports on federally-

**DEPARTMENT OF EDUCATION—Continued**

funded compensatory education. For this reason, we recommend that the portion of the study supported with federal compensatory education funds (\$49,000) be retained, and the remaining \$53,000 be redirected to support the two studies discussed above. Because this amount is not sufficient to fully fund *both* studies, we recommend that SDE fund the remaining \$21,000 in costs from its budget of approximately \$260,000 for "interbranch" evaluations (since the continuation high school study falls into this category).

In order to implement this recommendation, the Legislature should adopt the following Budget Bill language in Item 6110-001-001:

Notwithstanding Section 33403 of the Education Code, or any other provision of law, no funds appropriated pursuant to this act shall be used to prepare sections of the "Consolidated Evaluation of State and Federal Categorical Programs" that relate to state categorical programs, and no more than \$49,000 of the amount appropriated in this item and Item 6110-001-890 shall be used to prepare the remaining portion of the report.

Of the amount appropriated in this item, the State Department of Education shall use (1) \$49,000 to conduct a comprehensive evaluation of the California Indian Education Centers program in accordance with the plan SDE submitted to the Legislature on September 15, 1988, and (2) \$25,000 to complete a study on improving the effectiveness of continuation high schools. A portion of the latter study shall be supported with funds budgeted for interbranch projects.

**Review of Twelfth Grade CAP Test**

The California Assessment Program (CAP) provides the public, Legislature, and local school districts with information regarding the level of K-12 student performance in the state. Under this program, school districts administer standardized achievement tests in grades 3, 6, 8, and 12, with results reported on a schoolwide and districtwide basis.

Prior to the enactment of Senate Bill 813 (Ch 498/83), CAP tests were limited by statute to measuring only "basic skill" areas, such as reading, writing, and basic mathematics. SB 813 authorized SDE to revise the tests to include higher-level "content courses" including—but not limited to—literature, advanced math, history, and science. The Legislature subsequently enacted Ch 1697/84, which (1) *required* the SDE to upgrade the test in grade 12 and (2) directed the Legislative Analyst to review the content and reliability of the new test. This report is presented in compliance with the requirements of Chapter 1697.

***SDE Developed Two New Test Components.*** In response to the legislative directive, the SDE revised over a three-year period the English-language arts and mathematics portions of the test, and first administered the revised test in December 1987.

Our review indicates that the revised test addresses higher-level content areas in these two subjects, as envisioned by the legislation. The English-language arts component employs passages from "high-quality" literature and tests pupils' understanding of the meaning and logic of each passage. The math component consists primarily of "story problems" that assess students' ability to think and use knowledge of intermediate algebra and elementary statistics. Although the mathematical knowledge addressed by the test is not exceedingly advanced, the department argues that the use of complex problem-solving skills consti-

tutes a type of "advanced math," and thus meets the provisions of Chapter 1697.

With respect to the accuracy of the test, data provided by the SDE indicate that the new test is about 1.6 to 2.0 times as reliable as the old test, depending on the size of the school in which the test is administered. (The increase in accuracy is greatest in smaller schools.)

**Revisions Not Completed in Other Content Areas.** The SDE is still in the process of developing science and history components for the test. The department expects the science component to be ready in December 1989, and the history component to be ready a year later. We will review these tests when they become available and advise the Legislature, as appropriate.

Because the revisions made to date appear to meet the requirements of current law, we make no recommendations for legislative action at this time.

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## DEPARTMENT OF EDUCATION—REAPPROPRIATION

Item 6110-490 from the General  
Fund

Budget p. E 1

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### ANALYSIS AND RECOMMENDATIONS

*We recommend approval.*

The budget proposes to reappropriate the unencumbered balance (\$764,000) of Item 6100-119-001 (b), Budget Act of 1984, for the expansion of Opportunity Classes and Programs. Our analysis indicates that these funds are needed to operate the program and we recommend approval as budgeted.

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## DEPARTMENT OF EDUCATION—REVERSION

Item 6110-495 from the General  
Fund and the Special Account  
for Capital Outlay

Budget p. E 1

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### ANALYSIS AND RECOMMENDATIONS

*We recommend approval.*

The budget proposes to revert to the General Fund the unencumbered balances from the appropriations made in Ch 1607/84 (school/law enforcement partnership program) and Ch 259/87 (San Jose desegregation funding). The budget also proposes to revert to the Special Account for Capital Outlay the unencumbered balance from an appropriation made in Ch 798/80, for assisting child development facilities in meeting state and local health and safety standards.

These are technical reversions needed to clear minor remaining balances.

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**DEPARTMENT OF EDUCATION—STATE LIBRARY**

Item 6120 from the General  
Fund and the Federal Trust  
Fund

Budget p. E 23

Requested 1989-90 .....	\$59,567,000
Estimated 1988-89 .....	58,964,000
Actual 1987-88 .....	53,951,000
Requested increase (excluding amount for for salary increases) \$603,000 (+1.0 percent)	
Total recommended reduction .....	None

**1989-90 FUNDING BY ITEM AND SOURCE**

Item—Description	Fund	Amount
6120-011-001—Main support	General	\$11,212,000
6120-011-890—Federal support	Federal Trust	1,593,000
6120-211-001—Local assistance	General	13,984,000
6120-211-890—Federal local assistance	Federal Trust	12,000,000
6120-221-001—Public Library Foundation	General	20,600,000
Reimbursements	—	22,000
—Library construction	California Library Construction and Renovation	156,000
Total		\$59,567,000

**GENERAL PROGRAM STATEMENT**

The California State Library (1) maintains reference and research materials for state government, (2) provides support to local public libraries, and (3) provides library services to the blind and physically handicapped in northern California. The State Library's operations budget supports the maintenance of various library collections (such as law, reference, Sutrø, and government document publications), the provision of consultant services to public libraries, and the administration of the California Library Services Act (CLSA), the Public Library Foundation Program, and the California Library Construction and Renovation program. Its local assistance budget supports (1) state and federal grants to public libraries and library agencies for various purposes, including adult literacy programs and library construction and (2) local resource sharing through the creation and maintenance of a data base covering California public library materials.

The State Library has 174.4 personnel-years in the current year.

**ANALYSIS AND RECOMMENDATIONS***We recommend approval.*

Table 1 displays total funding for the State Library for the prior, current, and budget years.

As the table shows, the budget proposes a General Fund appropriation of \$45.8 million for the State Library in 1989-90—an increase of \$602,000 (1.3 percent) above the current-year level. Total expenditures, including federal funds and reimbursements, are proposed at \$59.6 million—\$603,000 (1.0 percent) above the current-year level.

**Table 1**  
**California State Library**  
**Budget Summary**  
**1987-88 through 1989-90**  
**(dollars in thousands)**

	<i>Actual</i> 1987-88	<i>Est.</i> 1988-89	<i>Prop.</i> 1989-90	<i>Change from</i> <i>1988-89</i>	
				<i>Amount</i>	<i>Percent</i>
<i>State Operations:</i>					
Reference services for the Legislature and state agencies .....	\$3,162	\$2,394	\$2,500	\$106	4.4%
Statewide library support and development .....	3,083	3,173	3,292	119	3.8
Special clientele services .....	1,520	1,928	1,666	-262	-13.6
Support services .....	4,349	5,565	5,525	-40	-0.7
Subtotals, state operations .....	(\$12,114)	(\$13,060)	(\$12,983)	(-\$77)	(-0.6%)
<i>Local Assistance:</i>					
Statewide library support and development .....	\$41,837	\$45,904	\$46,584	\$680	1.5%
Totals .....	\$53,951	\$58,964	\$59,567	\$603	1.0%
<i>Funding Sources</i>					
General Fund .....	\$42,975	\$45,194	\$45,796	\$602	1.3%
Federal funds .....	10,954	13,699	13,593	-106	-0.8
California Library Construction and Renovation Fund .....	—	49	156	107	218.4
Reimbursements .....	22	22	22	—	—

Table 2 identifies the major changes in the State Library budget proposed for 1989-90. The table shows that the net total increase of \$603,000 is composed of (1) reductions of \$858,000 for the elimination of various one-time expenditures, (2) increases of \$357,000 for employee compensation, and (3) increases of \$1.1 million for the following three program changes:

- \$680,000 from the General Fund for workload and cost-of-living adjustments for transaction-based reimbursements to local libraries for the costs of loans to patrons from outside their jurisdictions (including interlibrary loans);
- \$268,000 from federal funds to preserve rare, historic photographs; and
- \$156,000 from the California Library Construction and Renovation (CLCR) Fund for administration of the CLCR program discussed below.

**DEPARTMENT OF EDUCATION—STATE LIBRARY—Continued**

**Table 2**  
**California State Library**  
**Proposed 1989-90 Budget Changes**  
**By Funding Source**  
**(dollars in thousands)**

	<i>General Fund</i>	<i>Federal Funds</i>	<i>Other</i>	<i>Totals</i>
1988-89 expenditures (revised) .....	\$45,194	\$13,699	\$71	\$58,964
<i>Baseline Adjustments</i>				
Employee compensation .....	\$308	\$49	—	\$357
Adjustments for nonrecurring expenses .....	—386	—423	—\$49	—858
Subtotals, baseline adjustments .....	(—\$78)	(—\$374)	(—\$49)	(—\$501)
<i>Program Changes</i>				
Transaction-based reimbursement system ....	\$680	—	—	\$680
Preservation of historic photographs .....	—	\$268	—	268
Administration of California Library Construction and Renovation program .....	—	—	\$156	156
Subtotals, program changes .....	(\$680)	(\$268)	(\$156)	(\$1,104)
1989-90 expenditures (proposed) .....	\$45,796	\$13,593	\$178	\$59,567
Change from 1988-89:				
Amount .....	\$602	—\$106	\$107	\$603
Percent .....	1.3%	—0.8%	150.7%	1.0%

**Legislative Oversight: Proposition 85.** The California Library Construction and Renovation Bond Act of 1988 was approved by the voters in November 1988. The act authorizes the sale of \$75 million in general obligation bonds for grants to buy property for, construct, renovate, and expand local libraries. In order to participate in the grant program, local library authorities will have to:

- Pay 35 percent of the project costs;
- Use their own funds to buy books and operate the library; and
- Operate for at least 20 years any library acquired, constructed, remodeled or rehabilitated with state grant funds.

The act allows the State Library to use up to \$750,000 of the bond proceeds to administer the program.

As mentioned previously, the budget proposes \$156,000 from the CLCR fund in 1989-90 for the first full year of program administration costs. The budget does not propose funds for grant awards in 1989-90, but states that "should developmental work [related to the State Library's implementation of the act] proceed at a faster rate than anticipated, grants will be awarded and expenditures incurred in 1989-90."

At the time this analysis was prepared, the State Library was working with legal counsel to begin drafting regulations related to the funding application and grant award process. The State Library anticipates that up to \$18 million will be awarded to local library authorities in 1989-90 (probably during late winter or early spring of 1990), but that the majority of funding will be awarded in 1990-91 and 1991-92. The State Library also notes that funding decisions may be delayed if there are delays in obtaining legal opinions or approval of regulations.

**CALIFORNIA STATE SUMMER SCHOOL FOR THE ARTS**

Item 6255 from the General  
Fund and Special Deposit  
Fund

Budget p. E 40

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Requested 1989-90 .....	\$1,280,000
Estimated 1988-89 .....	1,111,000
Actual 1987-88 .....	514,000
Requested increase \$169,000 (+15 percent)	
Total recommended reduction .....	None

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**1989-90 FUNDING BY ITEM AND SOURCE**

Item—Description	Fund	Amount
6255-001-001	General	—
—	Special Deposit	\$700,000
Transfer from Item 6110-101-001	General	580,000
Total		\$1,280,000

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**GENERAL PROGRAM STATEMENT**

The California State Summer School for the Arts (CSSSA) was established by Ch 1131/85 (SB 45), and reauthorized by Ch 1515/88 (SB 2266) to provide talented high school students with an opportunity to receive art instruction from professional artists in a residential summer school program. Students from throughout the state compete for approximately 400 openings, and choose from six disciplines: dance, music, theatre arts, visual arts, creative writing, and film/video. The first session was held in the summer of 1987.

**ANALYSIS AND RECOMMENDATIONS***We recommend approval.*

The CSSSA is funded by the state General Fund, private contributions, and student fees. The budget anticipates \$1.3 million for its total support in 1989-90. This amount includes \$580,000 from the General Fund and \$700,000 from the Special Deposit Fund, composed of cash and in-kind contributions and student fees. The proposed General Fund amount—an increase of \$169,000 (15 percent) above estimated current-year expenditures—is specified in Chapter 1515.

Pursuant to the requirements of Chapter 1515, the Governor's Budget proposes to fund the CSSSA from the supplemental summer school appropriation of the Department of Education, reinstating the practice of the 1986 and 1987 Budget Acts. (In the 1988 Budget Act, state funding was separately appropriated in Item 6255-001-001.)

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**CALIFORNIA STATE COUNCIL ON VOCATIONAL EDUCATION**

Item 6320 from the General  
Fund and Federal Trust Fund

Budget p. E 42

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Requested 1989-90 .....	\$332,000
Estimated 1988-89 .....	326,000
Actual 1987-88 .....	290,000
Requested increase (excluding amount for salary increases) \$6,000 (+1.8 percent)	
Total recommended reduction .....	None

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**1989-90 FUNDING BY ITEM AND SOURCE**

Item—Description	Fund	Amount
6320-001-001—Support	General	\$99,000
6320-001-890—Support	Federal Trust	233,000
Total		\$332,000

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**GENERAL PROGRAM STATEMENT**

The federal Vocational Education Act of 1984 requires the state to establish an advisory council on vocational education and specifies the council's membership and duties. In order to comply with this requirement, the California State Council on Vocational Education (SCOVE) was established by Ch 164/85.

The SCOVE consists of 13 members appointed by the Governor, and has planning, oversight, and evaluative functions. The council has 4.1 personnel-years in the current year.

**ANALYSIS AND RECOMMENDATIONS**

*We recommend approval.*

The budget proposes expenditures totaling \$332,000 from state and federal funds to support the SCOVE in 1989-90. Excluding salary increases, this is an increase of \$6,000 (1.8 percent) from estimated current-year expenditures, and is sufficient to maintain the current-year level of service.

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## CALIFORNIA OCCUPATIONAL INFORMATION COORDINATING COMMITTEE

Item 6330 from the Federal  
Trust Fund

Budget p. E 43

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Requested 1989-90 .....	\$164,000
Estimated 1988-89 .....	183,000
Actual 1987-88 .....	218,000
Requested decrease (excluding amount for salary increases) \$19,000 (—10 percent)	
Total recommended reduction .....	None

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### 1989-90 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
6330-001-890—COICC, support	Federal Trust	\$154,000
Reimbursements	—	<u>10,000</u>
Total		\$164,000

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### GENERAL PROGRAM STATEMENT

The California Occupational Information Coordinating Committee (COICC) was established by Ch 972/78, pursuant to a requirement contained in the federal Vocational Education Act of 1978. 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 two personnel-years to administer its program in the current year.

### OVERVIEW OF THE BUDGET REQUEST

*We recommend approval.*

The Governor's Budget proposes a total of \$164,000 (\$154,000 from the Federal Trust Fund and \$10,000 in reimbursements) for support of the COICC in 1989-90. This is a decrease of \$19,000, or 10 percent, from estimated expenditures in the current year.

This reduction reflects an anticipated reduction in the committee's need for interdepartmental consulting and professional services in the budget year.

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**SCHOOL FACILITIES ASBESTOS ABATEMENT**Item 6350 from the General  
Fund

Budget p. E 44

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Requested 1989-90 .....	\$100,000
Estimated 1988-89 .....	100,000
Actual 1987-88 .....	100,000
Requested increase .....	None
Total recommended reduction .....	None

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**GENERAL PROGRAM STATEMENT**

The School Facilities Asbestos Abatement program was established in 1984 for the purpose of providing matching grants to school districts for asbestos abatement projects. The State Allocation Board (SAB), which is staffed by the Office of Local Assistance (OLA) in the Department of General Services, is the state agency responsible for administering the program and allocating funds to school districts. OLA also is responsible for reviewing and approving specified federally-required asbestos management plans that are filed by school districts.

Hazardous asbestos materials are those that are "friable"—loose, crumbling, flaking, or dusting—and thus make it possible for asbestos fibers to be released into the air. Exposure to airborne asbestos fibers has been linked with a number of serious diseases, including cancer, which primarily affect the lungs and digestive system.

During the period 1984-85 through 1986-87, a total of \$24.8 million in state funds was made available for matching grants to school districts for asbestos abatement projects; because these funds had not been fully expended, no additional funding support was provided in either 1987-88 or 1988-89.

The 1988 School Facilities Bond Act (Proposition 79 on the November 1988 ballot) provides that up to \$100 million of the \$800 million provided in the act may be used by the SAB for the identification, assessment, and abatement of hazardous asbestos materials. At its November 1988 meeting, however, the SAB decided *not to use* the Proposition 79 funds for the State School Facilities Asbestos Abatement program; instead, these funds will be used only for the abatement (removal or encapsulation—but not replacement) of hazardous asbestos materials in schools closed by the Division of Occupational Safety and Health in the Department of Industrial Relations (DIR) or a court order, or a school closed for a "non-district-related reason." In our companion volume, *The 1989-90 Budget: Perspectives and Issues*, we discuss and make recommendations regarding the allocation of the Proposition 79 funds as part of a larger discussion on how the Legislature can best address asbestos abatement in state-owned buildings and K-12 public schools.

**ANALYSIS AND RECOMMENDATIONS**

*We recommend approval.*

The budget proposes to appropriate \$100,000 from the General Fund to the Asbestos Abatement Fund in 1989-90. This is the same level as is provided in the current year and would reimburse the DIR for state

operations workload associated with monitoring asbestos abatement projects. Because school districts will continue during the budget year to conduct asbestos abatement projects, we find that the level of support for DIR is appropriate and recommend that this item be approved as budgeted.

### COMMISSION ON TEACHER CREDENTIALING

Item 6360 from the Teacher  
Credentials Fund and the  
General Fund

Budget p. E 50

Requested 1989-90 .....	\$11,503,000
Estimated 1988-89 .....	10,626,000
Actual 1987-88 .....	8,070,000
Requested increase (excluding amount for salary increases) \$877,000 (+8.3 percent)	
Total recommended reduction .....	None

#### 1989-90 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
6360-001-001—Support	General	\$1,100,000
6360-001-407—Support	Teacher Credentials	6,868,000
6360-001-408—Support	Test and Administration Ac- count, Teacher Credentials	3,535,000
Total		\$11,503,000

#### GENERAL PROGRAM STATEMENT

The Commission on Teacher Credentialing (CTC) is responsible for (1) developing standards and procedures for credentialing teachers and administrators, (2) issuing and revoking credentials, (3) evaluating and approving programs of teacher-training institutions, (4) developing and administering "legislatively-mandated" competency exams, and (5) establishing policy leadership in the field of teacher preparation. The commission has 121 personnel-years in the current year.

#### OVERVIEW OF THE BUDGET REQUEST

The budget, as shown in Table 1, proposes appropriations totaling \$11.5 million from the Teacher Credentials Fund, the Test Development and Administration Account, and the General Fund for support of the commission in 1989-90. This is an increase of \$877,000, or 8.3 percent, above estimated current-year expenditures.

**COMMISSION ON TEACHER CREDENTIALING—Continued**

**Table 1**  
**Commission on Teacher Credentialing**  
**Budget Summary**  
**1987-88 through 1989-90**  
**(dollars in thousands)**

	<i>Actual</i> 1987-88	<i>Est.</i> 1988-89	<i>Prop.</i> 1989-90	<i>Change</i> from 1988-89
<i>Programs</i>				
Credential issuance and information .....	\$3,013	\$3,456	\$3,635	5.2%
Certification standards .....	770	1,898	2,117	11.5
Program monitoring and evaluation .....	459	839	855	1.9
Examinations .....	2,229	3,137	3,535	12.7
Professional standards .....	1,183	1,296	1,361	5.0
Administration .....	1,572	1,501	1,681	12.0
Distributed administration .....	<u>-1,156</u>	<u>-1,501</u>	<u>-1,681</u>	<u>—</u>
Totals, expenditures .....	\$8,070	\$10,626	\$11,503	8.3%
<i>Funding Sources</i>				
General Fund .....	—	\$1,100	\$1,100	—
Teacher Credentials Fund .....	\$5,841	6,389	6,868	7.5%
Test Development and Administration Account .....	2,229	3,137	3,535	12.7
Personnel-years .....	113.7	121	120.2	0.7%

Table 2 shows the changes—totaling \$877,000—in the commission's budget proposed for the budget year. It shows that proposed program changes of \$839,000 account for most of the proposed increase. The budget proposes the following two significant changes:

- **Improvements to Existing Certification**—\$580,000 from the Test Development and Administration Account to improve or validate four existing certification examinations.
- **Add Certification Officers**—\$117,000 from the Teacher Credentials Fund to hire additional certification officers, in order to (1) process credentials within legislatively-mandated timelines and (2) decrease staff overtime.

**Table 2**  
**Commission on Teacher Credentialing**  
**Proposed 1989-90 Budget Changes**  
**By Funding Source**  
**(dollars in thousands)**

	<i>General</i> <i>Fund</i>	<i>Teacher</i> <i>Credentials</i> <i>Fund</i>	<i>Test and</i> <i>Adminis-</i> <i>tration</i> <i>Account</i>	<i>Totals</i>
1988-89 Expenditures (Revised) .....	\$1,100	\$6,389	\$3,137	\$10,626
<i>Baseline Adjustments</i>				
Personnel increases .....	—	211	15	226
Price increases .....	—	42	50	92
Nonrecurring expenditures .....	—	-386	-318	-704
Miscellaneous adjustments .....	—	353	71	424
Subtotals, baseline adjustments .....	—	(\$220)	(\$182)	(\$38)
<i>Program Changes</i>				
Add certification officers .....	—	\$117	—	\$117

Revise and validate four certification examinations .....	—	—	\$580	580
Establish Accreditation Advisory Council.....	—	60	—	60
Provide training to program evaluation team .....	—	28	—	28
Conduct study on streamlining credential system.....	—	54	—	54
Subtotals, program changes .....	—	(\$259)	(\$580)	(\$839)
1989-90 Expenditures (Proposed)	\$1,100	\$6,868	\$3,535	\$11,503
Change from 1988-89:				
Amount .....	—	\$479	\$398	\$877
Percent.....	—	7.5%	12.7%	8.3%

## ANALYSIS AND RECOMMENDATIONS

### *We recommend approval.*

We recommend approval of the proposed CTC budget. Our analysis indicates that the proposed changes are justified by workload and programmatic needs.

### **Credential Fee Level Recommendation**

Chapter 572, Statutes of 1986, requires, as part of the annual budget review process, the Department of Finance and Legislative Analyst to recommend to the Legislature a credential fee level that will generate sufficient revenues to support the operating budget of the commission plus a prudent reserve. A reserve is necessary because of a history of substantial annual fluctuations in revenues. The budget proposes to maintain the credential fee at the current level of \$60. Our analysis indicates that this fee level will provide for a \$2.9 million (28 percent) prudent reserve balance in the Teacher Credentials Fund (including the Test and Administration Account) at the end of 1989-90. We concur with the appropriateness of this fee level.